

SI Insurance (Europe), SA

Solvency and Financial Condition Report

For the year ended 31 December 2023

Contents

Summary	3
A. Business and Performance	8
A.1 Business	8
A.2 Underwriting Performance	13
A.3 Investment Performance	16
A.4 Performance of other activities	17
A.5 Any other information	17
B. System of Governance	18
B.1 General information on the system of governance	18
B.2 Fit and proper requirements	22
B.3 Risk management system including the Own Risk and Solvency Assessment	23
B.4 Internal control system	27
B.5 Internal audit function	29
B.6 Actuarial function	30
B.7 Outsourcing	32
B.8 Any other information / summary	34
C. Risk Profile	35
C.1 Underwriting Risk	36
C.2 Market Risk	42
C.3 Credit Risk	45
C.4 Liquidity Risk	47
C.5 Operational Risk	48
C.6 Other material risks	50
C.7 Other information	52
D. Valuation for Solvency Purposes	53
D.1 Assets	53
D.2 Technical provisions	56
D.3 Other liabilities	65
D.4 Alternative methods for valuation	66
D.5 Any other information	66
E. Capital Management	67
E.1 Own funds	67
E.2 Solvency Capital Requirement and Minimum Capital Requirement	68
E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement	69
E.4 Differences between the Standard Formula and any internal model used	69
E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	69
E.6 Any other information	69
Approval by the Board of Directors of the Solvency and Financial Condition Report	70
Appendix 1 – Quantitative reporting templates	71

Summary

SI Insurance (Europe), SA (the “Company”, or “SIIE”) is an insurance company that was incorporated under the laws of the Grand Duchy of Luxembourg on 12 January 2018.

Solvency II introduction

As a regulated insurance company, the Company is subject to the Luxembourg and European Union (“EU”) prudential regulatory framework, pursuant to EU Directive 2009/138/EC (“Solvency II” or “the Directive”), which came into force on 1 January 2016. The main purpose of Solvency II is to enhance the level of policyholder protection across the EU. Solvency II also aims to harmonise the regulatory framework and is intended to improve the resilience of the insurance sector to shocks and so reduce the probability of insurers failing.

Solvency II requires firms to identify, quantify and manage their risks on a forward-looking basis, while providing greater transparency to markets and supervisors through the provision of higher quality and more consistent information.

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

Basis of preparation

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

Quantitative information is prepared in Euro, which is the presentational and functional currency of the Company, and rounded to the nearest €000. Rounding differences of +/- one unit can occur.

Business and performance

On 27 March 2018, the Minister of Finance in Luxembourg, granted the Company an insurance license. The Company has received authorisation from the Commissariat aux Assurances (the “CAA”) to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area (“EEA”) on a Freedom of Establishment basis via headquarters in Luxembourg and branch offices in Germany, Italy, Spain and United Kingdom (the “Branches”) and on a Freedom of Services basis in the remaining member states.

In 2022, the Company received an approval by UK Prudential Regulation Authority and Financial Conduct Authority of its Third Country Branch in the UK. In 2022, the Company established an insurance branch in Zurich, Switzerland which was ultimately licensed to underwrite insurance risks from March 2023. In 2023, the Company established an insurance branch in France, which was ultimately licensed to underwrite insurance risks from February 2024.

The principal activity of the Company is the transaction of general insurance and reinsurance business underwritten in Europe. The Company aims to continue to build out its insurance operations in the property, agriculture, professional lines, marine and energy, aviation and financial & political risks lines of business. The reinsurance operations focus on strategic opportunities with certain clients and markets within global specialty lines, including marine and trade credit and surety reinsurance, catastrophe and casualty reinsurance business.

Amounts in €'000 unless stated	31 Dec 2023	31 Dec 2022	Movement
Gross written premium	575,628	475,474	100,154
Technical result	(24,608)	(4,831)	(19,777)

Gross written premium for the year increased to €575,628k (2022: €475,474k). There was growth across several lines and notably within insurance of general liability, fire and other damage to property and marine as the Company continued to expand its European operations. The Company recorded a loss on the overall technical result of €(24,608)k in 2023 (2022: €4,831k loss). The Company’s underwriting ratio (calculated as net claims incurred plus net acquisition costs, as a percentage of net earned premium) was 72% (2022: 70%).

Net claims incurred amounted to €79,992k (2022: €52,268k) mainly driven by increased losses in property including agriculture and reserve strengthening in general liability and income protection lines of business.

Net operating expenses during 2023 of €32,421k (2022: €24,467k) included administrative expenses and acquisition costs net of reinsurance commissions and increased due to growth in business and additional investment in strengthening underwriting and operational capabilities in Continental Europe.

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

System of governance

The Board of Directors of the Company (the “Board”) is the governing body of the Company. The Board is responsible for the strategic oversight of the Company and, *inter alia*, for the establishment and maintenance of a governance environment. The Board is supported by three oversight committees; the Audit Committee, the Risk & Compliance Committee and the Remuneration Committee.

The following four Key Functions have been identified as those that amount to effectively running the firm:

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

Further detail on the system of governance of the Company, including the risk management system and Own Risk and Solvency Assessment (“ORSA”), is reported in section B.

Risk profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. As determined by the Standard Formula, insurance risk is the most material risk to the Company, with non-life underwriting risk identified as the most predominant insurance risk. The comprehensive reinsurance in place both for specific lines of business and across the whole account substantially limit the net loss potential from any single occurrence or aggregation of loss events.

Market risk is also a significant risk for the Company, further detail on the current risk profile of the Company, and related risk management techniques, are reported in section C.

Valuation for solvency purposes

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

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

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

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

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

Capital management

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

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

Amounts in €'000 unless stated	31 Dec 2023	31 Dec 2022	Movement
Eligible own funds to meet SCR	213,650	227,555	(13,905)
Eligible own funds to meet MCR	211,459	224,494	(13,035)
Solvency Capital Requirement	111,053	108,702	2,351
Minimum Capital Requirement	30,216	27,176	3,040
Ratio of own funds to SCR	192.4 %	209.3 %	(16.9)%
Ratio of own funds to MCR	699.8 %	826.1 %	(126.3)%

Eligible own funds and the SCR have decreased during the period by €13,905k and €2,351k respectively, resulting in a decrease in the Solvency ratio from 209.3% in 2022 to 192.4% in 2023. The primary driver of the decrease in the eligible own funds was the loss for the year. The increase in the SCR is mainly driven by the operational risk SCR due to increased gross best estimate reserves and increased counterparty risk SCR due to increased receivables. These increases are primarily offset by a decrease in market risk due to a reduction in USD net assets which reduces the currency risk. The MCR has increased because of an increase in net written premiums primarily in the general liability and marine lines of business.

Own funds are classified by the following tiers:

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Tier 1	211,459	224,494	(13,035)
Tier 2	—	—	—
Tier 3	2,191	3,061	(870)
	213,650	227,555	(13,905)

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of €30k and €243,734k respectively (2022: €30k and €243,734k), and a reconciliation reserve of €(32,305)k (2022: €(19,270)k). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

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

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

Further detail on capital management is reported in section E.

A. Business and Performance

A.1 Business

A.1.1 Name and legal form

SI Insurance (Europe), SA was incorporated on 12 January 2018 as a Société Anonyme under the laws of the Grand Duchy of Luxembourg.

On 27 March 2018, the Minister of Finance in Luxembourg, granted the Company an insurance license. The Company has received authorisation from the Commissariat aux Assurances (the “CAA”) to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area (“EEA”) on a Freedom of Establishment basis via headquarters in Luxembourg and branch offices in Germany, Italy, Spain and United Kingdom (the “Branches”) and on a Freedom of Services basis in the remaining member states.

The Company is fully owned by its immediate parent company, Sompo International Holdings (Europe) Limited (“SIHEL”), a limited liability company incorporated in England.

In 2022, the Company received an approval by UK Prudential Regulation Authority (“PRA”) and Financial Conduct Authority of its Third Country Branch (“3CB”) in the UK. In accordance with the PRA requirements for 3CB, the Company maintains a €3,700k security deposit in the UK to cover a portion of the UK branch minimum capital requirement. In March 2023, the Zurich Branch was established and licensed by the Swiss Financial Markets Supervisory Authority (FINMA). Through 2023, the branch was in the startup phase of its operations. A limited number of policies have been successfully underwritten with a total volume below €1 million. The tied assets regime applicable under Swiss regulation is regularly monitored to meet the local regulatory capital requirements of the Swiss regulator. In 2023, the Company established an insurance branch in France, which was ultimately licensed to underwrite insurance risks from February 2024.

The Company’s ultimate holding company is Sompo Holdings, Inc., a holding company incorporated and headquartered in Japan.

A.1.2 Supervisory authority and group supervisor

SIIE supervisor: The Commissariat aux Assurances
7, boulevard Joseph II
L-1840 Luxembourg
GD of Luxembourg
(+352) 22 69 11 -1
caa@caa.lu

Sompo International Holdings Ltd. Group supervisor is:

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

Sompo Holdings' group supervisor is:

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

A.1.3 External auditor

The statutory accounts are audited by Ernst & Young S.A. The Solvency II results published in this report have not been audited.

External auditor: Ernst & Young S.A.
35E avenue John F. Kennedy
L-1855
Luxembourg

A.1.4 Group structure

Sompo Holdings operates worldwide and is publicly traded on the Tokyo Stock Exchange. The Company is a fully owned member of a sub-group, Sompo International Holdings Ltd. (“SIH”), which at 31 December 2023 wrote insurance and reinsurance business through its 22 operating subsidiaries domiciled in and across North America, South America, Europe and Asia. Figure A.1.4a below depicts an abridged structure chart of the Company and its position within the Sompo Holdings, Inc. group (“Sompo Group” or “Group”).

Fig. A.1.4a

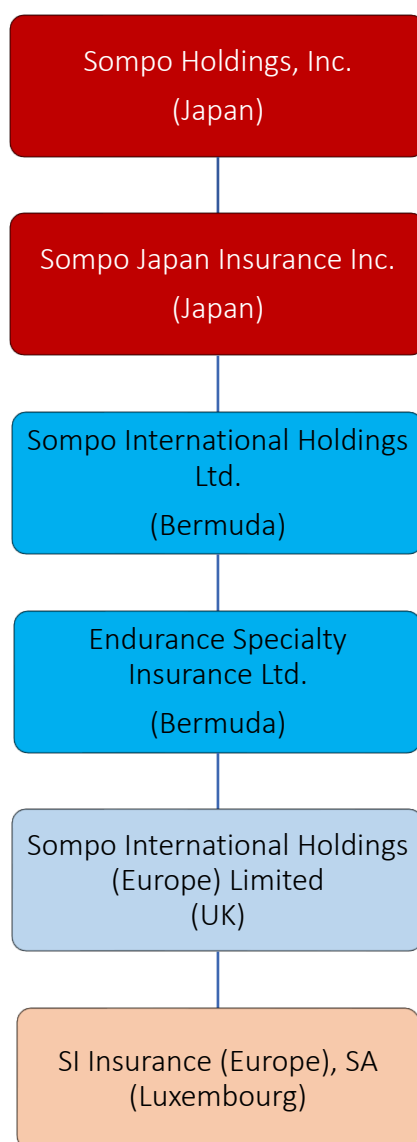
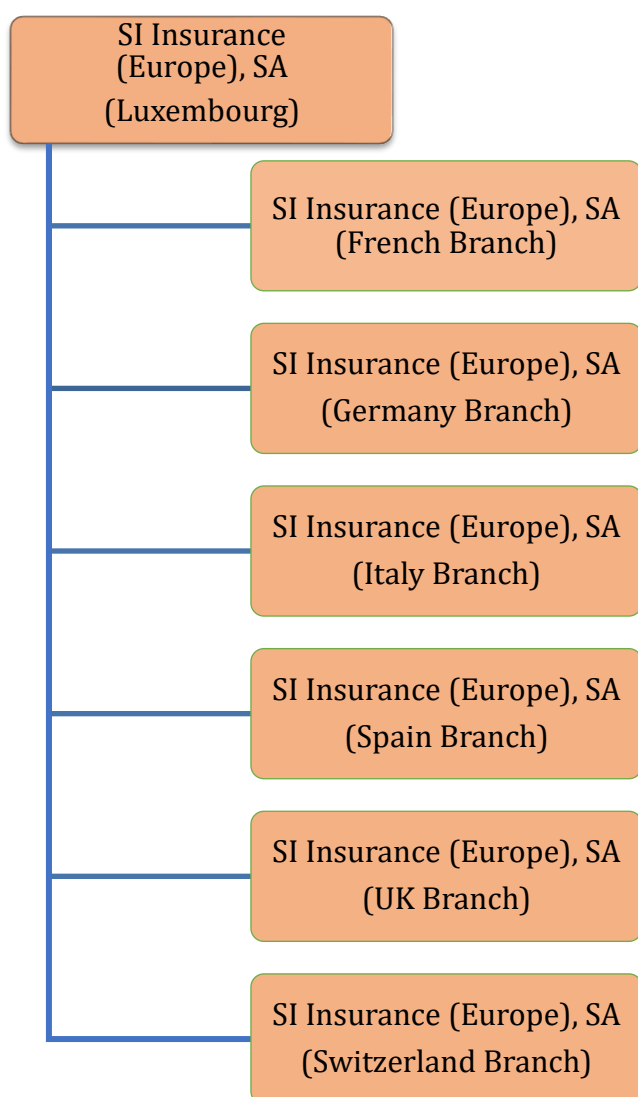


Fig A.1.4b shows a structure chart of the Company and its Branches:



A.1.5 Material lines of business and material geographical areas

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

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Fire and other damage to property insurance	199,454	169,671	29,783
General liability insurance	165,429	121,470	43,959
Marine, aviation and transport insurance	121,182	94,585	26,597
Income protection insurance	15,920	30,465	(14,545)
Non-proportional reinsurance	43,339	28,690	14,649
Credit and suretyship insurance	21,927	26,158	(4,231)
Other	8,377	4,435	3,942
	575,628	475,474	100,154

The Company operates predominantly on an EEA-wide basis; the following table sets out the gross premiums written by material geographical area using the Solvency II criteria for classification to country.

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Germany	197,482	119,363	78,119
France	85,256	76,955	8,301
Italy	84,670	77,951	6,719
Luxembourg	11,666	15,553	(3,887)
Spain	28,517	16,898	11,619
Netherlands	39,624	34,744	4,880
Ireland	28,153	24,542	3,611
Norway	16,095	10,933	5,162
Other	84,165	98,535	(14,370)
	575,628	475,474	100,154

The disclosed premiums for both years are presented in accordance with the Luxembourg GAAP financial statements which differ to the calculation methodology used for QRT S.05.01 Premiums, claims and expenses which is included in Appendix 1. 2022 comparatives were restated to confirm with the current year classification to country.

A.1.6 Significant events during the period

- The Company does not have material exposure to any recent external events (e.g. Ukraine War, Israel/Hamas conflict), however we continue to monitor our financial resilience and adapt our risk management in order to manage any adverse impact to the Company from the current geopolitical and macroeconomic uncertainty.
- Headline Consumer Prices Index ("CPI") in recent periods has been significantly higher than the long-run average between 2011-19, which has increased the level of uncertainty in our reserve estimates. However, it should be noted that drivers of insurance claims costs vary by class and include other factors such as social inflation, wage inflation, medical/legal costs (all of which can be correlated with headline CPI to a greater or lesser degree). In response to this increased uncertainty, we have built a bespoke inflation reserve model to

estimate the potential impact of elevated inflation on the reserves. The model applies inflation forecasts for key claims drivers to future calendar year reserve payments by year and major portfolio. The results of this model have been considered in the Company's year-end 2023 reserves.

A.2 Underwriting Performance

The Company aims to continue to build out its insurance operations in the property, agriculture, professional lines, marine and energy, aviation, financial & political risks and other selected specialty lines of business.

Gross written premium for the year increased to €575,628k (2022: €475,474k). The growth is primarily within insurance of general liability, fire and other damage to property and marine as the Company expands its European operations.

The Company's success is dependent on the proper selection, pricing and ongoing management of the risks it accepts. The Company is building a specialty insurance business throughout Europe by attracting high quality underwriting and operational talent. The Company will continue to consolidate its current portfolio and concentrate its efforts on achieving targeted growth by focusing on its insurance portfolio.

Net earned premiums have increased to €87,805k (2022: €71,904k). The Company continues to mitigate insurance risk via ceded reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers. This approach provides additional capacity for growth, contributes towards the direct expenses associated with growing an insurance franchise, and supports expansion into profitable lines of business whilst retaining a reduced share of underwriting risk.

The Company recorded a loss on the overall technical result of €(24,608)k in 2023 (2022: loss of €4,831k). The Company's underwriting ratio (calculated as net claims incurred plus net acquisition costs, as a percentage of net earned premium) is 72% (2022: 70%). Net claims incurred, amounted to €79,992k (2022: €52,268k) mainly driven by increased losses in property including agriculture and precautionary increases on claims reserves against some of the long-term lines. This reserve strengthening resulted in negative technical results from these lines of business and increased the margin of management best estimate over actuarial best estimate to 8%.

Net operating expenses of €32,421k (2022: €24,467k) included administrative expenses and acquisition costs net of reinsurance commissions and increased by 32.%. In line with our strategy, this increase was predominantly due to growth in business (21.1% increase in gross earned premiums from 2022) and additional investment in strengthening of underwriting and operational capabilities across Continental Europe.

Analysis by main lines of business:

Amounts in €'000		Direct and proportional					Non-proportional reinsurance	31 Dec 2023 Balance
	General liability	Fire and other damage to property	Marine, aviation and transport	Income protection insurance	Credit and suretyship insurance	Other		
Gross earned premium	142,127	188,796	102,923	19,148	17,804	7,584	46,078	524,460
Reinsurers' share	(117,346)	(157,171)	(89,632)	(14,852)	(15,258)	(5,902)	(36,494)	(436,655)
Net earned premium	24,781	31,625	13,291	4,296	2,546	1,682	9,584	87,805
Gross claims incurred	82,688	208,237	100,122	49,532	3,016	8,628	10,478	462,701
Reinsurers' share	(62,171)	(176,486)	(88,836)	(38,373)	(2,690)	(6,540)	(7,613)	(382,709)
Net claims incurred*	20,517	31,751	11,286	11,159	326	2,088	2,865	79,992
Acquisition expenses	(4,499)	(9,714)	(337)	1,101	(551)	732	(3,404)	(16,672)
Administrative expenses	18,928	11,062	9,448	4,081	2,139	1,491	1,944	49,093
Technical result	(10,165)	(1,474)	(7,106)	(12,045)	632	(2,629)	8,179	(24,608)

*Claims management expenses are included within net claims incurred as per Luxembourg GAAP presentation.

Amounts in €'000		Direct and proportional					Non-proportional reinsurance	31 Dec 2022 Balance
	General liability	Fire and other damage to property	Marine, aviation and transport	Income protection insurance	Credit and suretyship insurance	Other		
Gross earned premium	115,159	161,209	84,403	28,596	15,528	4,064	24,028	432,987
Reinsurers' share	(95,236)	(133,531)	(74,617)	(21,492)	(13,282)	(3,033)	(19,892)	(361,083)
Net earned premium	19,923	27,678	9,786	7,104	2,246	1,031	4,136	71,904
Gross claims incurred	70,979	227,920	54,971	16,907	2,255	2,787	32,307	408,126
Reinsurers' share	(61,906)	(203,086)	(49,551)	(11,611)	(2,274)	(1,899)	(25,531)	(355,858)
Net claims incurred*	9,073	24,834	5,420	5,296	(19)	888	6,776	52,268
Acquisition expenses	501	(4,671)	81	3,591	(351)	58	(1,320)	(2,111)
Administrative expenses	8,761	6,832	3,531	3,625	1,980	437	1,412	26,578
Technical result	1,588	683	754	(5,408)	636	(352)	(2,732)	(4,831)

*Claims management expenses are included within net claims incurred as per Luxembourg GAAP presentation.

The gross loss ratio was 88.2% (2022: 94.3%) mainly impacted by the income protection, property and marine, aviation and transport classes.

Analysis by geographical area:

Amounts in €'000							31 Dec 2023
	Luxembourg	Italy	France	Germany	Spain	Other	Balance
Gross earned premium	12,000	84,779	81,490	169,965	22,975	153,251	524,460
Reinsurers' share	(9,437)	(66,366)	(72,045)	(138,862)	(19,808)	(130,137)	(436,655)
Net earned premium	2,563	18,413	9,445	31,103	3,167	23,114	87,805
Gross claims incurred	19,765	95,957	40,527	73,158	9,002	224,292	462,701
Reinsurers' share	(15,636)	(75,607)	(32,716)	(51,719)	(6,725)	(200,306)	(382,709)
Net claims incurred*	4,129	20,350	7,811	21,439	2,277	23,986	79,992
Operating expenses	1,370	1,876	4,758	9,865	1,419	13,133	32,421
Technical result	(2,936)	(3,813)	(3,124)	(201)	(529)	(14,005)	(24,608)

*Claims management expenses are included within net claims incurred as per Luxembourg GAAP presentation.

Amounts in €'000							31 Dec 2022
	Luxembourg	Italy	France	Germany	Spain	Other	Balance
Gross earned premium	83,473	70,822	30,476	127,278	32,180	88,758	432,987
Reinsurers' share	(70,174)	(54,349)	(25,772)	(109,537)	(27,915)	(73,336)	(361,083)
Net earned premium	13,299	16,473	4,704	17,741	4,265	15,422	71,904
Gross claims incurred	50,943	56,019	16,188	98,039	23,398	163,539	408,126
Reinsurers' share	(41,849)	(40,919)	(10,196)	(87,486)	(20,048)	(155,360)	(355,858)
Net claims incurred*	9,094	15,100	5,992	10,553	3,350	8,179	52,268
Operating expenses	9,067	1,304	1,478	3,684	3,155	5,779	24,467
Technical result	(4,862)	69	(2,766)	3,504	(2,240)	1,464	(4,831)

*Claims management expenses are included within net claims incurred as per Luxembourg GAAP presentation.

The EIOPA definitions used for underwriting performance by country have changed which means that the FY 2023 break-down is not comparable to FY 2022.

The region contributing the largest level of gross earned premiums was Germany followed by Luxembourg and Italy.

A.3 Investment Performance

Net Investment Income was €8,837k in 2023, €4,409k higher than the previous year. The average book yield of the portfolio increased materially from prior year, reflecting higher interest rates environment.

Amounts in €'000 unless stated	31 Dec 2023	31 Dec 2022	Movement
Interest income – cash and deposits	69	—	69
Interest income – collateralised securities	2,822	1,819	1,003
Interest income – corporate bonds	3,388	2,800	588
Interest income – government bonds	616	764	(148)
Dividend and Interest Income - collective investment undertakings	1,644	515	1,129
Dividend income - unlisted equities	4	4	—
Amortisation	870	(508)	1,378
Investment expenses	(576)	(606)	30
Net investment income	8,837	4,788	4,049
Ending portfolio market value*	296,425	280,924	15,501
Ending book yield	3.38 %	2.18 %	1.20 %

*Ending portfolio market value excludes the Money Market Funds.

Realised and unrealised investment gains and losses on a Solvency II basis, including foreign exchange gains and losses, were as follows:

Amounts in €'000	31 Dec 2023		31 Dec 2022	
	Realised	Unrealised	Realised	Unrealised
Gains/(losses) - cash and deposits	(1,349)	997	468	918
Gains/(losses) – collateralised securities	499	(1,111)	(114)	(5,137)
Gains/(losses) – corporate bonds	600	4,188	(2,243)	(8,957)
Gains/(losses) – government bonds	436	88	233	(1,686)
Gains/(losses) – collective investment undertakings	—	2,557	—	(2,728)
Gains/(losses) – unlisted equities	—	2	—	(5)
	186	6,721	(1,656)	(17,595)

The 2023 gains were driven by volatility in interest rates and appreciation in equities. The U.S 2-Year Treasury Yield fell 0.18% to 4.25% in 2023, and the Euro 2-Year Bond Yield fell 0.37% to 2.39% in 2023. The aggregate portfolio, comprising of fixed income investments and equities, returned 1.82% (in EUR) in the year 2023, which was 0.35% higher than the composite benchmark.

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

A.3.1 Investments in securitisation

The Company held €83,218k of securitised assets as at the 2023 year end (27% of the total investment portfolio).

A.4 Performance of other activities

Following is a summary of unrealised and realised gains and losses of the Company under Luxembourg GAAP:

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Unrealised gains/(losses) on investments	16,426	(25,433)	41,859
Realised (losses) on investments	(5,032)	(5,876)	844
Unrealised foreign exchange (losses)/gains	(7,817)	14,730	(22,547)
Realised foreign exchange gains	217	2,990	(2,773)

Unrealised gains increased in the portfolio as interest rates fell in 2023 and equities appreciated. This was offset by a 3.4% depreciation of USD against the Euro, which created unrealised foreign exchange losses of €7,817k.

A.4.1 Leasing arrangements

The Company had future minimum lease payments under non-cancellable operating leases amounting to €2,567k (2022: €1,856k).

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

A.5 Any other information

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

B. System of Governance

B.1 General information on the system of governance

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

Board of Directors

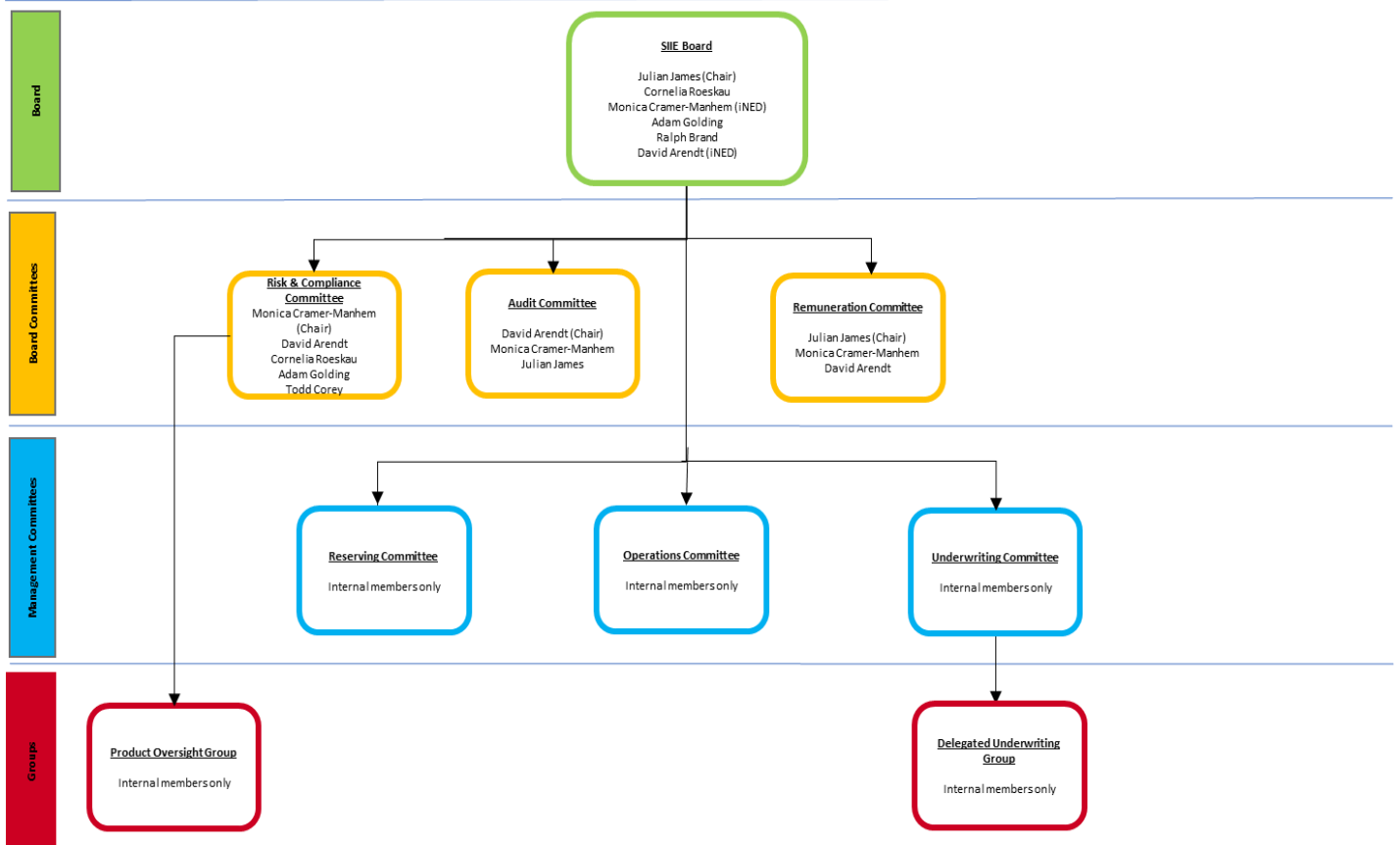
The Company's Board of Directors (the "Board"), which consists of two executive directors and four non-executive directors (including two independent directors), is the Company's governing body and has ultimate responsibility for the sound and prudent management of the Company. The Board is required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

The Board has documented Terms of Reference in place, which includes a list of matters reserved to the Board. In addition, the Board is supported by three Board Committees which also have documented Terms of Reference:

- The **Audit Committee** is responsible for oversight and challenge of the financial and internal controls of the Company and the integrity of regulatory reporting and financial statements, among other things. The Audit Committee consists of three members, at least one of whom is an independent non-executive director.
- The **Risk and Compliance Committee** is responsible for the oversight of the Company's framework of risk management and compliance with regulatory requirements and expectations, among other things. The Risk and Compliance Committee consists of at least three members (while none of the members of the committee are required to be independent Non-executive Directors of the Company, two are).
- The **Remuneration Committee** is responsible for oversight of the design and operation of the Company's framework for the remuneration. The Remuneration Committee consists of three members including one non-executive independent director.

CEO is entrusted with day to day management of the Company. The Company has also established certain management committees, comprised of members of executive management, which provide more focused oversight and review of the business and operations of the Company and report to the Board through the CEO as shown below.

Board and committee structure:



B.1.1 Key Functions

As required by Articles 268 to 272 of the Delegated Regulation, the following four Key Functions (whose reporting lines are into the CEO/Dirigeant Agrée) are incorporated into the Company's organisational structure. These Key Functions are provided with the necessary authority and resources to carry out their role by the Board of the Company and each are operationally independent.

- The **Actuarial Function** is responsible for the calculation of technical provisions, the appropriateness of the methods and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the firm's ORSA. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- The **Internal Audit Function** is responsible for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis and is subject to periodic review to assess its effectiveness.
- The **Compliance Function** is responsible for advising the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk and Compliance Committee and the Board of the Company on a regular basis. Whilst the primary responsibility for Compliance rests with the Board, day to day responsibility for the Compliance function is delegated to the Head of Compliance. However, in order for the Head of Compliance to be able to carry out this role, continuous access to all Board members is assured.
- The **Risk Management Function** is responsible for the implementation of the Company's system of risk management, including the development and maintenance of the Company's risk register. The Risk Function provides consolidated reporting to the Operations Committee and Risk and Compliance Committee of the Board, escalating any control gaps/issues identified by Risk Owners through the Risk & Control Self-Assessment ("RCSA") which expose the Company to unacceptable levels of operational risk.

Further detail is reported in section B.2.

B.1.2 Remuneration policy

B.1.2.1 Remuneration Policies and Performance-based Criteria

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

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

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

The Company's Remuneration Committee along with the SIH Nomination & Compensation Committee (the "Committees") believe the inclusion of long-term incentive compensation in the SIH compensation structure fosters the appropriate perspective in management, given that the ultimate profitability of the insurance or reinsurance underwritten by SIH may not be fully known for many years. In addition, the Compensation Committee seeks to align the interests of SIH's employees with the SIH's shareholders to the greatest extent practicable. Finally, long-term incentive compensation, which potentially is forfeited in the event of the departure of an employee from SIH, has the ability to retain valuable executive talent within the organisation. Each of the Senior Executive Officers, Senior Vice President and Executive Vice President level employees are eligible to earn long-term incentive compensation. The Company's Remuneration Policy also makes provision for variable remuneration payable to senior members of staff to comply with the expectations set down in Article 275 of the Solvency II Directive.

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

The Company provides basic benefits as required by local requirements or as appropriate based on market practice which may include short-term disability, long-term disability, meal vouchers, supplemental medical and/or life insurance benefits.

Two Non-Executive Director of the Company's Board of Directors is paid a fixed fee for his services plus agreed expenses.

B.1.2.2 Supplementary Pension and/or Early Retirement Schemes

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

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

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

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

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

No dividend was paid or declared to date.

B.2 Fit and proper requirements

A framework and measures are in place to ensure that the Company appropriately assesses at recruitment and throughout employment the fitness and propriety of members of the Board, Key Function Holders, and persons within and working on behalf of the Company who might from time to time be subject to the Fit and Proper requirements set out in the Delegated Regulation.

Where a person is subject to the Fit and Proper requirements, that person must be assessed against the relevant fit and proper criteria applicable to the role including but not limited to honesty, integrity, reputation, competence, capability, and financial soundness. The Board receives regular training on relevant topics.

The Company requires that an assessment of a person's fitness and propriety (where such person is subject to the relevant requirements) be carried out at the time of recruitment and on a regular basis thereafter. The Company must satisfy itself that persons who are subject to the Fit and Proper requirements are being appropriately assessed:

- Persons should be assessed for the ability to carry out their role in compliance with relevant regulatory requirements, principles, and rules;
- Persons should be assessed for their competence, both in terms of management and technical ability;

- Persons should be subject to annual appraisal and a professional development programme to ensure that all the key skills relating to the role remain at a suitable level.

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

B.3.1 Risk Management Strategy

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

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

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

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

Risk management responsibilities are clearly defined across the company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organization, see section B.4 for more detail.

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk & Compliance Committee ("R&CC") which meets quarterly to receive reports and management information from the Chief Risk Officer who is responsible for the risk function. The R&CC is the primary forum for risk oversight and assists the SIIE Board in ensuring that the Company's risk management framework is effective, and that risk assumption and risk mitigation activities are consistent with that framework.

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

B.3.2 Risk management system

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

The risk management system operates in the following ways:

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

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

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

B.3.3 Risk appetite framework

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

The Company's Risk Appetite Framework provides a structured approach to articulate, set, monitor and report on compliance with the risk appetite statements based on the following four overarching risk objectives:

1. To maintain financial strength and flexibility;
2. To ensure the financial resilience of our business;
3. To ensure the operational resilience of our business; and
4. To contribute to our group's sustainability objectives and targets.

Each objective forms a pillar within the Risk Appetite Framework structure and incorporates clearly articulated measurable Board-level and Management-level risk appetite statements designed to promote resilience and ensure the delivery of the risk objectives. Risk appetite statements are complemented by monitoring metrics with no defined tolerances or targets, which provide useful additional context around the risk profile of the business and play an important role in informing risk responses and future development of the framework.

The position against each of the Board and Management limits is monitored on a quarterly basis and reported to the Risk & Compliance Committee.

B.3.4 Risk management responsibilities

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

The Board of Directors *(Governing Body)*

The Board of Directors has ultimately responsibility for the Company's risk management and will approve the Risk Management Policy, including risk appetite statements, at least annually.

Risk and Compliance Committee (R&CC) (*Oversight Body*)

To oversee risk management within the Company, the Board has formed the R&CC. The objective of the R&CC is to develop and implement an organization-wide approach to the identification, assessment, communication, and management of risk in a cost-effective manner.

The R&CC has appointed a Chairman and meetings are attended by representatives from the Company's senior management including the Chief Risk Officer. The R&CC is responsible for:

- a. Proposing to the Board of Directors the Company's approach to risk management in a manner consistent with regulatory requirements
- b. On at least an annual basis reviewing the Company's risk appetite framework and presenting it to the Board of Directors for approval
- c. Overseeing and challenging the risk management of the Company reporting to the Board of Directors on the adequacy of processes and controls and escalating issues as necessary
- d. Monitoring the Company's overall risk profile against the approved risk appetite and tolerances
- e. Reporting movements in exposures together with any resulting risk appetite breaches and reviewing remedial action taken
- f. Performing such other responsibilities regarding the Company's risk management, processes and controls or activities, or other matters as the Board of Directors may assign to the Committee from time to time

Audit Committee (*Oversight Body*)

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

Management Committees (*Management Committee / Body*)

The Underwriting Committee is responsible for, among other things, oversight of the Company's underwriting processes, procedures and controls, approval of any amendments to underwriting policy and guidelines, and monitoring of the Company's risk exposures. The Operations Committee is responsible for, among other things, oversight of the day-to-day operations of the Company (e.g., claims handling, human resources, facilities), including the assessment and monitoring of operational risk. The Reserve Committee is mainly responsible for the review and approval of the Management Best Estimate ('MBE') reserves for the Company. The Product Oversight Group reports to the R&CC and is responsible for reviewing and managing conduct risk matters on a day-to-day basis on behalf of the R&CC.

B.3.5 Own risk and solvency assessment process

The quarterly Own Risk and Solvency Assessment process ("ORSA") is integral to the Company's risk management framework and promotes a strong risk management culture by embedding a forward-looking assessment of the risk profile into the decision-making system.

In particular the ORSA supports the understanding of the performance prospects, risk profile and on-going solvency requirements of the Company with regard to the Company's strategy, risk appetite and target solvency requirements. Specific consideration is paid to the potential shocks or risks the Company may face over its strategic planning horizon. The outputs of the ORSA guide ongoing business planning and capital management activities.

The ORSA process encompasses:

- Determination of the current and future solvency and liquidity position under expected conditions;
- Stress and scenario testing, including reverse stress testing, informed by an evaluation of the key emerging, emergent and emerged risks; and
- Ongoing solvency assessment, including the quality and quantity of funds necessary to ensure risk-based capital needs are met at all times, in line with internal risk appetite and regulatory expectations.

The ORSA process is appropriately evidenced, documented and described in the ORSA report that is prepared at least annually and reported to the Board. The Board has ultimate responsibility for ensuring the ORSA process is executed in accordance with this policy. The risk management function has day-to-day responsibility for conducting the ORSA process and producing ORSA reporting with assistance from the actuarial and other supporting functions.

B.4 Internal control system

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

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

The Actuarial Function is responsible for among other things, coordinating and overseeing the calculation of the Company's technical provisions, including the underlying methodologies and assumptions, as well as providing opinions on underwriting policy and the adequacy of reinsurance. The actuarial function also contributes to the implementation of the Company's risk management system, by among other things, providing inputs to the ORSA.

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

- Annual strategic risk reporting to the Board;
- Maintaining the ORSA process and production of the annual/quarterly ORSA reports to the Board;
- Maintaining the emerging risk management process, including regular reporting to the R&CC;
- Supporting business risk management in developing the performance management framework;
- Maintaining the exposure management framework;
- Maintaining the risk intelligence acceptance and validation framework;
- Supporting business risk management in supporting reinsurance adequacy assessments;
- Oversight and reporting of operational risk; and
- Providing regular risk management training to the Board and company staff.

The Compliance Function operates within the second line of defence and is responsible for ensuring business activities remain in accordance with prevailing regulatory requirements.

The Internal Audit Function acts as the third line of defence and conducts regular reviews of the Company's operations. Part of the scope of each audit is to review the relevant risks associated with the activities under audit, to test the internal controls and to provide findings and recommendations to senior management and the Audit Committee with respect to any identified gaps or deficiencies in the control environment.

B.5 Internal audit function

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

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

- Assessing and reporting (to the Company and business unit audit and risk committees and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

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

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

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

B.5.1 Independence

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

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

B.6 Actuarial function

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

Actuarial Function is responsible for the following:

- coordinating the calculation of the technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Article 82;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and ORSA.

The Actuarial Function is made up of qualified individuals who have knowledge of actuarial and financial mathematics and who demonstrate their relevant experience with applicable professional and other standards. It operates in conjunction with multiple functions of the organisation, in particular Risk Management, Underwriting, Finance, and Claims. The Actuarial Function is provided with the necessary authority to carry out its role by the Board and is

operationally independent of the Company's other Key Functions. Additionally, the Actuarial Function has access to the necessary information systems and data sources to enable it to undertake the work required.

Details on the contribution of the Actuarial Function towards the SIIE Risk Management Framework

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

1. Risk Management

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

2. Capital Modelling

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

3. Reserving

- Provision of reserve performance information and metrics to the wider business audience e.g. Risk Function, underwriting teams.
- Supporting external actuaries in performing independent reviews of reserves for the purpose of Board assurance and audit.

- Preparation of memos/reports for the Board, Audit Committee and other committees as required, to inform management of reliability/adequacy of reserves and of any other reserving specific issues (on a GAAP and Solvency II basis).

B.7 Outsourcing

Outsourcing is made in compliance with CAA Circular 22/16 on the outsourcing of critical or important functions and activities and CAA Circular 21/15 on outsourcing to cloud computing service providers. The Company has established standards, processes, roles and responsibilities for its arrangement of services to be provided by unaffiliated third parties (“service providers”). Outsourcing arrangements are supported by individual contracts and/or service level agreements (“SLA’s”). Before an outsourcing arrangement is entered into, the Company assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Company applies the following due diligence and selection criteria:

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

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

- demonstrated quality (financial and technical abilities);
- specialised knowledge and resources;
- control framework;
- conflicts of interest;
- value-add services as differentiators;
- long-term viability and pricing;
- availability of an adequate Business Continuity Plan;
- risks from outsourcing and mitigation;
- GDPR and anti-money laundering compliance; and
- alignment with the SIH ESG goals and objectives.

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

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

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

The Company has defined key management personnel that are authorised to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are prescribed in the SIH Group's "Authorised Approvers" policy document and include the requirements for adequate specifications for the services to be entered into and a general ledger account and activity code where appropriate.

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

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

The Company has intra-group outsource arrangements in place governed by the Group Administrative Services Agreement and SIIE Side Letters.

The following companies are providing significant intra-group outsourced activities:

1. Endurance Specialty Insurance Ltd a Bermuda based entity for the provision of reinsurance underwriting services.

2. Endurance Services Ltd an American based entity for the provision of services including IT/Data processing functions, administrative tasks for policy administration and claims handling.

B.8 Any other information / summary

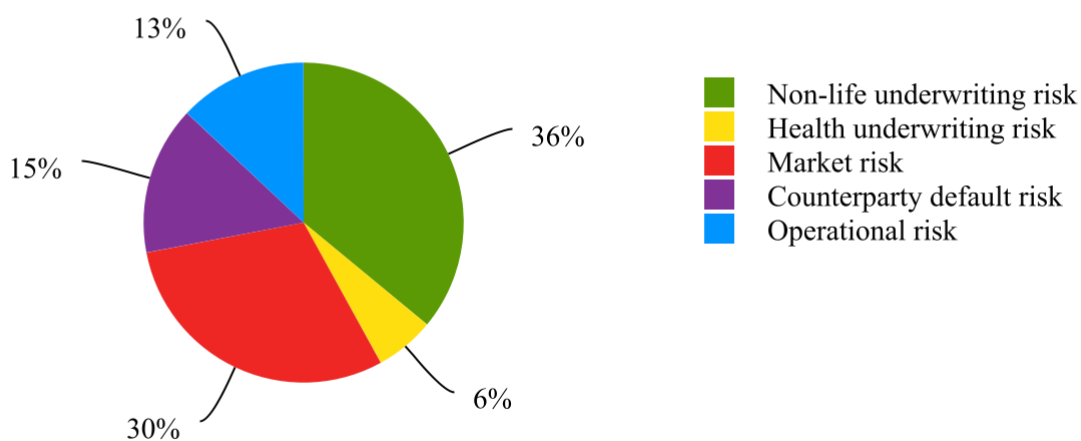
The Company considers that its system of governance is appropriate for the nature, scale and complexity of the risks inherent in its business.

C. Risk Profile

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

The undiversified risk profile of the Company as at 31 December 2023, as determined by the Standard Formula, was as follows:

UNDIVERSIFIED SOLVENCY CAPITAL REQUIREMENT BY RISK CATEGORY



C.1 Underwriting Risk

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

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

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

C.1.1 Approach to Risk Management

C.1.1.1 Pricing Risk

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

- The Company recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority (“LOA”) are the primary tool for promulgating and implementing underwriting risk preferences and limits. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters’ responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter’s ability to legally bind contracts on behalf of the Company. LOAs contain effective and expiration dates and are reviewed periodically, at a minimum biannually, on an individual underwriter basis. The underwriting process is supported by pre- and post-bind peer reviews, as well as regular independent reviews, the framework and reporting of which is overseen by the Underwriting Committee.
- In addition to technical and analytical practices, underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered.

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

C.1.1.2 Catastrophe Risk

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

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

monitored against these guidelines. Material variations are reported to the Underwriting Committee, where remediation actions are considered.

- Referral Guidelines outline criteria for referring decisions to the Group Chief Risk Officer to ensure that risks or transactions potentially outside of risk appetite are suitably reviewed and approved.
- Ceded Reinsurance purchasing strategy is reviewed at least annually with reference to the objectives of the business, risk appetite and prevailing market conditions or trading opportunities. Any changes to the reinsurance strategy are reported to the Underwriting Committee prior to implementation. The Underwriting Committee reviews progress towards implementing the Ceded Reinsurance plan each quarter.
- Annually, the Actuarial Function provides an opinion to the Board on the adequacy of Ceded Reinsurance arrangements with due consideration of the consistency with risk appetite and business plan, the ability to support solvency under stressed scenarios and the credit standing and repute of counterparties.
- The company utilizes a variety of proprietary and commercially available tools to quantify Catastrophe Risk. This information is used to inform underwriting risk selection, portfolio design, and portfolio risk management. Tools include a variety of natural catastrophe, weather, casualty, aviation, credit, economic and other specialty risk models as well as deterministic scenarios for individual events.
- The Exposure Management framework identifies, at least annually, all realistic foreseeable sources of catastrophe risk and ensures suitable quantification of potential exposure. In addition, this function produces regular reporting of Catastrophe Risk to oversight and governance Committees.
- Oversight of Catastrophe Risk Management is provided by the Risk & Compliance Committee, with day-to-day responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information and discharge its delegated oversight duties, including monitoring Catastrophe risk levels relative to approved risk tolerances.

C.1.1.3 Reserving Risk

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

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

estimates are compared against experience each quarter by undertaking an analysis of actual versus expected experience as well as other appropriate validations of assumptions, methodology, and results.

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

function reports on the adequacy of loss provisions established both on a GAAP and economic basis through the Actuarial Function Holder Report provided to the Board.

- A reconciliation of the data used in the reserving process to the original sources is performed by the technical accounting departments of Sampo International. It includes a reconciliation of the earned premium, paid losses, and case incurred losses used in the reserve study to the data that is captured by the finance department. Differences are summarised in the cover memo produced by the Chief Reserving Actuary or an appropriate delegate. In addition, a number of reasonability checks are performed during the course of analysis and review of results with the business units, group reserve committee, and other parties.
- The reserve risk profile is monitored against approved risk appetite statements quarterly by the Risk & Compliance committee.

C.1.2 Assessment of Risk

As determined by the Standard Formula, underwriting risk comprises 36.0% (2022: 38.0%) of the undiversified total SCR. Whilst the primary activity of the Company is to underwrite (re)insurance business, significant levels of outwards reinsurance protection serve to materially limit the contribution of this risk to the overall risk profile of the Company.

C.1.2.1 Material Risk

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

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

C.1.2.2 Concentration Risk

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

C.1.3 Sensitivity of Risk

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

Amounts in EUR'000	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on capital and reserves	% of Solvency II surplus
2023 Loss ratio	+10%	52,446	8,780	(8,780)	(6,585)	(6.10)%
2022 Loss ratio	+10%	43,299	7,190	(7,190)	(5,393)	(4.50)%

When considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), this sensitivity test shows that the Company's capital base can withstand some level of systemic mispricing, but the tests highlight the importance of vigilant oversight of our underwriting controls.

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

The results of these tests are as follows:

Potential Percentage Change in Total Loss and Loss Expense Provisions Initial Expected Loss Ratio			
2023			
Reporting Pattern	10% Lower	Unchanged	10% Higher
ST - 3 months faster	(8.8)%	(3.6)%	1.6 %
LT - 6 months faster			
Unchanged	(5.6)%	0.0 %	5.5 %
ST - 3 months slower	(1.8)%	4.1 %	10.1 %
LT - 6 months slower			
2022			
Reporting Pattern	10% Lower	Unchanged	10% Higher
ST - 3 months faster	(11.0)%	(5.4)%	0.2 %
LT - 6 months faster			
Unchanged	(6.1)%	0.0 %	6.1 %
ST - 3 months slower	(0.9)%	5.9 %	10.0 %
LT - 6 months slower			

The results show that in the most severe scenario above (10% higher IELR and slower reporting of losses), the Company expects a 10.1%, or €38,926k, reserve increase. These tests are meant to show the sensitivity of the assumptions in the reserving method and, when considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), the results show that the Company can withstand such fluctuation in the held reserves. However, it does highlight the need to be regimented with regards to reserve control processes.

The largest difference since year-end 2022 is the scenario 10% lower IELR and faster reporting of losses, with a 8.8% decrease in reserves at the end of 2023 compared with at 11.0% decrease at year end 2022

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

C.2 Market Risk

Market risk describes the Company's exposure to value fluctuations on the asset side of the balance sheet arising either from the risk inherent in our investments or the risk of insufficient liquid assets being available to meet liabilities as they fall due resulting in forced disposals and potential financial loss.

C.2.1 Approach to Risk Management

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

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

C.2.1.1 Prudent Persons Principle

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

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

C.2.2 Assessment of Risk

As determined by the Standard Formula, market risk comprises 30% (2022: 34%) of the undiversified total SCR.

C.2.2.1 Material Risk

The market risk charge is primarily driven by currency risk mainly in relation to USD net asset balances held at 31 December 2023, which is a strategic decision made by the Company.

C.2.2.2 Concentration Risk

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

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

Amounts in EUR’000				2023				2022
	USD	EUR	GBP	Total	USD	EUR	GBP	Total
Collateralised securities	61,314	21,905	—	83,219	56,506	18,662	—	75,168
Government bonds	20,930	14,194	—	35,124	44,214	22,553	—	66,767
Corporate bonds	52,393	104,519	—	156,912	48,719	71,546	—	120,265
Equity Investments	—	—	87	87	—	—	85	85
Collective Investments Undertakings	3,639	20,502	13,860	38,001	—	17,994	—	17,994
Investment portfolio cash	573	115	—	688	512	133	—	645
Total	138,849	161,235	13,947	314,031	149,951	130,888	85	280,924

C.2.3 Sensitivity of Risk

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

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

Amounts in EUR'000 Change in interest rates (basis points)	2023		2022	
	Impact on valuation	% of Solvency II surplus	Impact on valuation	% of Solvency II surplus
+100 bps	(8,002)	(7.4)%	(8,720)	(7.3)%
+50 bps	(4,006)	(3.7)%	(4,356)	(3.7)%
-50 bps	4,016	3.7 %	4,538	3.8 %
-100 bps	8,041	7.5 %	9,059	7.6 %

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

The Company operates predominantly in the EEA and therefore has a limited exposure to foreign exchange risk from its underwriting activities. The Company endeavours to mitigate this risk by maintaining a match of assets and liabilities in their respective currencies. The Company made a strategic decision to hold U.S. Dollar denominated fixed income securities in its investment portfolio which increases its currency risk exposure.

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

Amounts in EUR'000 Change in EUR versus foreign currency			
2023	USD	GBP	Total
+10%	(8,672)	566	(8,106)
+5%	(4,542)	296	(4,246)
-5%	5,020	(328)	4,692
-10%	10,599	(691)	9,908
2022	USD	GBP	Total
+10%	(12,708)	1,261	(11,447)
+5%	(6,656)	660	(5,996)
-5%	7,357	(730)	6,627
-10%	15,532	(1,541)	13,991

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

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

Amounts in EUR'000	Fixed Income Market Value	2023 Loss	% of Solvency II surplus	Fixed Income Market Value	2022 Loss	% of Solvency II surplus
Base	294,075			260,868		
10 bps widening		(1,056)	(1.0)%		(863)	(0.7)%
50 bps widening		(5,279)	(4.9)%		(4,317)	(3.6)%

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

C.3 Credit Risk

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

C.3.1 Approach to Risk Management

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

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

pre-determined risk tolerances are notified to the Risk & Compliance Committee and remedial actions to bring risk levels within appetite are considered.

C.3.2 Assessment of Risk

As determined by the Standard Formula, credit risk comprises 15% (2022: 12%) of the undiversified total SCR.

C.3.2.1 Material Risk

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

C.3.2.2 Concentration Risk

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

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

Amounts in €'000						
2023	AAA	AA	A	BBB and below	Other/not rated	Total
RI share of claims outstanding	—	13,688	658,002	213	12,798	684,701
Cash and cash equivalents	32,772	—	55,041	1,283	—	89,096
Receivables (trade, not insurance)	—	—	26,292	—	1,032	27,324
Total	32,772	13,688	739,335	1,496	13,830	801,121

Amounts in €'000						
2022	AAA	AA	A	BBB and below	Other/not rated	Total
RI share of claims outstanding	—	3,572	517,320	207	14,798	535,897
Cash and cash equivalents	—	—	53,162	16,021	—	69,183
Receivables (trade, not insurance)	—	—	20,415	—	371	20,786
Total	—	3,572	590,897	16,228	15,169	625,866

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

C.3.3 Sensitivity of Risk

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

C.4 Liquidity Risk

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

C.4.1 Approach to Risk Management

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

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

C.4.2 Assessment of Risk

C.4.2.1 Material Risk

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

C.4.2.2 Expected Profit included in Future Premiums ("EPIFP")

The total EPIFP has increased from €111,531k in 2022 to €133,761k in 2023 due to business growth within the Solvency II technical provisions between FY 2022 and FY 2023.

C.4.3 Sensitivity of Risk

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

C.5 Operational Risk

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

C.5.1 Approach to Risk Management

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

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

- The Company generally aims to minimise both the frequency and severity of operational risk losses to the extent practical.
- The Company seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business. Individual accountability for all key business risks and controls is clear and documented in the risk register.

- Through the Risk & Control Self-Assessment ("RCSA") framework, each risk owner is responsible for identifying key operational risk exposures, assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies exist, assessing the corresponding impacts and level of operational risk / exposure to the company. The RCSAs are conducted at least annually for all areas, and more frequently (bi-annually or quarterly) on a risk-based basis. RCSA reviews consider any loss incidents, material key risk indicator/key performance indicator exceptions or other relevant factors in the period. This process is facilitated by the Risk Function and overseen by the Operations Committee, with material exceptions or emerging trends reported to the Risk and Compliance Committee.
- The Company has in place an incident reporting process which consists of a set of steps that is followed by risk and control owners to report and address incidents related to operational risk. The incident reporting process typically includes identifying and classifying the incident, assessing the impact / severity of the incident, investigating the root cause, and implementing corrective actions to prevent similar incidents in the future. The process also involves reporting the incident to relevant stakeholders, such as senior management, regulators, or customers, as required. The aim of the process is to ensure that incidents are promptly and effectively addressed, with a focus on minimizing their impact on the organization and its stakeholders.
- Oversight of compliance with regulatory requirements is provided by the Board with day-to-day management responsibility delegated to the Risk & Compliance Committee. The Risk & Compliance Committee meets at least quarterly to receive management information and discharge its delegated oversight duties. To support the Board in fulfilling its responsibilities the compliance function monitors and reports upon the status of the business in meeting minimum standards expectations and regulatory requirements.
- In relation to outsourcing risk, the Company has developed policies and procedures to ensure that third parties on whom we rely to provide key business services on an outsourced basis (including, but not limited to delegated underwriting, claims processing, finance operations, IT support) are subject to appropriate due diligence and ongoing oversight with responsibilities spanning across Procurement, Legal, IT and Internal Audit, as well as relevant business owners.
- In relation to cybersecurity risk, the Company has adequate cybersecurity measures in place to identify, protect and detect security threats, as well as a robust process for responding and recovering from successful cyber-attacks. A series of detailed policies, procedures and standards are in place which collectively set out the Company's management and control of cybersecurity risk, coordinated and overseen by a dedicated IT Security team which serves as a central point of contact regarding all cyber security concerns. The Company's information security procedures and controls are aligned with and organized around the NIST Cybersecurity Framework. In relation to the management of cyber / information security exposure arising from third parties, the Company's due diligence process incorporates an initial risk assessment process where operational risks (including IT, data protection and BCP risks) are considered amongst other key risks, prior to the agreement of the contract. The risk assessment is repeated at the renewal or auto-renewal of the contract.
- The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Company's internal controls. The audit function considers the operational risk self-

assessment to develop its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register. All findings are reported to the Audit Committee.

C.5.2 Assessment of Risk

As determined by the Standard Formula, operational risk comprises 13.0% (2022: 10.0%) of the undiversified total SCR.

C.5.2.1 Material Risk

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

C.5.3 Sensitivity of Risk

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

C.6 Other material risks

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

- **Strategic Risk:** Risk includes the risk of missed business opportunities, non-achievement of corporate or Company strategy and impact on competitive positioning and the value of the Company brand. It includes the risks: of making strategic decisions that do not add value, environmental conditions preventing the strategy from being executed, distributed leadership does not execute the strategy effectively or consistently, a diminution of the reputation of the Company; and of having inadequate crisis response management.
- **Emerging Risks:** Emerging risk is defined as newly developing or changing risks which are difficult to quantify and which may have a major impact on the organisation. The Company operates a group wide emerging risk identification process which captures and assesses the potential impact and appropriate actions necessary to manage emerging risks.
- **Group Risk:** Risks to the Company arising specifically from being a part of a wider corporate group, including but not limited to the risk of reputational impairment or of loss of support, both financial and operational, from the Group. Group risk is mitigated through the application of strong controls and a consistent risk management framework, including risk limits, across all entities in the Group. This helps mitigate any material impairment to the Group's financial position, brand and reputation.

- **Conduct Risk:** Conduct risk is defined as the risk that the Company fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the oversight of the Product Oversight Group and through the monitoring of various conduct risk metrics by the Operations Committee and Risk & Compliance Committee.
- **Sustainability Risk:** The Company's various stakeholders - including its employees, customers, reinsurers, investors, business partners, regulators and communities - have become increasingly interested in environmental, social and governance ("ESG") principles. These principles are closely aligned with the Company's overarching purpose to "create a society in which every person can live a healthy, prosperous and happy life in one's own way." The Company has been designing and executing its ESG strategy, a key component of which is its response to the risks associated with climate change. Climate change has the potential to have a material impact on the global economy, and as an insurer and asset manager, the Company plays a role in facilitating the world's green transition. Thus the Company has taken a multi-faceted, strategic approach to climate change risk assessment and management, as described below. The following are the most significant climate change risks facing the Company:
 - Physical risk involves the risk that shifts in the frequency, severity, or other characteristics of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results. The Company considers this a prospective and material risk and manages it through its underwriting, pricing, and catastrophe modeling processes.
 - Transition risk involves the risk associated with the transition to a decarbonised society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonised society could result in structural changes to many industries. Transition risk could also have an impact on the value of the Company's investment assets. It also introduces reputational risk if the Company fails to adequately address the energy transition. The Company considers this a prospective and material risk and manages it through its environmental policies and its transition plans.
 - Liability risk involves customers who may have contributed to climate change or who have failed to ensure that their companies were sufficiently protected from the effects of climate change. The Company considers this both a prospective and retrospective risk; the latter in the form of reserve risk for its liability classes of business. The Company monitors and manages this risk through its reserving processes.

The existing Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Company. As greater understanding of these risks develops, the risk management framework continues to evolve to ensure effective management and oversight.

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

Finally, both the group and the Company have focused on developing and providing accurate and complete sustainability reporting. The group annually reports in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in order to update its stakeholders on progress towards its climate goals. The Company is currently executing a large project to prepare for the Corporate Sustainability Reporting Directive (CSRD) in Europe, for which it will make its first disclosures in 2026.

C.7 Other information

No material events since the reporting date to note, however we continue to monitor our financial resilience and adapt our risk management in order to manage any adverse impact to the Company from the current geopolitical and macroeconomic uncertainty. The Company and ultimate parent have considerable financial resources, undertake regular stress, scenario and reverse stress testing, and as such are well placed to manage market events.

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

D. Valuation for Solvency Purposes

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

D.1 Assets

D.1.1 Solvency II valuation and differences from GAAP valuation for each material class of asset

Amounts in €'000	Luxembourg GAAP	Re-classification	Valuation differences	31 Dec 2023 SII basis
Deferred acquisition costs	52,846	—	(52,846)	—
Property, plant and equipment held for own use	754	—	2,366	3,120
Investments (other than assets held for index-linked and unit-linked contracts)	293,772	19,571	—	313,343
Reinsurance recoverables	778,704	(85,364)	(140,455)	552,885
Deposits to cedants	5,751	—	—	5,751
Insurance and intermediaries receivables	317,562	(258,473)	—	59,089
Reinsurance receivables	127,139	—	—	127,139
Receivables (trade, not insurance)	27,324	—	—	27,324
Cash and cash equivalents	89,096	(17,571)	—	71,525
Deferred tax assets	—	—	2,546	2,546
Any other assets, not elsewhere shown	2,016	(2,000)	—	16
	1,694,964	(343,837)	(188,389)	1,162,738

Amounts in €'000	Luxembourg GAAP	Re-classification	Valuation differences	31 Dec 2022 SII basis
Deferred acquisition costs	42,035	—	(42,035)	—
Property, plant and equipment held for own use	667	—	1,726	2,393
Investments (other than assets held for index-linked and unit-linked contracts)	278,790	1,489	—	280,279
Reinsurance recoverables	619,516	(86,384)	(126,113)	407,019
Deposits to cedants	195	—	—	195
Insurance and intermediaries receivables	233,514	(205,659)	—	27,855
Reinsurance receivables	98,488	6,098	—	104,586
Receivables (trade, not insurance)	20,786	—	—	20,786
Cash and cash equivalents	69,183	—	—	69,183
Deferred tax assets	—	—	3,843	3,843
Any other assets, not elsewhere shown	1,514	(1,489)	—	25
	1,364,688	(285,945)	(162,579)	916,164

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

Property, plant and equipment held for own use

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

The Solvency II value includes property leases that have been capitalised in accordance with IFRS 16. Under Luxembourg GAAP these leases are classified as operating leases and are not capitalised on the Balance Sheet.

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

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

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

At year-end all financial investments (€293,772k) were priced using a Level 2 inputs, i.e. pricing service or index provider. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon.

The valuation according to Solvency II is based on fair value including accrued interest. For Luxembourg GAAP, the Company also values investments at fair value, however the accrued interest (€2,000k) is reported separately under other assets.

Deposits to cedants

Deposits with ceding undertakings relate to premiums, profit commissions, claims and/or funds advanced for claims. The receivables are analysed to determine which amount if any are deemed as more than likely to be received in a period greater than one year. Amounts that are deemed as such will be valued on a discounted cash flow basis, where the effect of the discount is material.

Deposits with ceding undertakings are all due in under one year. There are no differences between the Solvency II valuation and the Luxembourg GAAP valuation of deposits to cedants.

Insurance and intermediaries receivables, and reinsurance receivables

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

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

Cash and cash equivalents

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

There are no significant estimates or judgments used in valuing the cash holdings.

There are no differences between the Solvency II valuation and the Luxembourg GAAP valuation of deposits with cash and cash equivalents.

Deferred tax assets

To the extent that there is a deferred tax asset, this will be recognised provided future taxable profits are considered sufficiently probable. This is subject to ongoing review to reflect future profit projections. The deferred tax asset recognised in the current period is not material to the Company's solvency position, all timing differences are expected to reverse within a one-year time horizon based on future forecast profitability.

An additional deferred tax asset of €2,546k has been recognised on the Solvency II Economic Balance Sheet compared to Luxembourg GAAP for the impacts of technical provisions differences. This is recognised against future profit projections of each branch within the next 3 years, which are considered sufficiently reliable for deferred tax purposes. Any timing differences in excess of the 3 year profits remain unrecognised. This position is monitored by the Company at each quarter and adjusted as necessary.

D.1.3 Changes to the recognition and valuation bases used, or on estimations during the reporting period

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

D.2 Technical provisions

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

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

- Discounted best estimate of future premium cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance.
- Discounted best estimate of loss and loss expense cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance. This includes allowance for very low probability extreme events referred to as ENIDs (“Events Not In Data”) and for all expenses incurred in running-off the existing business (assuming a going-concern), including a share of the relevant overhead expenses.
- The recognition of both gross and ceded contracts on a ‘legal obligation’ basis. This means the inclusion of business currently not valued as part of technical provisions e.g. 1 January renewals entered into prior to a 31/12 valuation.
- Typically, the risk margin is calculated using a cost of capital approach. This approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current obligations over their lifetime.

Best estimate claims reserves

Best estimate claims reserves are calculated by deducting the implicit margin for prudence which is contained within the booked reserves.

Typically, the main methods used for the projection of both best estimate and booked reserves include paid and reported loss development methods, the paid and reported Bornhuetter-Fergusson methods (which is a Bayesian estimation approach), the Initial Expected Loss method, and judgment. All methods will make use of both paid and incurred data. Other reserving methods may be considered as required. The selected ultimate loss will be based on one particular method or a weighting between several.

There are two main types of parameters used in the reserving process: initial estimated loss ratios (“IELRs”) and development patterns – both paid and reported.

- Initial estimates of ultimate losses used in reserving typically come from one, or a combination of, the following: Plan loss ratios, historical experience adjusted for rate change and loss trend, industry and peer company experience and pricing loss ratios.
- Paid and reported loss development factors are typically established based upon either one, or a combination of, the following: Reserve group specific loss development (where historical data volumes allow), development

patterns based on business written elsewhere in the Group, account specific information (where a few large contracts comprise a large proportion of the reserve group in question), and industry benchmarks.

For some recent catastrophe events and specified large losses, incurred but not reported (“IBNR”) will be based upon qualitative information and recommendations from the claims department and the business units.

Where applicable, reinsurance recoveries on the gross incurred but not reported (“IBNR”) are estimated based on the Company’s ceded reinsurance programs. The Company’s ceded reinsurance recoverables include amounts from both third party and intra-group reinsurance and proportional and non-proportional reinsurance arrangements.

Solvency II technical provisions are broken down into the following components:

- Claims provisions (earned) future claims
- Premium provisions (unearned and bound but not incepted) future claims
- Claims provisions (earned) future premiums
- Premium provisions (unearned and bound but not incepted) future premiums
- Expenses
- Risk margin

Claims Provision

Under Solvency II, future premium payable and receivable (gross and ceded, third party and intercompany) are considered within the technical provisions as future cash inflows and outflows. Amounts relating to earned and unearned incepted business are separately identified, with the earned future premiums appearing in the claims provision component, and unearned incepted future premiums appearing in the premium provision component (see below). Allowance is also made for expected reinstatement premiums on inwards business and profit commission payable. Overdue premium, however, is not included as part of the future cashflows and instead remains on the balance sheet, outside of the technical provisions.

An adjustment is made to incurred claims (including IBNR) to remove any margin of prudence within the Luxembourg GAAP provisions such that the resulting reserve is a best estimate of future claim payments.

An allowance is also made for ENIDs. ENIDs are derived using truncated distribution approach using datasets from similar line of business within Sompo group capital model.

Bad debt on reinsurance recoveries expected is allowed for based on an assumed default and recovery rate. The default rate varies by credit rating of the counterparties.

Premium Provisions

Typically, within this provision, allowance is made for estimated future gross and ceded premium on both unearned incepted business and inwards legally obliged business. For unearned incepted business allowance is also made for expected reinstatement premiums on inwards business and profit commission payable, if applicable. Where ceded reinsurance is already incepted or legally obliged and will cover inwards policies that are not yet existing, the principle of correspondence may not apply and instead the full amount of the premium is considered to be ceded future premium within the technical provisions.

For Premium Provisions, the class of business and underwriting year level IELRs used are selected with reference to plan and pricing information and historical ultimate loss ratios.

For legally obliged but unincepted business, IELRs and expense ratios by class of business are taken from next year's plan (or historical experience if more appropriate). The business ceded and the recoveries made are based on the application of the actual reinsurance program.

IELRs are applied to unearned premium (gross and ceded) to determine loss provisions on unearned business, both already incepted and legally obliged. Legally obliged business is established in one of two ways (depending on the policy status): (1) if the policy is a tacit renewal, then it is deemed to be legally obliged if it falls within a reasonable period of the valuation date; (2) if the policy is not a tacit renewal actual business renewed/incepted a month after the valuation point is set as legally obliged.

Overhead expense ratios are derived using next year's plan. The business ceded and the recoveries made are based on the plan recovery ratios.

ENIDs and bad debt on recoveries is allowed for as described for claim provisions above.

Payment Patterns & Yield Curves

All future claims and premiums cash-flows are assigned to calendar quarter (by applying quarterly payment patterns for claims and actual due date for premiums/commissions) and are discounted, assuming mid period date of loss, using currency specific yield curves provided by EIOPA. Where yield curves for a given currency are not available, Euro's is used; instances where this is the case are deemed to be immaterial.

Payment patterns are assumed in calculating cash flows relating to future claims and premiums. The expected payment patterns are based upon the Company's actuarial studies and vary by reserve group. Where there is insufficient historical data to derive expected payment patterns appropriate benchmarks may be considered. The impact of any time lag between signed and premium collection which may arise in practice is deemed immaterial. The short tail nature of premium cash flows also indicates immaterial discounting impact on the premiums cash flow.

Claims payment patterns applied to ceded are the same as gross claims payment patterns, although with an element of delay for accounting processes; this is a reasonable assumption given that the majority of ceded (including intercompany) reinsurance is on a quota share basis. The impact of any time lag between settlement and collection which may arise in practice is deemed immaterial. For ceded premium, the assumption is that future premium payable for both third party and intercompany will be paid in line with accounting processes.

Expenses

Provision shall be made for all expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses. This share is assessed on the basis that the Company continues writing new business and should include items such as investment manager's costs that would not be part of the technical provisions under the Luxembourg GAAP basis. In particular the following expense allowances are made:

- Projected future overhead expenses to run off existing business.
- Unallocated loss adjustment expense ("ULAE") factors are taken from the Luxembourg GAAP Reserve Study or Plan and applied to claims reserves.
- Investment expenses are calculated by applying the historical investment expenses as a percentage of loss reserves to current loss provisions (this is currently an immaterial amount).
- Acquisition costs for legally obliged business.

Risk margin

A risk margin is needed in order to ensure that the value of the technical provisions is equivalent to the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

Typically, technical provisions are calculated as the sum of an explicit best estimate and an explicit risk margin where the risk margin is calculated using a cost of capital approach. This approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional reference undertaking in raising capital to accept a transfer of liabilities.

Process development

The technical provisions calculation as at 31 December 2023 has been migrated to Microsoft SQL Server Management Studio from Microsoft Access, which was used at previous year ends. This has resulted in efficiencies such as improved run time for the calculation, increased data validation and greater granularity of reporting output. The new model has been tested against the Access output for all quarters from 31 December 2022 to 31 December 2023. There are no unexplained material differences in any case.

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

Amounts in €'000					31 Dec 2023
	Gross best estimate	Risk margin	Gross total	Reinsurance	Net total
Credit and suretyship insurance	7,339	1,733	9,072	(10,626)	(1,554)
Fire and other damage to property insurance	223,991	4,132	228,123	(199,230)	28,893
General liability insurance	181,187	11,307	192,494	(140,936)	51,558
Income protection insurance	48,873	2,931	51,804	(28,807)	22,997
Marine, aviation and transport insurance	131,891	4,132	136,023	(130,839)	5,184
Non-proportional reinsurance	53,450	2,342	55,792	(36,577)	19,215
Other	5,318	578	5,896	(5,870)	26
	652,049	27,155	679,204	(552,885)	126,319

Amounts in €'000					31 Dec 2022
	Gross best estimate	Risk margin	Gross total	Reinsurance	Net total
Credit and suretyship insurance	10,709	1,412	12,121	(8,136)	3,985
Fire and other damage to property insurance	193,757	3,306	197,063	(184,079)	12,984
General liability insurance	139,417	7,787	147,204	(98,155)	49,049
Income protection insurance	26,840	1,346	28,186	(13,483)	14,703
Marine, aviation and transport insurance	42,580	2,654	45,234	(39,534)	5,700
Non-proportional reinsurance	77,455	3,005	80,460	(62,005)	18,455
Other	1,514	216	1,730	(1,627)	103
	492,272	19,726	511,998	(407,019)	104,979

There are no material differences between classes of business in terms of methodology adopted in the valuation of the Solvency II technical provisions. Where class specific assumptions are required, these are determined using the same approach e.g. the payment pattern used to determine expected future cashflows will differ by class, but the method used to derive such patterns (i.e. pattern determined by analysis of historical similar entity data triangles supplemented by use of industry benchmarks) does not.

D.2.2 Uncertainty associated with the value of technical provisions

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

General uncertainty

Key areas of uncertainty include:

1. *Deviation of ultimate claim settlement cost from expectations.* The actual final cost of settling both claims outstanding as at 31 December 2023 and claims expected to arise from unexpired periods of risk is uncertain. There is a range of possible outcomes, and the eventual outcome will almost certainly differ from any particular estimate made. Technical provisions can only be estimates of future liabilities, and accordingly are subject to uncertainty.

2. *Rates, terms and conditions and IELRs.* There is considerable uncertainty around the impact that the recent period of strong rate increases will have on IELRs, particularly in light of industry concerns around social inflation, recent increases in base inflation, materials and supply chain issues, and changes in policy terms and conditions. The significant reliance on IELRs in the estimation of the liabilities for earned exposure in the current year, and unearned and un-incepted exposures included in the technical provisions further increases the uncertainty of these estimates.

3. *Reliance on benchmarks.* As the Company continues to build out its insurance operations, new classes of business have been added to the Company's portfolio, including European business transferring from Sompo International's UK company platform. The historical performance of the UK portfolio is often used as a benchmark for projecting SIIE's claims development but the differences in the underlying portfolios results in some additional uncertainty.

4. *COVID-19.* There is uncertainty over the longer-term impact of Covid-19, particularly related to the impact of lockdowns and court shutdowns/slowdowns on claim settlement patterns. In response, we have been cautious about reflecting favourable signals within the booked reserves on potentially impacted classes.

5. *New classes of business.* The Company has been growing rapidly over the last few years, particularly the professional lines classes and the AgriSompo book of business. Growth and the addition of new classes of business generally come with increased uncertainty around actuarial assumptions and underwriting performance. These risks are mitigated by significant purchases of reinsurance, the extensive industry expertise of the underwriting teams for these new classes and growth areas, benchmarking of assumptions where appropriate, and regular performance monitoring via quarterly best estimate reserve analyses.

6. *Current accident year.* For most classes, particularly long-tailed classes, the current accident year selected ultimate loss ratio is based on plan or pricing loss ratios, which adds an element of subjectivity and uncertainty to our ultimate loss selections. Early indications show more recent accident year loss ratios are trending below historical experience, which provides some comfort around the robustness of the plan loss ratios on these more recent years.

7. *Professional Lines.* The book contains a significant amount of professional liability business, where ultimate results can be sensitive to adverse trends, such as a worsening legal climate regarding security class actions and litigation impacting financial institutions.

8. *Claim inflation.* Headline CPI inflation in recent periods has been significantly higher than the long-run average between 2011-19, which has increased the level of uncertainty in our reserve estimates. However, it should be noted that drivers of insurance claims costs vary by class and include other factors such as social inflation, wage inflation, medical/legal costs (all of which can be correlated with headline CPI to a greater or lesser degree). In response to this increased uncertainty, we have built a bespoke inflation reserve model to estimate the potential impact of elevated inflation on the reserves. The model applies inflation forecasts for key claims drivers to future calendar year reserve

payments by year and major portfolio. The results of this model have been contemplated in the Company's year-end 2023 reserves.

9. *Russia - Ukraine*. Several exposures, notifications, and losses from the Russia-Ukraine war have been identified on the crisis management, marine war, Financial & Political Risks ("F&PR"), and Aircraft Non-Payment Insurance ("ANPI") portfolios which are being closely monitored. Outside of these, most of our in-force exposures at the start of the war are now off-risk as of 31 December 2023. However, there remains a high level of uncertainty due to the ongoing nature of the conflict, availability of reliable information on individual exposures and assets, assignment of liability to coverages/policies, and the impact of sanctions.

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

Amounts in €'000				31 Dec 2023
Gross	Luxembourg GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Credit and suretyship insurance	69,291	(61,952)	1,733	9,072
Fire and other damage to property insurance	283,530	(59,539)	4,132	228,123
General liability insurance	312,572	(131,385)	11,307	192,494
Income protection insurance	70,939	(22,066)	2,931	51,804
Marine, aviation and transport insurance	208,242	(76,351)	4,132	136,023
Non-proportional reinsurance	68,630	(15,180)	2,342	55,792
Other	13,542	(8,224)	578	5,896
Gross	1,026,746	(374,697)	27,155	679,204
Net	279,294	(180,130)	27,155	126,319

Amounts in €'000				31 Dec 2022
Gross	Luxembourg GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Credit and suretyship insurance	64,998	(54,289)	1,412	12,121
Fire and other damage to property insurance	256,587	(62,830)	3,306	197,063
General liability insurance	225,787	(86,370)	7,787	147,204
Income protection insurance	34,267	(7,427)	1,346	28,186
Marine, aviation and transport insurance	121,211	(78,631)	2,654	45,234
Non-proportional reinsurance	90,374	(12,919)	3,005	80,460
Other	3,768	(2,254)	216	1,730
Gross	796,992	(304,720)	19,726	511,998
Net	206,506	(121,253)	19,726	104,979

Net Solvency II technical provisions at 31 December 2023 are 45.2% (2022: 50.8%) of net Luxembourg GAAP provisions. The larger drivers of this movement are profit from UPR, incepted future premiums (net of acquisition costs), un-incepted contracts and discounting credit. The movements are partially offset by risk margin, additional expenses and ENIDs. The increase in incepted future premiums is due to higher premium receivable at year-end 2023.

Amounts in €'000	31 Dec 2023	31 Dec 2022
Net		
Luxembourg GAAP technical provisions (net of DAC)	279,294	206,506
Removal of margins and bad debt adjustment	(8,560)	153
Profit from UPR	(134,399)	(109,749)
Profit from Un-incepted	(4,011)	(12,748)
Incepted future premium (net of acquisition costs)	(69,334)	(39,788)
ENID loadings	3,148	3,425
Additional expenses	49,581	47,582
Discounting	(16,555)	(16,226)
Risk Margin	27,155	19,726
Reclassification	—	6,098
Solvency II technical provisions	126,319	104,979

Luxembourg GAAP provisions

Output from a quarterly reserving exercise forms the basis of the booked provisions. Gross reported losses, premiums and acquisition cost data are all policy specific and used as the basis to allocate various other items (including IBNR, ULAE and ceded data) to policy, accident quarter, class of business, currency, Solvency II line of business and region.

Allocation to SII line of business and region

Solvency II technical provision elements are allocated to both Solvency II line of business and geographical region. Exposure region is obtained from the underwriting systems on an individual policy basis.

Solvency II line of business is currently assigned to each individual policy based on class and method of placement.

D.2.4 Recoverables from reinsurance contracts and Special Purpose Vehicles (SPVs)

The Company values reinsurance recoverables using standard actuarial methods.

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

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

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

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

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

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

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

There are no material changes other than routine review of IELRs, development profiles and G&A expenses.

D.2.6 Confirmations

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

D.3 Other liabilities

D.3.1 Solvency II valuation and differences from local GAAP valuation for each material class of liabilities

Amounts in €'000				31 Dec 2023
	Luxembourg GAAP	Re-classification	Valuation differences	SII basis
Technical provisions	1,079,592	(258,473)	(141,915)	679,204
Deferred tax liabilities	—	—	355	355
Insurance and intermediaries payables	15,035	—	—	15,035
Reinsurance payables	246,887	(85,364)	—	161,523
Payables (trade, not insurance)	81,122	—	2,567	83,689
Any other liabilities, not elsewhere shown	40,534	—	(31,252)	9,282
	1,463,170	(343,837)	(170,245)	949,088

Amounts in €'000				31 Dec 2022
	Luxembourg GAAP	Re-classification	Valuation differences	SII basis
Technical provisions	839,027	(205,659)	(121,370)	511,998
Deferred tax liabilities	—	—	782	782
Insurance and intermediaries payables	14,594	—	—	14,594
Reinsurance payables	158,438	(80,286)	—	78,152
Payables (trade, not insurance)	78,242	—	1,856	80,098
Any other liabilities, not elsewhere shown	32,015	—	(29,030)	2,985
	1,122,316	(285,945)	(147,762)	688,609

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

Deferred tax liabilities

A deferred tax liability of €355k has been provided for on the Solvency II Economic Balance Sheet compared to Luxembourg GAAP for the impacts of technical provisions differences and Solvency II deferred tax recognition differences. The deferred tax liability provided in the current period is not material to the Company's solvency position, all timing differences are expected to reverse within a one-year time horizon.

Insurance and intermediaries payables and reinsurance payables

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

Payables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. There are no differences between the Solvency II valuation and the Luxembourg GAAP valuation of payables.

Payables (trade, not insurance)

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

Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown includes accrued operating expenses and accrued interest expense.

The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of deferred costs do not therefore exist and thus ceded deferred acquisition costs are removed from the balance sheet. There are no differences between the Solvency II valuation and the Luxembourg GAAP valuation of accrued expenses.

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

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

D.4 Alternative methods for valuation

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

D.5 Any other information

There is nothing further to report regarding information on the valuation of the Company's assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own funds

Objectives when managing capital are:

- to comply with the insurance capital requirements required by the regulator, the CAA as well as capital adequacy requirements of the Solvency II regime;
- to safeguard the Company's ability to continue as a going concern so that it can maintain policyholder protection;
- to identify, quantify, monitor and control the risk profile with respect to the defined risk appetite and target level of capital;
- to obtain and retain the ratings necessary to trade with its preferred policyholder base; and
- to deploy capital on opportunities to underwrite business profitably.

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

E.1.1 Own funds classified by tiers

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Tier 1	211,459	224,494	(13,035)
Tier 2	—	—	—
Tier 3	2,191	3,061	(870)
	213,650	227,555	(13,905)

Tier 1 own funds consist of ordinary share capital and share premium account relating to ordinary share capital of €30k and €243,734k respectively (2022: €30k and €243,734k), and a reconciliation reserve of €(32,305)k (2022: €(19,270)k). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

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

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

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

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

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Net assets under Luxembourg GAAP	231,794	242,372	(10,578)
Valuation differences on technical provisions under Solvency II	(20,134)	(17,748)	(2,386)
Valuation differences on lease assets	(201)	(130)	(71)
Valuation difference on deferred tax asset	2,191	3,061	(870)
Excess of assets over liabilities under Solvency II	213,650	227,555	(13,905)

Valuation differences on technical provisions under Solvency II includes:

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

The deferred net tax asset valuation difference is due to the tax impact of the above technical provisions differences.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

The final amounts remain subject to supervisory assessment. The Company has not received any imposed capital add-ons or imposed undertaking specific parameters.

Amounts in €'000	31 Dec 2023	31 Dec 2022	Movement
Non-life underwriting risk	52,183	55,409	(3,226)
Health underwriting risk	9,206	8,079	1,127
Market risk	44,800	48,833	(4,033)
Counterparty default risk	21,632	17,327	4,305
Operational risk	19,561	14,768	4,793
Total diversification benefit	(36,329)	(35,714)	(615)
Loss absorbing capacity of deferred taxes	—	—	—
Solvency Capital Requirement	111,053	108,702	2,351
Minimum Capital Requirement	30,216	27,176	3,040

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

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

For year end 2023 following the calculations specified in the Delegated Regulation, the calculation of the Company's linear MCR is more than 0.25 times the SCR but less than the cap which is 0.45 times the SCR and so the MCR is equal to the linear MCR. The MCR has increased because of an increase in net written premiums primarily in the general liability and marine lines of business.

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

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

The increase in the SCR is mainly driven by the operational risk SCR due to increased gross best estimate reserves and increased counterparty risk SCR due to increased receivables. These increases are primarily offset by a decrease in market risk due to a reduction in USD net assets which reduces the currency risk.

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

Not applicable.

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

Not applicable.

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

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

E.6 Any other information

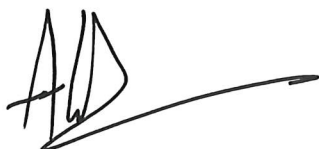
There is nothing further to report regarding information on capital management.

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

Financial year ended 31 December 2023

We certify that:

1. the Solvency and Financial Condition Report (“SFCR”) has been properly prepared in all material respects in accordance with the CAA rules and Solvency II Regulations; and
2. we are satisfied that:
 - a. throughout the financial year in question, the insurer has complied in all material respects with the requirements of the CAA rules and Solvency II Regulations as applicable to the insurer; and
 - b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply to 31 December 2024.

A handwritten signature in black ink, appearing to be 'A Golding', with a long horizontal stroke extending to the right.

A Golding

Director

4 April 2024

Appendix 1 – Quantitative reporting templates

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

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

SI Insurance (Europe)

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in EUR thousands)

General information

Undertaking name	SI Insurance (Europe) S.A.
Undertaking identification code	5493000OBOGTBRMWN512
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

Solvency II
value

C0010

Assets

R0030	Intangible assets	0
R0040	Deferred tax assets	2,546
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	3,120
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	313,343
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	87
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	87
R0130	<i>Bonds</i>	275,255
R0140	<i>Government Bonds</i>	35,124
R0150	<i>Corporate Bonds</i>	156,912
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	83,219
R0180	<i>Collective Investments Undertakings</i>	38,001
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	552,885
R0280	<i>Non-life and health similar to non-life</i>	552,885
R0290	<i>Non-life excluding health</i>	518,883
R0300	<i>Health similar to non-life</i>	34,002
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	5,751
R0360	Insurance and intermediaries receivables	59,089
R0370	Reinsurance receivables	127,139
R0380	Receivables (trade, not insurance)	27,324
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	71,525
R0420	Any other assets, not elsewhere shown	16
R0500	Total assets	1,162,738

S.02.01.02

Balance sheet

Solvency II
value

C0010

Liabilities

R0510	Technical provisions - non-life	679,204
R0520	<i>Technical provisions - non-life (excluding health)</i>	622,461
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	598,777
R0550	<i>Risk margin</i>	23,684
R0560	<i>Technical provisions - health (similar to non-life)</i>	56,743
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	53,272
R0590	<i>Risk margin</i>	3,471
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	355
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	15,035
R0830	Reinsurance payables	161,523
R0840	Payables (trade, not insurance)	83,689
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	9,282
R0900	Total liabilities	949,088
R1000	Excess of assets over liabilities	213,650

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

[illegible]

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole	0	0	0	0		0	0	0	0				0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0	0	0		0	0	0	0				0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
R0060	Gross	1,241	-3,337	-1	0		2,880	6,525	-113	-333				188	-54	-356	-615	6,025
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	952	-3,132	-1	0		3,070	-1,140	-8,282	2,182				29	-592	-194	-875	-7,983
R0150	Net Best Estimate of Premium Provisions	289	-205	0	0		-190	7,665	8,169	-2,515				159	538	-162	260	14,008
Claims provisions																		
R0160	Gross	2,849	52,210	60	1,169		129,010	217,466	181,300	7,672				63	12,279	719	41,226	646,023
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3,913	31,939	49	957		127,769	200,370	149,218	8,444				253	10,021	-437	28,372	560,868
R0250	Net Best Estimate of Claims Provisions	-1,064	20,271	11	212		1,241	17,096	32,082	-772				-190	2,258	1,156	12,854	85,155
R0260	Total best estimate - gross	4,090	48,873	59	1,169		131,891	223,991	181,187	7,339				251	12,225	363	40,611	652,049
R0270	Total best estimate - net	-775	20,066	11	212		1,051	24,761	40,251	-3,287				-31	2,796	994	13,114	99,163
R0280	Risk margin	493	2,931	1	84		4,132	4,132	11,307	1,733				46	766	163	1,367	27,155
R0320	Technical provisions - total	4,583	51,804	60	1,253		136,023	228,123	192,494	9,072				297	12,991	526	41,978	679,204
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	4,865	28,807	48	957		130,839	199,230	140,936	10,626				282	9,429	-631	27,497	552,885
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-282	22,997	12	296		5,184	28,893	51,558	-1,554				15	3,562	1,157	14,481	126,319

Non-Life insurance claims

Accident year / underwriting year	Accident Year
-----------------------------------	---------------

(absolute amount)

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

[illegible]

S.23.01.01
Own Funds

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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

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

Available and eligible own funds

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

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

Reconciliation reserve

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

Expected profits

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
30	30		0	
243,734	243,734		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-32,305	-32,305			
0		0	0	0
2,191				2,191
0	0	0	0	0
0				
0				
213,650	211,459	0	0	2,191

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

213,650	211,459	0	0	2,191
211,459	211,459	0	0	
213,650	211,459	0	0	2,191
211,459	211,459	0	0	

111,053
30,216
192.38%
699.82%

C0060
213,650
0
245,955
0
-32,305

133,761
133,761

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010	Market risk
R0020	Counterparty default risk
R0030	Life underwriting risk
R0040	Health underwriting risk
R0050	Non-life underwriting risk
R0060	Diversification
R0070	Intangible asset risk
R0100	Basic Solvency Capital Requirement
Calculation of Solvency Capital Requirement	
R0130	Operational risk
R0140	Loss-absorbing capacity of technical provisions
R0150	Loss-absorbing capacity of deferred taxes
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency Capital Requirement excluding capital add-on
R0210	Capital add-ons already set
R0211	<i>of which, capital add-ons already set - Article 37 (1) Type a</i>
R0212	<i>of which, capital add-ons already set - Article 37 (1) Type b</i>
R0213	<i>of which, capital add-ons already set - Article 37 (1) Type c</i>
R0214	<i>of which, capital add-ons already set - Article 37 (1) Type d</i>
R0220	Solvency capital requirement
Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590	Approach based on average tax rate
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Calculation of loss absorbing capacity of deferred taxes

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
44,800		
21,632		
0		
9,206	9	
52,183	9	
-36,329		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:

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

For non-life underwriting risk:

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

C0100
19,561
0
0
111,053
0
0
0
0
111,053

0
0
0
0
0

Yes/No

C0109

Not applicable

LAC DT

C0130

0
0
0
0
0

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

30,216

Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020 Medical expense insurance and proportional reinsurance
R0030 Income protection insurance and proportional reinsurance
R0040 Workers' compensation insurance and proportional reinsurance
R0050 Motor vehicle liability insurance and proportional reinsurance
R0060 Other motor insurance and proportional reinsurance
R0070 Marine, aviation and transport insurance and proportional reinsurance
R0080 Fire and other damage to property insurance and proportional reinsurance
R0090 General liability insurance and proportional reinsurance
R0100 Credit and suretyship insurance and proportional reinsurance
R0110 Legal expenses insurance and proportional reinsurance
R0120 Assistance and proportional reinsurance
R0130 Miscellaneous financial loss insurance and proportional reinsurance
R0140 Non-proportional health reinsurance
R0150 Non-proportional casualty reinsurance
R0160 Non-proportional marine, aviation and transport reinsurance
R0170 Non-proportional property reinsurance

0	1,396
20,066	4,754
11	0
212	693
0	0
1,052	23,950
24,760	46,313
40,252	55,781
0	7,595
0	0
0	0
0	0
2,795	2,885
994	1,699
13,114	9,980

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

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

C0060

R0210 Obligations with profit participation - guaranteed benefits
R0220 Obligations with profit participation - future discretionary benefits
R0230 Index-linked and unit-linked insurance obligations
R0240 Other life (re)insurance and health (re)insurance obligations
R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

R0300 Linear MCR
R0310 SCR
R0320 MCR cap
R0330 MCR floor
R0340 Combined MCR
R0350 Absolute floor of the MCR
R0400 Minimum Capital Requirement

30,216
111,053
49,974
27,764
30,216
4,000
30,216