RSA Luxembourg S.A.

Solvency and Financial Condition Report (SFCR) 2024

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Appendix 1. Abbreviations and Terms used in this Report

Appendix 2. Quantitative Reporting Templates (QRTs)

Introduction

RSA Luxembourg S.A. (the Company or RSAL) is a member of the Intact Financial Corporation Group of Companies, headed by Intact Financial Corporation (IFC or the Group). At a local level the Company is a member of the RSA Insurance Group of companies, headed by RSA Insurance Group Limited (RSAIG) and due to its issued securities provides more detailed reporting on the RSA Group. The Company's immediate parent company is Royal & Sun Alliance Insurance Limited (the Parent or RSAI).

The principal activity of the Company is the transaction of non-life insurance and related financial services for customers from regulated branches across the European Union (EU). It has branches in Belgium, France, Germany, Spain, the Netherlands, and underwrites on a freedom of services basis in the remaining member states. The branch in Germany is currently in run-off and has been closed to new business since 2019. The Company also has a branch in the United Kingdom, which is unregulated and provides operational support.

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the SII regulatory framework and sets out the solvency and financial condition of the Company as at 31 December 2024, as required by Solvency II (SII) regulations. These regulations prescribe the structure of this document and indicate the nature of the information that must be reported under a series of headings and sub-headings. Where information is not applicable to the Company, for completeness, the report still contains the heading, but with an appropriate note.

The Company has renewed the quota share reinsurance agreement with its Parent, under which a proportion of the insurance risk of the Company's business is transferred to RSAI. The Company receives a reinsurance commission in relation to the quota share agreement which covers changes in prior year's results as well as any new business underwritten in the Company and is net of inuring reinsurance. The quota share reinsurance arrangement covers all lines of business equally and is structured to ensure capital is optimised in the most efficient manner possible.

This document makes reference to the Company's 2024 Annual Report and Accounts which can be accessed from the Company's head office in Luxembourg. Information in the Annual Report and Accounts is prepared according to statutory accounting rules, whereas information in this SFCR is governed by SII regulations. Important differences include valuation methodologies for assets, technical provisions and other liabilities, definitions of asset and liability categories, and definitions of underwriting lines of business. Therefore the figures, including financials, in this SFCR will not always correspond to the numbers in the Annual Report and Accounts.

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

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

Summary

The strategy for the Company is to ensure it delivers consistent and sustainable profitable growth at an attractive return on capital. The Company launched a new underwriting strategy in 2023, with a greater focus on delivering deep expertise in a narrower field of chosen sector specialisms. During 2024, in support of this strategy, the Company launched two new product offerings of Technology and Management Liability, as well as providing a Cyber offering through its relationship with Resilience Cyber Insurance Solutions, a Managing General Agent. In 2024, the Company also rolled out a new underwriting workbench tool, Specialty 360, to leverage greater underwriting efficiency. The 5-year growth ambition remains to significantly grow net written premiums from current levels to protect the balance sheet and its exposure to large losses, while maintaining attractive margins. This would be underpinned by targeted opportunities, including potential new product opportunities as well as building on a culture of data-led decision making.

The long-term opportunities for the Company are aligned with IFC as outlined in their 2024 Annual Report and Accounts.

Business and performance

Underwriting result

The underwriting result of the Company shows a profit of €5.1m (2023: €9.7m).

Investment result

The investment result was €909k (2023: €Nil).

Operating result

The Company’s operating profit before tax was €7m (2023: €10.8m)

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

System of governance

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

Risk profile

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

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

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

- Underwriting risk
- Reserving risk
- Financial risk, including market, credit and liquidity risks
- Operational risk
- Emerging risk

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

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

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

Valuation for solvency purposes

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

At 31 December 2024, the Company's excess of assets over liabilities on an SII basis was €108,074k, and on a Lux GAAP basis this was €105,858k. The most significant movement between SII and Lux GAAP valuation is due to the difference in valuation of technical provisions.

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

Capital Position

Solvency II position	**Requirement (SCR) €'000**	**Eligible Own Funds €'000**	**Surplus €'000**	**Coverage %**
31 December 2024	**91,674**	**143,074**	**51,400**	**156**
31 December 2023	90,357	131,858	41,501	146

A. Business and performance

In this section

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

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

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

There are some differences in presentation between the Solvency II profit and loss account and the Lux GAAP financial statements; however, the aggregate result for the year ended 31 December 2024 is unchanged.

A.1 Business

A.1.1 Company name & legal form

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

A.1.2 Supervisory authority

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

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

Telephone: (+352) 22 69 11 1

A.1.3 Réviseur d'Entreprises agréé

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

Ernst & Young
35E Avenue John F. Kennedy
L-1855 Luxembourg
GD de Luxembourg

Telephone: (+352) 42 12 41

A.1.4 Holders of qualifying holdings

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

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

A.1.5 Position within the Group legal structure

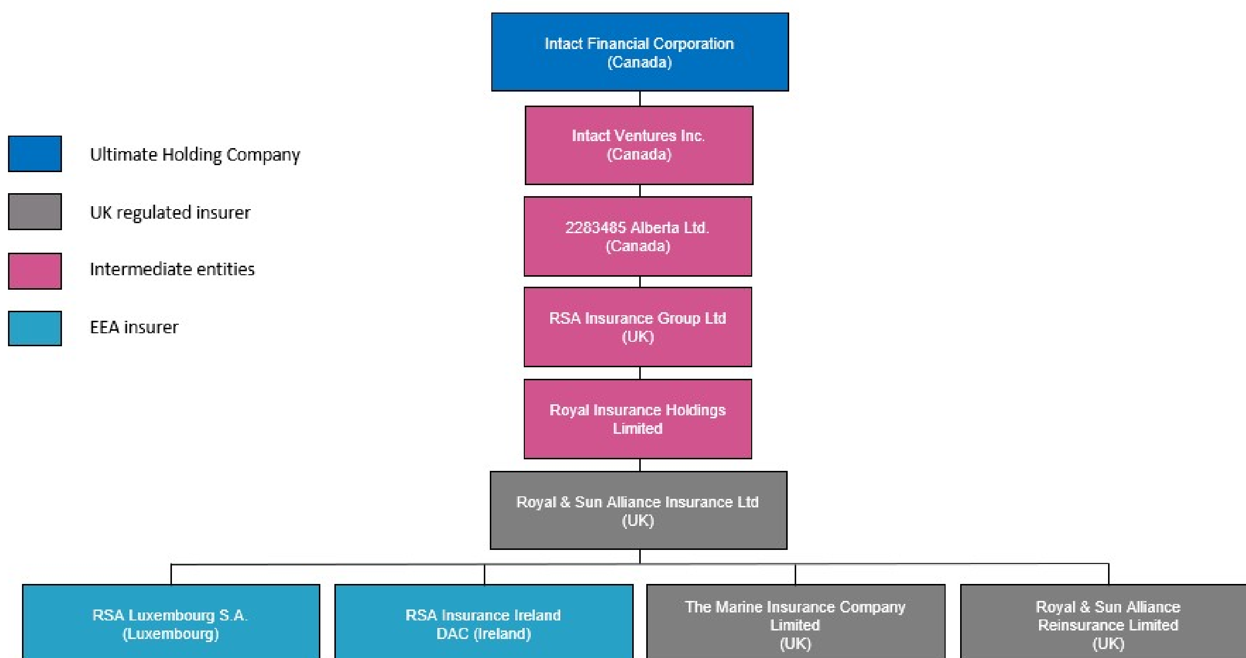
The Company's immediate parent undertaking is RSAI, a company incorporated in England and Wales, regulated by the Financial Conduct Authority (FCA) and subject to prudential supervision by the Prudential Regulation Authority (PRA). The Company's ultimate parent undertaking is IFC, a company incorporated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

A.1.6 Material related undertakings

Intact Financial Corporation (IFC) is the ultimate parent entity of the Company.

Refer to Note 30.4 of Intact Financial Corporation's Consolidated financial statements for significant operating entities.

A.1.7 Simplified Group structure



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

A.1.8 Business lines and geographical areas

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

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

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

A.1.9 Significant events

Quota share reinsurance arrangements

The Company renewed the quota share reinsurance agreement with its Parent, under which a significant proportion of insurance risk of the Company's business is transferred to the Parent. The Company receives a reinsurance commission in relation to the quota share agreement which covers changes in prior year's results as well as any new business underwritten in the Company and is net of inuring reinsurance.

The quota share reinsurance arrangement covers all lines of business equally and is structured to ensure capital is optimised in the most efficient manner possible.

A.2 Underwriting performance

This section contains an analysis of the underwriting profit for the Company for the year ended 31 December 2024.

A.2.1 Aggregate performance

RSA LUXEMBOURG
PROFIT AND LOSS ACCOUNT FOR SFCR PURPOSES

	2024	**2023**
	€'000	**€'000**
Gross written premiums	469,181	446,841
Net written premiums	51,975	64,326
Net earned premiums	51,799	61,876
Net incurred claims	(37,189)	(45,939)
Allocated investment return transferred from the non-technical account	1,233	1,406
Other technical income, net of reinsurance	12,947	11,990
Acquisition costs incurred	(64,682)	(64,088)
Reinsurance commissions and profit participation	75,070	72,170
Administration expenses	(34,111)	(27,741)
Underwriting Profit	**5,067**	**9,674**
Investment income	3,093	1,763
Investment expenses and charges	(951)	(357)
Allocated investment return transferred to the technical account	(1,233)	(1,406)
Investment result	**909**	**-**
Other Income	2,650	3,500
Other charges, including value adjustments	(1,605)	(2,373)
Operating result	**7,021**	**10,801**
Profit before tax	**7,021**	**10,801**
Tax	(1,901)	(2,527)
Profit after tax	**5,120**	**8,274**

The underwriting profit for the year ended 31 December 2024 amounted to €5,067k, with gross written premiums of €469,181k.

Comparative numbers for Other technical income, net of reinsurance, Acquisition costs incurred, Reinsurance commissions and profit participations and Administrative expenses for the year 2023 were reclassified with no impact on the 2023 results of the Company as at 31 December 2023. Refer to Notes 13 and 15 of the Company's 2024 Annual Reports and Accounts.

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

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

The quota share contract in force during 2024 resulted in outward reinsurance premiums amounting to €208,991k on a Lux GAAP basis.

A.2.2 Underwriting result by geographical area

An analysis of underwriting performance for the Company for the year ended 31 December 2024 by geographical area is detailed below:

	Belgium 2024 €'000	France 2024 €'000	Germany 2024 €'000	Netherlands 2024 €'000	Spain 2024 €'000	Luxembourg 2024 €'000	Total 2024 €'000
Gross written premium	68,834	119,564	(192)	92,692	188,283	-	469,181
Net earned premium	9,384	17,130	(35)	11,034	14,286	-	51,799
Net incurred claims	(6,509)	(11,429)	75	(6,811)	(12,515)	-	(37,189)
Underwriting expenses	(5,127)	(5,402)	(797)	(3,430)	(8,504)	(463)	(23,723)
Allocated investment return transferred from the non-technical account	223	290	-	380	340	-	1,233
Other technical income, net of reinsurance	1,386	2,040	1	2,472	7,048	-	12,947
Underwriting Profit/(Loss)	(643)	2,629	(756)	3,64	655	(463)	5,067

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

A.2.3 Performance by material line of business

An analysis of underwriting performance for the Company for the year ended 31 December 2024 by material line of business is detailed below:

	Net written premium		Underwriting result	
	2024 €'000	**2023 €'000**	**2024 €'000**	**2023 €'000**
Fire and other damage to property	26,011	31,759	3,360	3,535
General liability	12,590	15,267	2,080	2,180
Marine, Aviation and Transport	13,374	17,300	(373)	3,959
Total	**51,975**	**64,326**	**5,067**	**9,674**

The Company has generated a strong result on its ordinary activities, but was impacted by natural catastrophe losses, both man-made and weather related. The results continue to show improvements in attritional loss ratios supported by strong pricing and better risk selection. Attritional claims are small more frequently occurring claims.

In 2024, Marine, Aviation and Transport outperformed our Plan expectations, driven by better attritional loss ratio performance and favorable development on prior years. However, this was offset by higher than expected natural catastrophe losses and the result on reinsurance.

For Fire and other damage to property it was a challenging year with some heavy natural catastrophe losses of which a significant part came from our exited Construction & Engineering (C&E) business. This was offset by a favourable result on reinsurance.

General liability landed close to our plan expectations with a strong year on year improvement of our attritional loss ratio performance.

A.3 Investment performance

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

A.3.1 Income and expenses by class

Investment Income

Income from investments during the year was €2,184k (2023: €937k), and gains on the realisation of derivative financial instruments and investments were €909k (2023: €826k). Valuation losses on investments were €(248)k (2023: €(328)k).

Investment Expenses

The Company incurred investment management expenses of €(31)k in 2024 (2023: €(24)k).

A.3.2 Gains and losses recognised in equity

Nothing to report.

A.3.3 Investments in securitisation

The Company has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

Finance costs

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

Employee expenses

Staff costs for all employees comprise:

	2024	2023
	€'000	€'000
Wages and salaries	**19,893**	18,354
Social security costs	**5,024**	4,974
Of which those related to pension costs	***93***	*79*

The change in wages and salaries is driven by wage inflation and an increase in the number of employees.

A.4.2 Operating and finance leasing arrangements

The Company leases various outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments in respect of non-cancellable operating leases are €2,221k (2023: €1.890k).

Finance leases

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

A.5 Any other information

Subsequent event

On 22 January 2025, the Company drew down €29,500k from its credit facility with its Parent to fund a large claim settlement relating to a Spanish liability claim. The draw down was a bridging loan to fund the gross payment prior to collecting reinsurance recoveries due in respect of claims totalling approximately €28,500k. All reinsurance recoveries have been received, and the loan fully settled on 4 March 2025. It was agreed to utilise the intra-group loan facility to support liquidity management and mitigate the need to sell assets from within the Company's investment portfolio.

B. Systems of governance

In this section

B.1 General Information on the system

B.2 Fit and proper requirements

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

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

B. System of Governance

B.1 General information on the system of governance

B.1.1 Board structure

At the start of 2024, the Company was overseen by a Board of five directors (the Board of Directors or the Board), comprising four non-executive directors (of which three were independent) and one executive director.

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

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

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

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

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

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

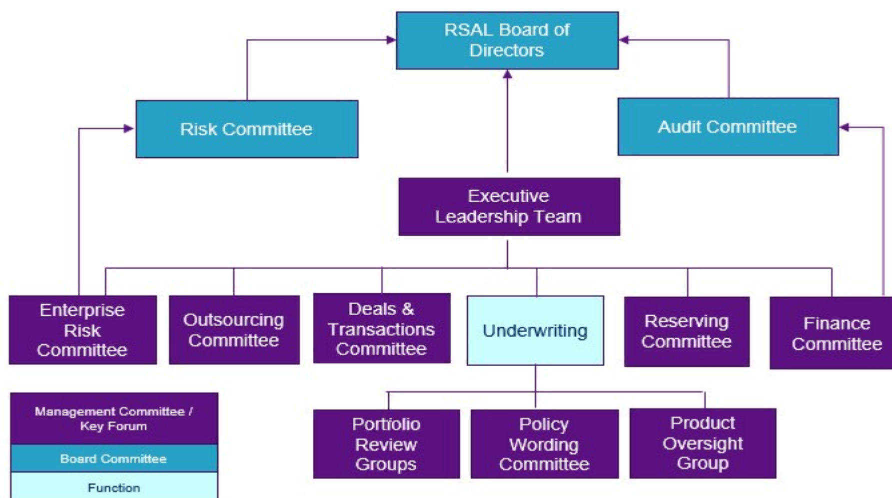
Directors have access to the services and advice of the Company Secretariat, Head of Legal, Internal Audit, Compliance, Actuarial and Risk functions and in addition may take independent professional advice at the expense of the Company in furtherance of their duties.

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

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

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

A summary of the Committee structure is shown below:



B.1.1.1 Board Committees

The Board focuses on strategy, performance, and approval of material transactions. It therefore delegates authority and oversight to its committees in certain areas. The Board has delegated authority to two board level committees:

- Audit Committee
- Board Risk Committee

The Board Committees are comprised of four non-executive directors and one executive director, with management invited to attend when appropriate. Each of its Board Committees has written terms of reference defining its role and the authority delegated to it. The terms of reference for each Board Committee are periodically reviewed and approved, with any changes made as appropriate.

The Board Risk Committee

The primary role of the Board Risk Committee (BRC) is to:

- Advise the Board on risk management issues.
- Recommend the risk limits and risk appetite to the Board for approval.
- Oversee the risk management arrangements of the Company generally.

The Committee ensures that the material risks facing the Company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Audit Committee

The purpose of the Audit Committee includes:

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

B.1.2 Independent key functions

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

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

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

B.1.3 Changes in system of governance

The following director resignations took place during the year:

- None

The following director appointments took place during the year:

- None

On 19 December 2024, the Board of Directors approved the appointment of Mr. Louis Marcotte, as a new Director, Daily Manager and DA of the Company, subject to regulatory approval, and with effect from 10 March 2025. As from 9 March 2025, Mrs Lynn O'Leary resigned as Daily Manager and DA, but will remain as a Director of the Board.

B.1.4 Principles of remuneration policy

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

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

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

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

- The balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration).
- The design of incentive plans to encourage performance within the Company's risk appetite, including the consideration of material risk factors in incentive award decisions, the operation of deferral and malus adjustment and the operation of clawback provisions for Executive Directors, and customised arrangements for those accountable for Key Functions to preserve the independence of their roles.
- Arrangements to avoid reward for failure in termination payments, and to exclude personal hedging strategy usage.

Governance measures aimed at avoiding conflicts of interest are incorporated.

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

The Company applies additional country-specific regulations where needed.

B.1.5 Variable remuneration performance criteria

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

Incentive plan performance measures:

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

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

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, and the overall result of the Company or Group.
- Targets take account of the Company's operating plan which is set with reference to the risk appetite with input from the Risk function.

- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the Company risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles.
- Individual performance assessments take account of financial and non-financial criteria, and are based on consideration of what is delivered and also how goals are achieved.
- A portion of variable remuneration is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context.

There are provisions to apply malus adjustments and clawback.

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

B.1.6 Supplementary pensions

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

B.1.7 Shareholder / Board Transactions

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

- Quota share reinsurance arrangements
- Ancillary Own Funds facility
- The provision by RSAI of services to the Company under outsourcing arrangements

Key management transactions

Information regarding transactions that were carried out with the Board of Directors can be found in Note 17 of the Company’s 2024 Annual Reports and Accounts.

Dividends

The Company did not pay a dividend during the year and the directors have not recommended a payment of dividend in respect of the year ended 31 December 2024.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

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

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

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

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

B.2.2 Assessment process

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

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

Fit requirements

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

These requirements apply equally to internal promotions and moves.

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

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

Proper requirements

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

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

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

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

The three lines of defence

RSAL operates a Three Lines of Defence model, consistent with IFC, whereby:

1st line

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

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

2nd line

- **RSAL's Second line of defence** comprises of Risk & Compliance functions. These functions provide independent advice, review, and challenge of the first line activities with a focus on key subject areas:
  - Risk identification, management and reporting
  - Adherence to risk appetite and policies
  - Compliance with conduct and prudential requirements
  - Addressing changes in regulation
  - Underwriting policy

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

3rd line

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

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

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

Risk appetite and strategy

Risk appetite refers to the level of risk that the Company is willing to pursue, retain or take in achieving strategic objectives and business priorities. Risk appetite is expressed using qualitative statements and supporting Key Risk Indicators (KRIs) with targets and risk tolerances. The Board is responsible for setting the business strategy, which is informed by risk appetite.

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

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

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

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

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

The standard lifecycle stages for RASs and KRIs are:

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

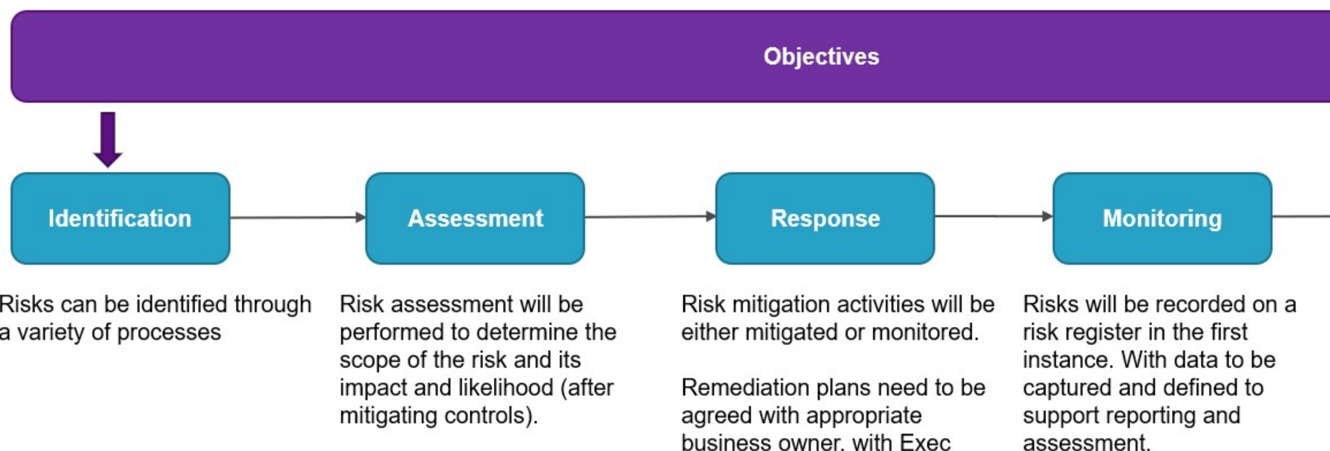
Risk Management Process

The Risk Management Process describes the process used to set, identify, assess, respond, monitor and report on risk impacting each business.

Once risks have been identified, business functions capture the relevant information in a risk register and assess the risk exposure using an impact and likelihood matrix. The business functions assess the residual risk exposure, i.e. after considering the effectiveness of controls and risk mitigants.

Significant risks are assessed and monitored. For risks that are outside of target risk exposure, a risk response is required. The response may be to mitigate or monitor the risk. Risk owners agree the risk response and any due date; and track action plans due to completion. Progress against plans is reported quarterly. An enterprise level Risk Profile is presented to the RSAL Enterprise Risk Committee and Board Risk Committee. The aggregated output from the risk assessments performed by the business functions is used to challenge a top-down view of the Company's enterprise level risks.

The below outlines a single risk management process for all sources of risks including Emerging Risks and all categories of risk: Financial, Insurance and Operational.



Risk identification (new and emerging risks)

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

Risk assessment

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

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

Response, Monitoring, Reporting

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

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

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

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

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

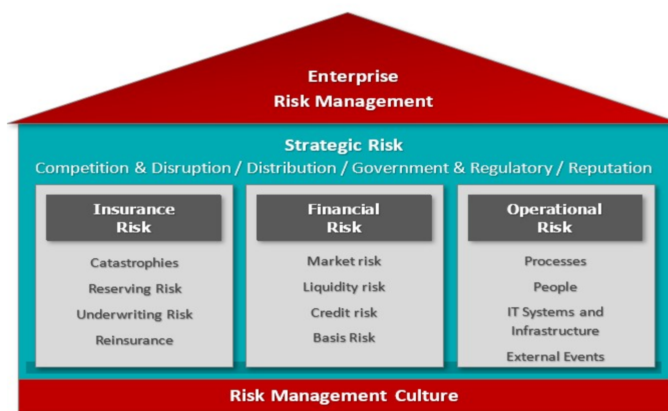
Risk owners must agree the risk response and due date, and track action plans through to completion. Progress against plans is reported at least quarterly.

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

B.3.2 Implementation and integration

Risk Management System – Overview

The Company's risk management system aligns with IFC's Enterprise Risk Management Framework. This is designed to ensure effective management and monitoring of the risks that the Company is exposed to in order to protect the business, clients, employees and stakeholders, while delivering promises to our stakeholders. Risk management programmes aim to mitigate risks that could materially impair the Company's financial position, accept risks that contribute to sustainable earnings and growth and disclose these risks in a full and complete manner. The risk model is based on four main categories: Strategic Risk, Insurance Risk, Financial Risk and Operational Risk.



The RSAL Risk Management & Internal Controls Policy establishes the principles and guidelines by which RSAL manages risk on an enterprise-wide basis, including the Risk Appetite Framework and Risk Management Process – both of which are supported by underlying procedures documents.

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

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

B.3.2.1 RSAL Capital model governance & assurance

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

B.3.3 Own risk and solvency assessment (ORSA)

B.3.3.1 ORSA process

The objective of capital management is to ensure the Company has sufficient capital to meet its obligations, which is fundamental to maintaining customer and stakeholder confidence. RSAL uses the Standard Formula for the calculation of its regulatory capital requirements under the Solvency II directive. Capital management is closely linked to the ORSA, so RSAL has a Capital & ORSA Policy which sets out the requirements and framework for both aspects.

The ORSA process is a continuous process that takes input throughout the year, to assess how the risks of the business change over time and the consequential impact on the solvency needs of the business. A final report is presented to the Board Risk Committee and Board for review and approval. This summarises papers and associated decisions taken during the period and highlights key areas of action needed over the forthcoming year. The ORSA is supported by Stress & Scenario Testing (SAST) which quantifies the impact on own funds of stresses and scenarios and is co-ordinated by the Risk function with input from other functions, mainly Finance and Actuarial.

Capital management activity is undertaken by RSAI Ltd through the Master Services Agreement (MSA) and overseen by the RSAL Lead Actuary. The ORSA process is managed by the RSAL CRO.

B.3.3.2 ORSA review and approval

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

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

B.3.3.3 Own Solvency needs

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

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

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

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

B.4 Internal control system

B.4.1 Description of the internal control system

The Company has an internal control system which contains administrative and accounting procedures, an internal control framework, with appropriate testing (Financial Control Framework and Control Validation), compliance assurance and reporting arrangements, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three lines of defence model.

The internal control system comprises three key elements:

- **Internal control framework** - whereby key policies establish standard requirements and controls, which are implemented and operated by the business. The internal control framework includes financial controllership which is subject to assurance through the Financial Control Framework and its independent Quality Assurance (QA) process.

- **Delegated authority framework** - whereby authority to undertake activities is cascaded down from the Board to the business.

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

The Internal Control Framework

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

RSAL policies and, where applicable, their underlying frameworks set out minimum requirements for business activities. This allows the Company to achieve its objectives including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Certain policies are set at IFC level and are cascaded to RSAL for localisation and implementation. Where there is no IFC level policy, but RSAL is required to have one for regulatory purposes (e.g. to comply with Solvency II) RSAL is responsible for the design and implementation of that policy. The RSAL Risk Management & Internal Controls Policy establishes the principles and guidelines for Policy Management.

Processes are in place to test/validate that controls are operating effectively. Such activities are either carried out by the RSAL employees, by RSAI Ltd (through the Master Services Agreement) or by external parties.

Governance structures are operated throughout the Company to monitor internal control framework performance, including outcomes of testing/validation, compliance assurance and audit activity. These are primarily undertaken by the ELT and through the RSAL Enterprise Risk Committee and Board Risk Committee.

Delegated Authority Framework

The Delegated Authority Framework (DAF) specifies how and what executive authority is delegated from the Board to the DA, and onwards to senior management within the Company. The DA and senior management across the Company receive an executive license setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other

business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within his or her area of responsibility.

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

Compliance Framework

The Compliance Framework is owned by RSAL Compliance Function. Its purpose is to safeguard the Company, its customers, reputation and assets by promoting identification, understanding and compliance with all applicable conduct and regulatory risks and requirements. It does this through its mandate and relevant policies, templates, methodologies, effective communications, guidance and horizon scanning so supporting the business to promote a compliant culture throughout the organisation.

The RSAL Compliance Policy documents the requirements that a Compliance Function must have in place in order to provide advice, guidance and assurance to the business, and operate as an effective 2nd line function within the governance model.

The business is responsible for implementing controls to comply with all applicable regulatory requirements and ensuring these controls remain effective with ultimate responsibility resting with the RSAL Board and senior management.

B.4.2. Compliance function

The purpose of the Compliance function is to ensure that RSAL meets relevant regulatory requirements. It uses, where possible, similar tools to other Compliance functions within the IFC Group. The Compliance function:

- Ensures that there is a strong regulatory compliance culture and that mechanisms are in place to identify, report and resolve issues to avoid or minimise business impact and surprises.
- Manages and develops the relationship with the regulator, the CAA.
- Provides advice and assurance to the business on compliance with insurance related services legislation and the requirements of the regulator on both consumer and prudential matters.
- Supports the business in assessing, monitoring and mitigating regulatory risk.

RSAL has Legal & Compliance Officer (LCO) roles in each of the branches who support the Head of Compliance and Head of Legal oversee regulatory and legal risk at a branch level. The LCO's provide advice and guidance to the local management team and support the Head of Compliance with the delivery of the annual Compliance Monitoring Plan. The Head of Compliance is also the Anti Money Laundering (AML) Compliance Officer, as notified to the CAA, and owns the localised policies that are designed to prevent the occurrence of financial crime. In addition, the Company also notifies the CAA of which Director is responsible for AML Compliance at Board level.

The RSAL Head of Compliance is based in Luxembourg and is notified to the CAA as the Key Function Holder for Compliance. They report to the Board Risk Committee on a quarterly basis; with reporting lines to the RSAL Chief Risk Officer, the DA and Group Chief Compliance Officer.

B.5 Internal audit function

B.5.1 Implementation

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

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

CAS is an independent and objective function reporting to the Board. The RSAL Head of Audit has primary reporting lines to the Chairman of the RSAL Audit Committee and the Head of Audit, Global Speciality Lines, with a secondary line to the RSAL CEO. The Head of Audit Global Speciality Lines reports to the Intact Group Chief Auditor. The RSAL Head of Audit is notified to the CAA under the regulatory regime.

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

On a semi-annual basis the RSAL Head of Audit submits a six-monthly rolling risk-based audit plan (i.e. a detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Luxembourg Audit Committee for review and approval. The six-monthly rolling audit plan is developed based on CAS’s independent risk assessment and a prioritisation of the audit universe, considering inputs from Executives, Senior Management and the Audit Committee, and CAS’s assessment of key risk measurement criteria including financial, regulatory, strategic and fraud risks that could impact the organisation.

CAS coverage of the audit universe is based on the principles of a five year cycle, whereby the level of risk will continue to determine the audit frequency, during which it shall aim to cover very high risks every 1-2 years, high risks every 2-3 years and medium risks every 3-5 years. Low risk areas will be covered as needed. Any very high and high risk areas that are not covered within the desired timeframe will be transparently reported to the Audit Committee. Coverage shall be provided through Company specific audit reviews along with combined audit reviews with the wider CAS function.

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

The RSAL Head of Audit ensures that CAS has the appropriate budget and resources, and collectively has the knowledge, skills, and other competencies to meet the requierements of the Standars and fulfit the internal audit mandate.

This includes consideration of trends and emerging issues that could impact the Company. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

CAS operates an ongoing QA programme that is outsourced to an external provider. Annually, the external provider reports a summary of the QA results to the Audit Committee. The function is governed by an Internal Audit Charter which sets out the function’s role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

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

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

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

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Head of Audit must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.The RSAL Head of Audit will disclose impairments of independence or objectivity, in fact or appearance, to the Audit Committee and Senior Management. The Head of Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function.

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

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

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

B.6 Actuarial function

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

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

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

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

B.7 Outsourcing

B.7.1 Policy and key activities

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

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

The content of this Procurement Procedure is:

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

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

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

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

RSAL currently has three contractual arrangements which are deemed critical or important. These include a third-party arrangement with a UK-based investment management institution; intra-group outsourcing arrangements in place with both RSAI in the UK (for a range of services) and Intact Investment Management in Canada (for investment reporting).

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

B.8 Any other information

B.8.1 Adequacy of system of governance

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

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

In this section

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

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

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

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

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

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

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

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

Reserve risk

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

C.1.2 Measures used to assess risk

Underwriting and claims risk

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

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

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

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

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

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

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

Reserve risk

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

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

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

C.1.3 Material risks

Material risks identified during the reporting period include:

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

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

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

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

C.1.6 Risk mitigation

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

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

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

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

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

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

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

C.1.7 Risk sensitivity

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

C.2 Market risk

C.2.1 Introduction

Market risk is the risk of potential losses from adverse movements in market prices including those of public debt & fixed income, public equity securities, property, exchange rates and derivatives as well as credit rating downgrade risk, credit spread risk, credit default risk and asset-liability matching risk.

C.2.2 Measures used to assess risk

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

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

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

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

C.2.3 Material risks

The Company is exposed to the following material market risks:

Interest rate risk

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

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

Currency risk

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

The Company mitigates currency risk by matching cash assets and liabilities by currency at a Company level with any residual risk outside of appetite covered by foreign currency derivatives entered into with the Parent on an arm's-length basis.

Credit risk

The Company invests in public debt & fixed interest securities issued by governments, government agency and corporate issuer counterparties. The Company expects to receive incremental income through assuming credit rating downgrade risk, credit spread risk, credit default risk. Credit risk appetite is controlled through the investment strategy and investment limits, reviewed and approved by the Board.

C.2.4 Application of the prudent person principle

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

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

The Company's investment portfolio focus is on high quality investment grade allocation to public debt & fixed income securities and cash and cash equivalents.

Liquidity risk is minimised by holding and ensuring a sufficient liquidity ratio of assets is maintained to meet the Company expected cash flow requirements, including stressed scenario conditions.

C.2.5 Material risk concentrations

The Company holds a large proportion of its cash at one main key operational bank, creating a concentration of cash assets with one counterparty. However, this has been mitigated, somewhat, by investments in Euro-denominated US Treasury Bills that provide a diversification.

The public debt & fixed income portfolio consists of high quality, investment grade, fixed income assets, broadly reflecting the duration of its underlying insurance liabilities. The debt and fixed income assets are well-diversified by sector and geography with circa 40% of the public debt & fixed income investments on the SII balance sheet comprising government securities (see Appendices for QRT S.02.01).

C.2.6 Risk mitigation

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

Credit risk exposure is mitigated by the high-quality nature of the public debt and fixed income securities portfolio investment grade and circa 46% rated AA- or above. Counterparty concentration risk is limited through limits placed on single counterparties.

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

C.2.7 Risk sensitivity

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

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

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

C.3 Credit risk

C.3.1 Introduction

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

C.3.2 Measures used to assess risk

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

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

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

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

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

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

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

The Company has a fixed income investment portfolio administered by Goldman Sachs Asset Management and continues to maintain a high-quality investment portfolio, regularly monitoring developments in the performance of its assets.

C.3.3 Material risks

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

- **Counterparty risk -** defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers including intra-group and other third parties.
- **Credit concentration risk -** defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions.
- **Credit downgrade risk -** defined to be the loss or gain from a change in an investment's credit rating agency rating and/or an analyst buy, sell, hold opinion.
- **Credit spread risk -** defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury security's counterparty

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

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

C.3.3.1 Reinsurance credit risk

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

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

C.3.3.2 Invested assets credit risk and credit downgrade risk

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

The Company has credit risk against intermediaries and brokers.

C.3.3.3 Credit risk arising from insurance operations

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

The Company has credit risk against intermediaries and brokers.

C.3.4 Application of the prudent person principle

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

C.3.5 Material risk concentrations

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

- Reinsurance counterparties (including the Company's parent – RSAI).

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

C.3.6 Risk mitigation

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

C.3.6.1 Reinsurance credit risk management

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

Mitigation techniques

Group:

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

Company requirements:

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

Monitoring process

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

C.3.6.2 Investment credit risk

Mitigation techniques

See Section C.2.6.

Monitoring process

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

C.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Finance Committee** – the Company through its Finance Committee is responsible for identifying, assessing, maintaining, monitoring and reporting on IOCR exposures. Oversight of debt and associated credit risk is also subject to review at the RSA sub-group Receivables Committee.
- **Debt reconciliations** – Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased.
- **Completion of due diligence activities** – on-boarding due diligence requires the completion of external independent financial credit checks which includes the analysis of several financial inputs. Ongoing monitoring is undertaken on existing counterparties with any credit rating downgrades identified and reported.

- **Credit terms are set for each counterparty** – the Company must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented in the Insurance Operation Credit Risk policy (approved by the Board and Board Risk Committee).

Monitoring process

Examples of regular management information monitored by the Company include:

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

C.3.6.4 Credit concentration risk

Mitigation techniques

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

C.3.7 Risk sensitivity

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

C.4 Liquidity risk

C.4.1 Introduction

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

C.4.2 Measures used to assess risk

The Company breaks down liquidity risk into three subcategories:

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

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

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

There have been no material changes to the measures used to assess risks during 2024.

C.4.3 Material risks

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

C.4.4 Application of the prudent person principle

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

C.4.5 Material risk concentrations

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

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

C.4.6 Risk mitigation

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

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

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

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

C.4.7 Expected profit in future premiums

The Expected Profit in Future Premiums (EPIFP) is the profit relating to existing in-force contracts with premium amounts due in the future and not yet received at the valuation date. The Company has assessed its Expected Profit in Future Premiums (EPIFP) and, on a gross basis has aggregated this as circa €23.2m. This value has been disclosed on the Company's annual QRT S.23.01.01; see Appendix 2 – Quantitative Reporting Templates.

C.4.8 Risk sensitivity

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

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

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

C.5 Operational risk

C.5.1 Introduction

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

C.5.2 Measures used to assess risk

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

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

The Risk Management and Internal Controls policy describes the Risk Management and Internal Controls System which includes the Risk Appetite, Risk Management Process and Policy Management.

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

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

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

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

- Control testing
- Emerging risk assessments

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

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

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

RSAL uses risk assessment based on residual risk, which means the risk impact and likelihood after considering existing controls, but before considering further actions.

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

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

C.5.3 Material risks

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

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

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

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

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

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

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

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

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

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

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

C.5.7 Risk sensitivity

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

C.6 Other material risks

C.6.1 Other material risks

In addition to the risks covered above, the Company is exposed to risk arising from climate change.

Physical climate change risk manifests as heightened global catastrophe risk and is a material part of RSAL's risk profile. RSAL monitors locations of its exposures and potential for accumulation in regions susceptible to weather events, enabling pricing of risks accordingly.

RSAL has a proven ability to manage climate risks in its operations and continues to take actions to protect its business and customers. Risk management strategies are in place to mitigate climate risk, reducing financial impact while capturing potential opportunities.

RSAL's risk and operational teams regularly review the emerging risk landscape, which includes existing and emerging regulatory requirements related to climate change and Economic, Social and Governance (ESG) factors. Climate risk is then managed through the Company's operational policies and standards, categorising mitigation into pricing and selection, including product innovation, monitoring supply chains, claims and investments.

RSAL is committed to reducing greenhouse gas (GHG) emissions and accelerate the transition to a low GHG and resilient future.

C.7 Any other information

Stress and scenario testing

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

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

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

In 2024, the key scenarios considered large losses that RSAL faces when reinsuring for Global Network partners and whether these would have a material impact on the Company's solvency coverage ratio, specifically due to the credit risk module under the Standard Formula. Also, the stress tests were performed using fully reinsured and different counterparties.

RSAL's own funds were above the capital requirements in each scenario tested.

D. Valuation for Solvency Purposes

In this section

SII Balance sheet

D.1 Assets

D.2 Technical provisions

D.3 Other liabilities

D.4 Alternative methods for valuation

D.5 Any other information

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

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

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

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

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

SII Balance Sheet

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

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

	Financial statements note	Statutory accounts value	Reclassification	SII valuation adjustments	Solvency II value	SFCR section
		€'000	€'000	€'000	€'000	
Deferred acquisition costs	3.2.14	**29,137**	**(33,046)**	**3,909**	**-**	D.1.1.1
Deferred tax assets		**-**	**-**	**2,682**	**2,682**	D.1.1.2
Property, plant and equipment held for own use	3.2.3 7	**1,518**	**-**	**4,034**	**5,552**	D.1.1.3
Investments (other than assets held for index-linked and unit-linked contracts)	4	**139,897**	**1,050**	**(494)**	**140,453**	
Bonds	3.2.2	**135,312**	**1,050**	**(494)**	**135,868**	D.1.1.4
Collective investments undertakings	3.2.2	**4,585**	**-**	**-**	**4,585**	D.1.1.4
Reinsurance recoverables	3.2.7	**694,672**	**(20,294)**	**(147,720)**	**526,658**	D.2
Insurance and intermediaries receivables		**112,248**	**9,335**	**(94,909)**	**26,674**	D.1.1.4
Reinsurance receivables	10	**34,915**	**6,860**	**(15,184)**	**26,591**	D.1.1.4
Receivables (trade, not insurance)	10	**70,380**	**(18,770)**	**-**	**51,610**	D.1.1.4
Cash and cash equivalents	3.2.6	**13,286**	**(16)**	**-**	**13,270**	D.1.1.4
Any other assets, not elsewhere shown		**26,677**	**(25,870)**	**(258)**	**549**	D.1.1.4
Total assets		**1,122,730**	**(80,751)**	**(247,940)**	**794,039**	
Technical provisions	3.2.7	**811,082**	**(25,368)**	**(184,432)**	**601,282**	D.2
Provisions other than technical provisions		**508**	**4**	**-**	**512**	D.3.1.3
Insurance & intermediaries payables		**16,453**	**1,951**	**(3,531)**	**14,873**	D.3.1.1
Reinsurance payables	10	**96,198**	**14,245**	**(67,538)**	**42,905**	D.3.1.1
Payables (trade, not insurance)	10	**25,595**	**(17,758)**	**5,345**	**13,182**	D.3.1.1
Any other liabilities, not elsewhere shown		**67,036**	**(53,825)**	**-**	**13,211**	D.3.1.1
Total liabilities		**1,016,872**	**(80,751)**	**(250,156)**	**685,965**	
Excess of assets over liabilities		**105,858**	**-**	**2,216**	**108,074**	

D.1 Assets

D.1.1 Valuation of assets

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

This section describes, for each material class of assets:

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

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

D.1.1.1 Deferred acquisition costs

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

D.1.1.2 Deferred tax assets and liabilities

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

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

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

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

D.1.1.3 Property, plant and equipment

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

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

Under Lux GAAP reporting, property, plant and equipment is stated at cost, or open market valuation, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, cost directly attributable to bringing the assets to its working condition for its intended use, dismantling and restoration costs. Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives.

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

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

D.1.1.4 Financial assets

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

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

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

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

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

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

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

Reinsurance recoverables

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

D.1.2 Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset €'000	**Liability €'000**
Deferred tax assets/liabilities	**2,682**	**-**

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

	€'000
Tax losses	**2,477**
Technical Provisions	**205**
Net deferred tax position at 31 December	**2,682**

Of the total deferred tax asset of €2,682k recognised by the Company, €1,301k relates to a tax jurisdiction in which the Company has suffered a tax loss in either the current or preceding period.

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

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

	Gross amount €'000	Tax effect €'000
Trading tax losses	60,415	15,440
Deductible temporary differences	41	13
Unrecognised tax assets as at 31 December	60,456	15,453

€3,124k of the gross trading tax losses relate to Luxembourg where losses can be carried forward for a maximum of seventeen years. The losses will expire on the following dates:

Gross loss €'000	Expiry date
700	31/12/2036
649	31/12/2037
263	31/12/2039
1,512	31/12/2040
3,124	

The procedure for calculating SII deferred tax figures for the Company utilises a walkthrough bridge from the values calculated on an IFRS basis which are included in the Company's financial statements. A tax analysis is performed of valuation adjustments made to the IFRS balances to arrive at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.2 Technical provisions

D.2.1 Valuation and comparison of Lux GAAP to SII

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

SII technical provisions are expected to be on a fair value basis, whereas Lux GAAP technical provisions are expected to be on a prudent basis. The main differences between SII technical provisions and the Lux GAAP equivalent are:

- Lux GAAP provisions include a margin for prudence; whereas SII technical provisions include a risk margin calculated on a different basis (Article 37 of the Delegated Regulations).
- Differences in discounting. In SII all technical provision cash flows are discounted using EIOPA yield curves. In Lux GAAP there is no discounting.
- Inclusion of an allowance for Events Not In Data (ENIDs) in SII, covering estimates of low frequency events that are not captured in historical data sets.
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions.
- For future exposures, SII considers only the best estimate of liability cash flows (allowing for reinsurance treaty renewal) and not an unearned premium reserve (as is covered in Lux GAAP). As a result, profit relating to future exposures (after allowance for ENIDs) will come through as a difference in the liability valuation.
- Profit allocated to Unearned Premium Reserve (UPR) under Lux GAAP is released in SII. This applies for all classes.
- Within SII, an allowance for the risk of reinsurer default is calculated.

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

Amounts in €'000		SII Net Technical Provisions Best Estimate	SII Net Technical Provisions Risk Margin	Statutory Accounts Value (including Salvage and Subrogation)	Difference
Direct Business and Accepted Proportional Reinsurance	Marine, Aviation and Transport	**7,656**	**1,035**	**23,131**	**(14,440)**
	Fire and Other Damage to Property	**31,906**	**4,306**	**47,466**	**(11,254)**
	General Liability	**25,992**	**3,703**	**40,739**	**(11,044)**
	Miscellaneous financial loss	**23**	**3**	**-**	**26**
TOTAL		**65,577**	**9,047**	**111,336**	**(36,712)**

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

Claims provision + Premium provision + Risk margin

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

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

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

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

D.2.2.1 Bases, methods and assumptions used for valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows (e.g. claims payments, future premiums due). The provision is determined using the best information available of claims settlement patterns, forecast inflation and estimated claims settlement amounts.

Future claims cash flows include an allowance for ENIDs.

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

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

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

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

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

D.2.2.2 Significant simplified methods

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

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

D.2.3 Uncertainties and contingencies

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

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

There is some uncertainty in the economic environment, and changes such as ongoing inflationary pressure could have an impact on claims costs. The inflationary pressure, combined with the post pandemic and geopolitical uncertainty distortions over the same period bring challenge to the assessment of the ultimate claims costs. Different factors are contributing to severity changes such as settlement delays and supply chain issues which are likely to have been impacted by Covid-19, increasing social and claims inflation and evolving geo-political uncertainty. Inflation increases in 2021-24 were the largest in a generation and impact elements of the claims cost in different ways. For some claim types, it will take time before the full impact of increased inflation becomes apparent, particularly for the long tail liability classes, whilst for short tail property and damage the impact is now mostly contained within our data. In the meantime our estimates require increased reliance on our assumptions compared to the previous stable claims inflation environment. While allowance has been made for the increase in expected liabilities because of these, there is an uncertainty that the actual experience is significantly different from expected.

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

D.2.4 Use of adjustments and transitionals

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

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

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

D.2.5 Recoverables from reinsurance contracts and SPVs

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

D.2.6 Changes in assumptions

The Group routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging risks or trends in the data and any other relevant information. Whilst some assumptions have a material impact on our reported estimates of technical provisions, many of the assumptions only have a minor impact. The main changes in assumptions during 2024 were: reacting to evolving economic, weather and geopolitical uncertainty; updating our inflation trends; allowing for changes in our mix of claims; and allowing for development as per the latest experience following weather events across the UK, Europe and North America. There were no other material changes to assumptions in 2024.

D.3 Other liabilities

D.3.1. Valuation of other liabilities

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

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

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

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

D.3.1.1 Financial liabilities

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

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

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

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

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

D.3.1.2 Contingent liabilities

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

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

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

D.3.1.3 Provisions other than technical provisions

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

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

D.3.2 Lease liabilities

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

See Section A.4.2 for information on leases.

D.4 Alternative methods for valuation

Nothing to report.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

E.1 Own funds

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

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

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

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

E.6 Any other information

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

Capital management - Policies and processes for managing own funds

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

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

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

Business planning

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

Material changes over the reporting period

No material changes to the objectives, policies or processes for managing own funds were made over the period.

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

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

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

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

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

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

Capital composition

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

The Company's capital structure by tier as at 31 December 2024 is as per the table below.

		2024 **€'000**	2023 €'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	90,797	90,797
	Reconciliation reserve	14,595	2,978
		105,392	93,775
Tier 1 Restricted	Not applicable		
Tier 2	Unpaid and uncalled ordinary share capital callable on demand	**35,000**	35,000
Tier 3	Net deferred tax assets	**2,682**	3,083
	Total Available Own Funds	**143,074**	131,858

Analysis of significant changes in own funds

The reconciliation reserve has increased in value versus year end 2023, this is largely driven by retained underwriting profits of the business.

Tier 3 capital is broadly unchanged over the year.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

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

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

	Basic Own Funds €'000	Ancillary Own Funds €'000	Availability restrictions €'000	Available Own Funds €'000	Eligibility restrictions €'000	Eligible Own Funds €'000	Eligibility Capacity €'000	Eligibility rule
Tier 1	105,392	-	-	105,392	-	105,392		
Tier 1	-	-	-	-	-	-	26,348	**20% of total Tier 1**
Tier 2	-	35,000	-	35,000	-	35,000	45,837	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	2,682	-	-	2,682	-	2,682		
			-					
Total	**108,074**	**35,000**	**-**	**143,074**	**-**	**143,074**		
					SCR	**91,674**		
					Surplus	**51,400**		
					SCR	**156%**		

Capital not available to cover the SCR

All of the Company's capital is available to meet the SCR.

Ineligible capital to cover the SCR

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

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

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

E.1.4 Eligible own funds to cover the MCR

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

	Basic Own Funds €'000	Ancillary Own Funds €'000	Availability restrictions €'000	Available Own Funds €'000	Eligibility restrictions €'000	Eligible Own Funds €'000	Eligibility Capacity €'000	Eligibility rule
Tier 1	105,392	-	-	105,392	-	105,392		
Tier 1 (R)	-		-	-	-	-	26,348	20% of total Tier
Tier 2	-	35,000	(35,000)	-	-	-	4,584	Tier 2 up to 20% of SCR
Tier 3	2,682	-	(2,682)	-	-	-		
Total	**108,074**	**35,000**	**(37,682)**	**105,392**	**-**	**105,392**		
					MCR	**22,919**		
					Surplus	**82,473**		
					MCR	**460%**		

Refer to Section E.2.7 for further information.

Capital not available to cover the MCR

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

Total eligible own funds to meet the MCR

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

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

E.1.5 Differences between equity and net assets

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

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

	€'000
Excess of assets over liabilities (see Section D)	**108,074**
Own shares (held directly and indirectly)	-
Foreseeable dividends, distributions and charges	-
Other non-available own funds items	-
	108,074
Subordinated debt	-
SII Basic Own Funds	**108,074**

Foreseeable dividends

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

E.1.6 Transitional arrangements

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

E.1.7 Ancillary Own Funds

On 29 August 2018 and following receipt of approval from the CAA, the Company executed an Ancillary Own Funds transaction within the meaning of the Solvency II Directive (2009/138/EC). This took the form of issued but unpaid share capital callable on demand and the counterparty was the Company's immediate parent undertaking, RSAI. This AOF facility remained available to the Company throughout the 2024 financial year and had the effect of increasing the Company's Available Own Funds under Solvency II by €35m. These shares represent an off-balance sheet arrangement.

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

E.1.8 Deductions and restrictions

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

The Company has elected to use the Standard Formula to calculate its SCR. The Company's SCR and MCR at 31 December 2024 are as follows:

	SCR	MCR
	€'000	€'000
Total	**91,674**	**22,919**

E.2.2 SCR split by risk

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

E.2.3 Standard formula simplifications

Standard Formula simplifications are not used.

E.2.4 Standard formula undertaking specific parameters

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

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

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

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

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

E.2.7 MCR calculation inputs

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

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

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

E.2.8 Movements in the SCR and MCR

E.2.8.1 Movements in the SCR

The SCR has increased over the year, driven predominantly by annual updates to catastrophe risk calculations and the associated counterparty default risk on reinsurance recoverables, as well as an increase in underwriting risk reflecting growth in the business.

E.2.8.2 Movements in the MCR

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

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

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

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

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

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

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

E.6 Any other information

Nothing to report.

Appendix 1. Abbreviations and Terms used in this Report

Abbreviation	Description
AML	Anti Money Laundering
AOF	Ancillary Own Funds
BBNI	Bound But Not Incepted
BRC	Board Risk Committee
The Board	The Board of Directors of RSA Luxembourg S.A.
The Board of Directors	The Board of Directors of RSA Luxembourg S.A.
CAA	Commissariat aux Assurances
CAS	Corporate Audit Services
CAT	Catastrophe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
Company	RSA Luxembourg S.A.
C&E	Construction & Engineering
DA	Dirigeant Agréé
DAC	Deferred Acquisition Costs
DAF	Delegated Authority Framework
EIOPA	European Insurance and Occupational Pensions Authority
ELT	Executive Leadership Team
ENIDs	Events Not In Data
EPIFP	Expected Profit in Future Premiums
ERC	Enterprise Risk Committee
ERM	Enterprise Risk Management
ESG	Economic, Social and Governance
EU	European Union
FCA	Financial Conduct Authority

Abbreviation	Description
GHG	Greenhouse Gas
the Group	The Group headed by Intact Financial Corporation
IAS	International Accounting Standards
IFC	Intact Financial Corporation
IFRS	International Financial Reporting Standards
IOCR	Insurance Operations Credit Risk
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
LCO	Legal and Compliance Officer
Lux GAAP	Luxembourg Generally Accepted Accounting Principles
MA	Matching Adjustment
MCR	Minimum Capital Requirement
MD	Managing Director
MSA	Master Services Agreement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
Parent	Royal & Sun Alliance Insurance Limited
QA	Quality Assurance
QRT	Quantitative Reporting Template
RAS	Risk Appetite Statement
RMS	Risk Management System
RSA	The subgroup headed by RSA Insurance Group Limited
RSAI	Royal & Sun Alliance Insurance Limited
RSAIG	RSA Insurance Group Limited
RSAL	RSA Luxembourg S.A.
SAST	Stress & Scenario Testing
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPV	A distinct legal company used to transfer financial or underwriting risk
UK&I	UK & International

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

The terms financial statement, balance sheet and profit and loss account used in this report refer to information presented in the Annual Reports and Accounts for the Company.

Appendix 2. Quantitative Reporting Templates (QRTs)

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

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

RSA Luxembourg S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in EUR thousands)

General information

Undertaking name	RSA Luxembourg S.A.
Undertaking identification code	213800PT2YLSYDVYLA41
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 2024
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	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.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

S.05.01.02 - Premiums, claims and expenses by line of business

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.22.01.21 - Impact of long term guarantees measures and transitionals

S.23.01.01 - Own Funds

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	2,682
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	5,553
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	140,453
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	135,868
R0140	*Government Bonds*	55,581
R0150	*Corporate Bonds*	80,287
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	4,585
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	526,656
R0280	*Non-life and health similar to non-life*	526,656
R0290	*Non-life excluding health*	526,656
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	26,674
R0370	Reinsurance receivables	26,591
R0380	Receivables (trade, not insurance)	51,611
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	13,270
R0420	Any other assets, not elsewhere shown	549
R0500	**Total assets**	794,039

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	601,281
R0520	*Technical provisions - non-life (excluding health)*	601,281
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	592,233
R0550	*Risk margin*	9,048
R0560	*Technical provisions - health (similar to non-life)*	
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	512
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	78
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	14,873
R0830	Reinsurance payables	42,905
R0840	Payables (trade, not insurance)	13,183
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	13,133
R0900	**Total liabilities**	685,965
R1000	**Excess of assets over liabilities**	108,074

S.04.05.21

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

		Home Country	Top 5 countries (by amount of gross premiums written): non-life				
R0010			FR	ES	NL	GB	BE
		C0010	C0020	C0021	C0022	C0023	C0024
	Premiums written (gross)						
R0020	Gross Written Premium (direct)	1,930	111,118	82,666	78,412	4,356	44,643
R0021	Gross Written Premium (proportional reinsurance)	0	0	0	0	57,679	0
R0022	Gross Written Premium (non-proportional reinsurance)	0	0	0	0	0	0
	Premiums earned (gross)						
R0030	Gross Earned Premium (direct)	1,554	114,509	76,405	78,464	4,393	45,679
R0031	Gross Earned Premium (proportional reinsurance)	0	0	0	0	66,539	0
R0032	Gross Earned Premium (non-proportional reinsurance)	0	0	0	0	0	0
	Claims incurred (gross)						
R0040	Claims incurred (direct)	-817	24,450	4,599	21,477	112,730	12,942
R0041	Claims incurred (proportional reinsurance)	0	0	0	0	14,470	0
R0042	Claims incurred (non-proportional reinsurance)	0	0	0	0	0	0
	Expenses incurred (gross)						
R0050	Gross Expenses Incurred (direct)	-547	15,059	-12,263	6,408	49,841	10,513
R0051	Gross Expenses Incurred (proportional reinsurance)	0	0	0	0	6,600	0
R0052	Gross Expenses Incurred (non-proportional reinsurance)	0	0	0	0	0	0

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						96,942	199,331	98,196				1,025					395,494
R0120	Gross - Proportional reinsurance accepted						7,459	55,934	10,295									73,688
R0130	Gross - Non-proportional reinsurance accepted																	
R0140	Reinsurers' share						91,028	229,254	95,901				1,025					417,207
R0200	Net						13,373	26,011	12,590									51,975
	Premiums earned																	
R0210	Gross - Direct Business						99,106	200,275	93,681				999					394,061
R0220	Gross - Proportional reinsurance accepted						6,204	53,116	10,175									69,496
R0230	Gross - Non-proportional reinsurance accepted																	
R0240	Reinsurers' share						91,936	227,232	91,589				999					411,756
R0300	Net						13,375	26,158	12,268									51,801
	Claims incurred																	
R0310	Gross - Direct Business						47,782	114,065	78,745				228					240,820
R0320	Gross - Proportional reinsurance accepted						4,478	8,975	-2,010									11,443
R0330	Gross - Non-proportional reinsurance accepted																	
R0340	Reinsurers' share						46,347	102,217	68,922				228					217,712
R0400	Net						5,914	20,823	7,814				0					34,551
R0550	**Expenses incurred**						13,793	8,477	8,749				0					31,020
R1210	**Balance - other technical expenses/income**																	-18,840
R1300	**Total technical expenses**																	12,180

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						-2,219	4,300	995				124					3,201
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						3,484	10,906	9,881				101					24,372
R0150	**Net Best Estimate of Premium Provisions**						-5,703	-6,606	-8,886				23					-21,171
	Claims provisions																	
R0160	Gross						88,260	256,977	243,808				-13					589,032
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						74,900	218,465	208,931				-13					502,284
R0250	**Net Best Estimate of Claims Provisions**						13,359	38,512	34,877				0					86,748
R0260	**Total best estimate - gross**						86,041	261,277	244,804				111					592,233
R0270	**Total best estimate - net**						7,656	31,906	25,991				23					65,577
R0280	**Risk margin**						1,035	4,306	3,703				3					9,048
R0320	**Technical provisions - total**						87,076	265,583	248,507				115					601,281
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						78,385	229,371	218,812				88					526,656
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						8,691	36,212	29,694				26					74,624

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year	Development year												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											1,596		1,596	1,596
R0160	-9	54,275	88,107	57,687	12,229	7,334	1,618	1,795	442	488	-1,044			-1,044	222,931
R0170	-8	30,463	92,678	47,842	14,502	8,350	9,741	3,284	819	2,857				2,857	210,536
R0180	-7	60,616	118,784	73,542	29,570	10,823	11,325	1,778	22,143					22,143	328,581
R0190	-6	46,323	156,819	51,686	21,350	7,807	10,844	15,823						15,823	310,653
R0200	-5	46,694	84,557	38,506	20,942	13,866	4,295							4,295	208,861
R0210	-4	27,112	75,330	23,741	34,349	17,487								17,487	178,019
R0220	-3	30,755	56,293	32,626	24,471									24,471	144,144
R0230	-2	25,866	68,328	45,189										45,189	139,383
R0240	-1	30,488	255,039											255,039	285,526
R0250	0	17,699												17,699	17,699
R0260													Total	405,555	2,047,929

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
	Year	Development year												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											16,156		15,499
R0160	-9	0	111,459	34,761	17,394	8,695	8,375	4,563	9,046	8,351	8,167			7,832
R0170	-8	161,701	94,182	34,029	21,794	14,381	6,855	6,902	8,310	8,009				7,602
R0180	-7	190,854	165,376	50,713	28,084	19,270	21,181	16,937	16,058					15,234
R0190	-6	206,462	130,127	61,169	42,110	43,285	39,669	36,428						34,562
R0200	-5	149,405	140,957	64,503	54,099	35,260	26,561							25,305
R0210	-4	175,537	142,846	86,442	72,252	59,631								56,641
R0220	-3	181,698	99,820	74,941	49,602									47,433
R0230	-2	168,126	138,894	76,312										73,403
R0240	-1	359,665	108,950											104,194
R0250	0	208,142												201,325
R0260													Total	589,030

S.22.01.21

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	601,281	0	0	2,674	0
R0020	Basic own funds	108,075	0	0	-316	0
R0050	Eligible own funds to meet Solvency Capital Requirement	143,075	0	0	-316	0
R0090	Solvency Capital Requirement	91,674	0	0	0	0
R0100	Eligible own funds to meet Minimum Capital Requirement	105,393	0	0	-371	0
R0110	Minimum Capital Requirement	22,919	0	0	0	0

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	50	50			
R0030	Share premium account related to ordinary share capital	90,747	90,747			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	14,595	14,595			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	2,682				2,682
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**	108,074	105,392			2,682
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	35,000			35,000	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**	35,000			35,000	
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	143,074	105,392		35,000	2,682
R0510	Total available own funds to meet the MCR	105,392	105,392			
R0540	Total eligible own funds to meet the SCR	143,074	105,392		35,000	2,682
R0550	Total eligible own funds to meet the MCR	105,392	105,392			
R0580	**SCR**	91,674				
R0600	**MCR**	22,919				
R0620	**Ratio of Eligible own funds to SCR**	156.07%				
R0640	**Ratio of Eligible own funds to MCR**	459.85%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	108,074
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	93,479
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	14,595
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	23,170
R0790	**Total Expected profits included in future premiums (EPIFP)**	23,170

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	9,694		
R0020	Counterparty default risk	42,811		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	38,588		
R0060	Diversification	-17,186		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	73,907		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	17,767
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	91,674
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	91,674
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	91,674
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	11,942

		Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance	7,656	13,373
R0080	Fire and other damage to property insurance and proportional reinsurance	31,906	26,011
R0090	General liability insurance and proportional reinsurance	25,991	12,590
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	23	
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	11,942
R0310	SCR	91,674
R0320	MCR cap	41,253
R0330	MCR floor	22,919
R0340	Combined MCR	22,919
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	22,919