# Solvency and Financial Condition Report 2021

International General Insurance Company (Europe) SE

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# Summary

The EU-wide regulatory regime for insurance and reinsurance companies, known as Solvency II, came into force with effect from 1st January 2016, requiring new reporting and public disclosure of information, including the annual publication of the Solvency and Financial Condition Report ('SFCR').

This SFCR covers International General Insurance Company (Europe) SE ('IGIE' or 'the Company') formerly known as R&Q Epsilon Insurance Company SE ('R&Q Epsilon') for the year ended 31st December 2021.

The report covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management and has been approved by the IGIE Board of Directors.

Business and Performance

Previously, R&Q Epsilon's principal activity was the run-off of its direct insurance risks in the Dutch Aviation Pool ("DAP"). On 25th June 2021, R&Q Epsilon was purchased by International General Insurance Co. Ltd ('IGI Bermuda') and on 13th July 2021 it was granted a license and authorisation from the Malta Financial Services Authority ('MFSA') to carry out re/insurance activities in 12 different classes of business and in any European Economic Area ('EEA') using EU passporting rights under the Freedom of Services. The Company was then subsequently renamed to International General Insurance Company (Europe) SE on 13th July 2021.

During IGIE's first financial period, Gross Written Premiums amounted to €8,336k, €6,560k of which was ceded to reinsurers. The Reinsurers' Share of Gross Earned Premium including the impact of the intragroup cession to IGI Bermuda stood at 84% of Gross Earned Premium.

The ratio of Net Acquisition Cost to Net Earned Premium was 12% whereas the ratio of Net Claims to Net Earned Premium was equal to 54%.

During 2021, the Company maintained a highly liquid investment portfolio comprised primarily of cash and bank deposits which represented 100% of investable assets at 31st December 2021.

System of Governance

IGIE has implemented a simple yet effective system of corporate governance. As at 31st December 2021 the Board of IGIE was composed of one executive director, two non-executive directors and two independent non-executive directors with each Board member being assigned oversight roles to ensure that the key functions and critical business activities are carried out effectively and in a sound and prudent manner.

The primary responsibility of the Board of Directors is to provide effective governance over the Company's activities for the benefit of its shareholders and to balance the interests of its diverse stakeholders, including customers, employees, international suppliers and local communities.

The Company has implemented a comprehensive system of internal controls and risk management governance, to effectively monitor and manage risk exposures to reduce volatility and ensure adequate policyholder protection at all times.

The governance structure is based on well-defined lines of responsibility ('three lines of defence' or '3LoD') for individuals within business functions, committees, Board, Risk Management, Actuarial, Compliance and Internal Audit. Ownership and clear lines of accountability are defined for all risk tasks and these are ultimately linked to individual performance objectives.  Individuals within business functions are responsible for identifying and effectively managing and monitoring risks within their respective business function. The governance framework then enables the Risk Management function to have independent oversight and

challenge to the first line through review and ongoing discussions to ensure that risks are being adequately monitored and kept within the boundaries defined by the Company.

## Risk Profile

IGIE's Risk Universe encompasses those intrinsic risks that are fundamental to the Company, operational risks (that may crystallise either independently of, or be correlated with the intrinsic 'Core' and 'Non-Core' risks) and those more subjective yet nevertheless important sources of risk such as Strategic, Group, Reputational and Emerging risks.

Intrinsic risk includes those 'core' risks that the Company actively pursues in order to optimise risk adjusted return including Underwriting and Investment risks, and 'non-core' risks that are a necessary consequence of our business but have little or no potential to generate a reward, such as Currency risk, Reserving risk, Liquidity risk and Credit risk.

Operational risk differs from the core and non-core categories in that its subject matter is not limited to the intrinsic riskiness and 'random' uncertainty surrounding our core business, but rather the specific risk of losses arising from inadequate or failed internal processes, personnel, systems or external events. Because of this, its impact can crystallise both as a specific loss event in its own right or through exacerbating the level of risk crystallising primarily through one of the other risk categories.

Strategic, Group, Reputational and Emerging risks may not have the potential to impact on current period volatility and / or loss capital that drive the focus of our quantitative modelling but are nonetheless important in terms of our ability to generate and sustain shareholder value and therefore are considered through the Enterprise Risk Management ('ERM') framework and Own Risk and Solvency Assessment ('ORSA') process. Therefore, the Company's risk management approach focuses on understanding and assessing these risks, enabling an evaluation of possible impacts that in turn guides formulating preparedness and response plans.

## Valuation for Solvency Purposes

The assets and liabilities in the Solvency II balance sheet have been valued in compliance with the Solvency II Directive (2009/138/EC).

An analysis of the valuation of assets and liabilities and the main differences between Solvency II and International Financial Reporting Standards ('IFRS') valuation rules is provided in Section D of this report. Section D provides details of the recognition and valuation principles applied, including the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class.

Section D.2 also provides the value of technical provisions, including the amount of the best estimate and the risk margin. An analysis of the key areas of uncertainties associated with the value of technical provisions are also provided.

## Capital Management

During the reporting period, IGIE used the Solvency II Standard Formula method to calculate its regulatory capital requirement.

The SCR ratio of IGIE as at 31st December 2021 was 290%, with Own Funds equal to €12,167k and a Solvency Capital Requirement of €4,192k.

The MCR requirement over the period has remained stable and is calculated as being the absolute floor MCR of €3,700k.

During 2021, IGIE has maintained a SCR ratio in excess of 100% and a 150% risk appetite limit. The Company has no foreseeable risk of non-compliance given its relatively stable risk profile and extensive risk mitigation arrangements.

The objective of IGIE's capital management strategy is to ensure that it maintains a sufficient amount of own funds to meet the Solvency Capital Requirement, with an appropriate margin, and that sufficient liquidity is available for the payment of claims in order that the Company is able to meet its legal obligations as they fall due. IGIE maintains the protection of a full Parental Guarantee providing additional policyholder protection beyond that provided by its own capital resources.

# A. Business and Performance

## A.1. Business

### *Name and legal form of the undertaking*

IGIE is a company incorporated in Malta and authorised by the Malta Financial Services Authority ('MFSA') to carry on the business of insurance and reinsurance in terms of the Insurance Business Act (Cap 403 of the laws of Malta). IGIE's registered office is at:

Development House,
St. Anne Street,
Floriana FRN 9010,
Malta
Company Registration Number: SE13

### *Directors*

Andreas Loucaides (Non-Executive Chairman/Director)
Keith Mallia Milanes (Executive Director)
Cliff Murphy (Non-Executive Director)
Paul Martin (Independent Non-Executive Director)
Ann Marie Tabone (Independent Non-Executive Director)

### *Insurance Supervisor*

Malta Financial Services Authority,
Triq l-Imdina, Zone 1
Central Business District, Birkirkara,
CBD 1010, Malta
Tel: +356 2144 1155
www.mfsa.com.mt

### *External Auditor*

PKF Assurance (Malta) Limited
15, Level 3,
Mannarino Road,
Birkirkara BKR 9080,
Malta
Tel: +356 2148 4373
https://pkfmalta.com/

### *Ownership and Shareholdings*

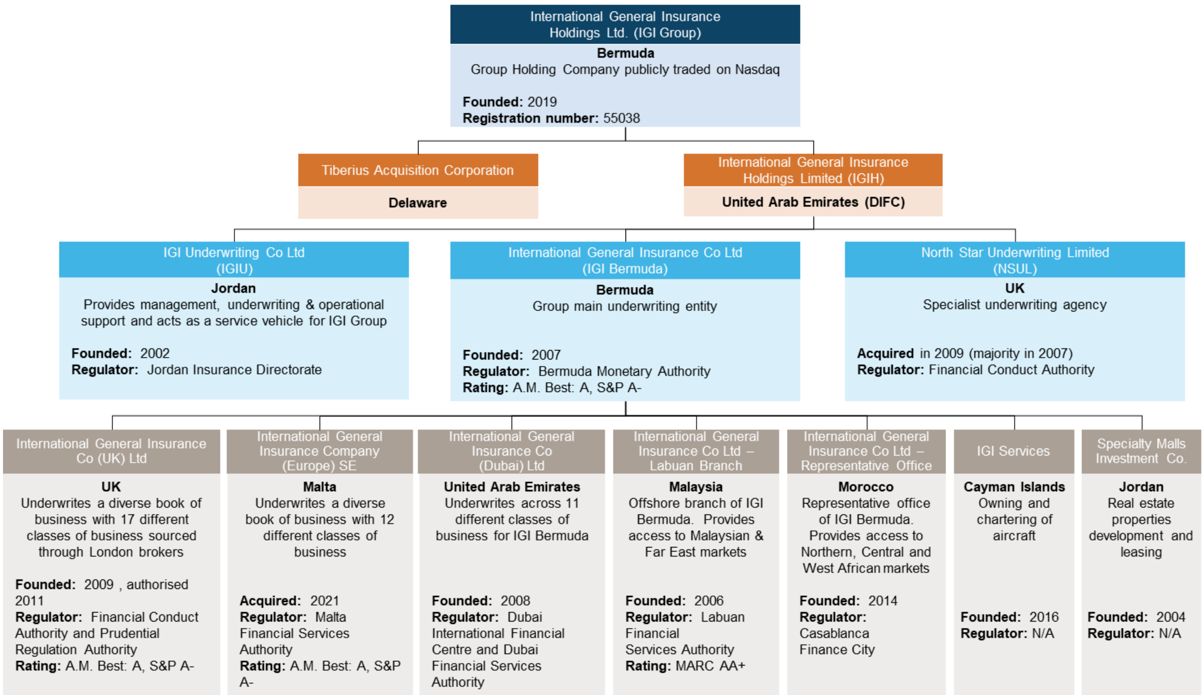
IGIE is 100% owned by International General Insurance Co. Ltd ('IGI Bermuda') which in turn is ultimately owned by International General Insurance Holdings Ltd ('IGI Group'), a Nasdaq-listed company incorporated in Bermuda in 2019. The following shareholdings of more than 10% in IGI Group are provided in the table below:

| Shareholder | % Holding (Note 1) |
|---|---|
| Wasef Jabsheh | 29.09 |
| Oman International Development and Investment Company SAOG (through its subsidiary Jabreen Capital) | 14.20 |

Note 1 - The % Holding includes common shares only and excludes warrants.

## *Corporate Structure*

The full Group corporate structure at 2021 year end is detailed below:




Tiberius Acquisition Corporation ('Tiberius') is a company incorporated in Delaware in the United States, which became a wholly owned subsidiary of IGI Group as a result of a business combination transaction in 2020.

International General Insurance Holdings Limited ('IGIH') is a non-regulated holding company registered and domiciled in the Dubai International Financial Centre ('DIFC') which has acted as a holding company of the Group and was founded in 2006.

IGI Bermuda is a Class 3B (re)insurer regulated by the Bermuda Monetary Authority ('BMA') and acts as the principal underwriting entity for the IGI Group.

IGI Underwriting Co. Ltd ('IGIU') provides management, underwriting and operational support for all the subsidiaries of the IGI Group. It is a wholly owned subsidiary of IGIH.

International General Insurance Co (UK) Ltd ('IGIUK') is a non-life insurance undertaking, based in London and regulated by the Prudential Regulation Authority and Financial Conduct Authority. It is a wholly owned subsidiary of IGI Bermuda.

North Star Underwriting Limited ('NSUL') operates as an underwriting agency for IGI Bermuda and IGIUK. It is an approved Lloyd's coverholder. It is a wholly owned subsidiary of IGIH.

IGI Labuan branch is registered as a foreign offshore company of IGI Bermuda in Labuan in accordance with section 121 of the Offshore Companies Act 1990. IGI Labuan is classified as a second-tier reinsurer and regulated by the Labuan Financial Services Authority and acts as an offshore capitalised branch of IGI Bermuda. It is supported by a marketing office in Kuala Lumpur.

IGI Dubai is regulated by the DFSA as Insurance Intermediation and Insurance Management. IGI Dubai acts as an intermediary and agent of IGI Bermuda, underwriting a number of classes as an underwriting agent of IGI Bermuda.

IGI Casablanca acts as the representative office of IGI Bermuda for Northern, Central and West African markets and is regulated by Casablanca Finance City.

IGI Services was established in the Cayman Islands in October 2016 and is engaged in the business of owning and chartering of aircraft. The Company is a wholly owned subsidiary of IGI Bermuda.

Specialty Malls Investments Co. is a limited liability company registered and incorporated in August 2004 under the Jordanian Companies Law No. (22) of 1997. The Company's office is located in Jordan and the main business objectives of the Company are developing and leasing of real estate properties. The Company is a wholly owned subsidiary of IGI Bermuda.

### *Business Information or Other Events*

On 25th June 2021, the Company (formerly R&Q Epsilon Insurance Company SE) was purchased by IGI Bermuda and on 13th July 2021, IGIE was granted a license and authorisation from the MFSA to write business within the European Economic Area (‘EEA’). The Company was acquired as a result of the UK’s withdrawal from the European Union. Consistent with the IGI Group’s strategy as a diversified, specialty insurer, IGIE maintains the careful and structured approach, developing the same business lines within the EEA and it will do so only after thorough research and with the appropriate underwriting teams with the necessary experience and skills in the sector.

The IGI Group has extensive experience and expertise in Energy, Property, Marine Liability, Construction and Engineering, Financial Institutions, Political Violence, General Aviation, Ports and Terminals, Casualty, Legal Expenses, Proportional and Non-Proportional Reinsurance Treaty business and other speciality lines. At the end of 2020 IGI re-entered the marine cargo market and in the middle of 2021 IGI added contingency line to its other classes of business. IGIE will continue focusing and building strategic relationships for the same classes of business in Europe. It will focus on European speciality risks and overtime it will expand the IGI Group’s product offering.

Classes of Insurance Business:

| | |
|---|---|
| Class 1 - Accident (I/R) | Class 9 - Other damage to property (I/R) |
| Class 4 - Railway rolling stock (I/R) | Class 11 - Aircraft liability (I/R) |
| Class 5 - Aircraft (I/R) | Class 12 - Liability for ships (I/R) |
| Class 6 - Ships (I/R) | Class 13 - General liability (I/R) |
| Class 7 - Goods in transit (I/R) | Class 16 - Miscellaneous financial loss (I/R) |
| Class 8 - Fire and natural forces (I/R) | Class 17 - Legal Expenses (I/R) |

The Company was granted passporting rights under Freedom of Services to write various classes of insurance business in the following countries:

| | | | |
|---|---|---|---|
| Austria | Finland | Latvia | Romania |
| Belgium | France | Liechtenstein | Slovakia |
| Bulgaria | Germany | Lithuania | Slovenia |
| Croatia | Greece | Luxembourg | Spain |
| Cyprus | Hungary | Netherlands | Sweden |
| Czech Republic | Iceland | Norway | |
| Denmark | Ireland | Poland | |
| Estonia | Italy | Portugal | |

The key features of IGIE's underwriting and management strategies remain:

- Capital preservation and steady growth;
- Focus on technical, profitable underwriting;
- Active management of the insurance cycle; and
- Focus on business efficiency and value-added service to customers.

With its focused strategy, the IGI Group provides tailored insurance and reinsurance solutions via intermediaries to suit the particular needs of its clients, taking factors such as geographical location, risk accumulation, and cross class exposures into account.

This is backed by a deep and extensive knowledge across applicable classes of business and an extensive panel of high-quality reinsurance partners supporting IGI in offering meaningful capacity whilst containing downside risk.

IGI Bermuda provided the initial start-up capital of IGIE and continues to support the business including through the provision of a 75% intragroup quota share reinsurance and Parental Guarantee providing an additional layer of policyholder protection over and above that provided by IGIE's own capital resources.

On 17th June 2021, S&P reaffirmed IGI Bermuda's financial strength rating of A- with a stable outlook, while on 5th November 2021, AM Best reaffirmed IGI's A (Excellent) financial strength rating with a stable outlook rating.

The same credit ratings from AM Best and S&P were assigned to IGIE, on 30th July (reaffirmed in November) and 13th August respectively.

## A.2. Underwriting Performance

The Company has adopted the IGI Group's careful and disciplined underwriting strategy since inception, which it continues to develop and enhance with continuous emphasis on specialty lines.

The Company focuses on the profitability of the policies that it underwrites rather than on the volume of business, relying on a team of experienced underwriters with strong, long-standing relationships with brokers and reinsurers.

The underwriting performance of IGIE for the year ended 31st December 2020 and 2021 is provided below:

| *EUR '000* | **IGIE 2021** | **IGIE 2020** |
|---|---:|---:|
| Gross Written Premium ('GWP') | 8,336 | - |
| Gross Earned Premium ('GEP') | 1,770 | - |
| Reinsurers Share of GEP | 1,483 | - |
| Net Earned Premium ('NEP') | 287 | - |
| Net Acquisition Cost | 14 | - |
| Net Claims | 155 | - |
| FX loss | 20 | - |
| Underwriting Result | 98 | - |
| Net Loss Ratio | 54% | 0% |
| Combined Ratio | 59% | 0% |

During its first financial period, Gross Written Premiums for IGIE amounted to €8,336k, €6,560k of which was ceded out to reinsurers. The Reinsurers' Share of Gross Earned Premium including the impact of the intragroup cession to IGI Bermuda stood at 84% of Gross Earned Premium.

The ratio of Net Acquisition Cost to Net Earned Premium of IGIE was 12% whereas the ratio of Net Claims to Net Earned Premium was equal to 54%.

### *Underwriting Result by material lines of business for 31st December 2021*

| *EUR '000* | Energy | Property | Marine & Aviation | Professional & Financial Liability | Other | Total |
|---|---|---|---|---|---|---|
| Gross Written Premiums | 671 | 1,379 | 1,636 | 4,650 | - | **8,336** |
| Net Earned Premiums | 7 | 34 | 45 | 251 | (50) | **287** |
| Net Acquisition Cost | 5 | 9 | 3 | (3) | - | **14** |
| Net Claims Incurred | 4 | 12 | 8 | 147 | (16) | **155** |
| FX loss | - | 10 | 2 | 8 | - | **20** |
| Underwriting Result | (2) | 3 | 32 | 99 | (34) | **98** |

***Energy:*** *Energy (Upstream, Downstream, Renewable)*

***Property:*** *Property, Construction and Engineering, Political Violence, Contingency*

***Marine & Aviation:*** *Ports and Terminals, Marine Liability, Marine Cargo, Marine Trades, General Aviation*

***Professional & Financial Liability:*** *Financial Institutions, Professional Indemnity, Directors and Officers, Casualty, Legal Expenses, Intellectual Property*

***Other:*** *Reinsurance ceded on legacy business*

### *Underwriting Result by material geographical areas for 31st December 2021*

The following table outlines the results of the home country and the top 5 geographical areas:

| *EUR '000* | Home Country (Malta) | Ireland | Netherlands | Germany | Spain | Sweden | Total |
|---|---|---|---|---|---|---|---|
| Gross Written Premiums | 720 | 2,113 | 823 | 619 | 803 | 480 | **5,559** |
| Net Earned Premiums | 45 | 65 | 28 | 22 | 34 | 24 | **217** |
| Net Acquisition Cost | 4 | 5 | 2 | 1 | (1) | 2 | **13** |
| Net Claims Incurred | 23 | 43 | 15 | 12 | 9 | 6 | **108** |
| Underwriting Result | 18 | 17 | 11 | 9 | 26 | 16 | **96** |

## A.3. Investment Performance

### *Investment Portfolio Composition*

The IGIE Board has adopted an Investment Policy and Guidelines similar to that of IGI Group with a focus on Cash, Short Term Deposits and Fixed Income Securities with a small holding of listed equities.

At 2021 year end, all investments were held in cash at bank and did not generate any investment income.

The investment strategy is comprised of high-level objectives and prescribed investment guidelines governing target asset allocation by class and will be implemented during 2022.

The IGI Group uses a panel of high-quality third-party investment advisors to implement its investment strategy. The IGI Group's Chief Investment Officer is responsible for implementing the investment strategy and routinely monitors the portfolio to ensure that these parameters are being met and the portfolio is behaving appropriately with further independent oversight provided through the Risk Function and associated Board reporting.

### *Investment Portfolio Performance*

At 2021 year end, all investments were held in cash at bank and did not generate any investment income.

### *Gains and losses recognised directly in equity*

There were no investments in equities as at 31st December 2021.

### *Information about any investments in securitisations*

There were no investments in securitisation as at 31st December 2021.

## A.4. Performance of Other Activities

There have been no other significant activities undertaken by IGIE other than its insurance related activities. There are no other material matters to the business or performance of IGIE.

## A.5. Any Other Information

There is no further information that requires disclosure.

# B. SYSTEM OF GOVERNANCE

This section provides information regarding the system of governance, fit and proper requirements and assessment, remuneration policy and practices, risk management system, key functions and outsourcing policy.

## B.1. General Information on the System of Governance

IGIE has implemented a simple yet effective system of corporate governance commensurate with the nature, scale and complexity of the Company's business activities. The Board of Directors is responsible for setting the business strategy of the Company, and this is aligned with that of the IGI Group and ensuring that it is in line with its regulatory obligations and risk appetite.

The executive management team consists of experienced insurance industry professionals with extensive international market experience and long histories of success in their respective specialist areas.

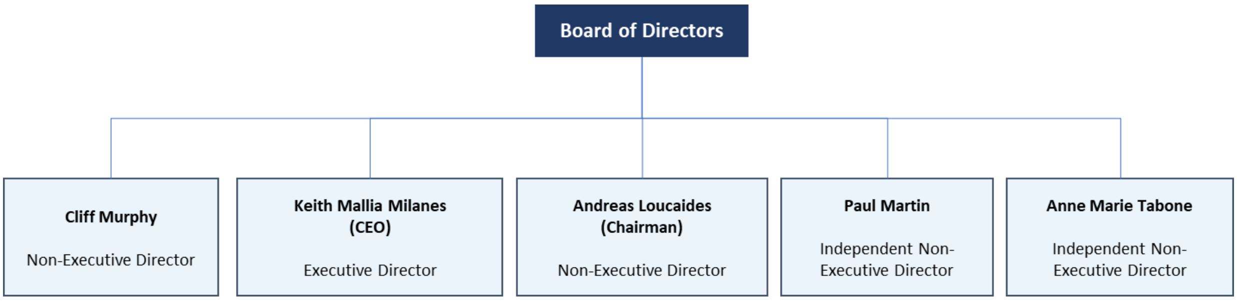
IGIE has adopted the IGI Group's 'Corporate Code of Business Conduct and Ethics' that applies to the Board of Directors, its committees, the senior management and the staff members of IGIE, all IGI Group operational entities and third-party service providers who provide significant services to IGI Group. The Code ensures that the Board of Directors, IGIE employees and other employees of IGI Group and third-party service providers act in the best interests of the Company while maintaining full compliance with the laws, rules and regulations of the jurisdictions in which it operates. In addition, IGI Group has in place a Group 'Corporate Governance Manual' which outlines the Board responsibilities and duties.

IGIE has also adopted a 'Financial Code of Ethics' applicable to the Chief Executive Officer and other relevant officers.

Taking into account the nature, scale and complexity of the risk profile and business activities of IGIE, the system of governance is considered to be appropriate for the Company.

### *Structure of Board and Committees*

The below outlines the board structure of IGIE:




As depicted in the above chart, as at 31st December 2021 the Board of IGIE is composed of one executive director, two non-executive directors and two independent non-executive directors. Each Board member has oversight roles assigned to them to ensure that the key functions and critical business activities are carried out effectively and in a sound and prudent manner.

The responsibilities of the Board are as follows:

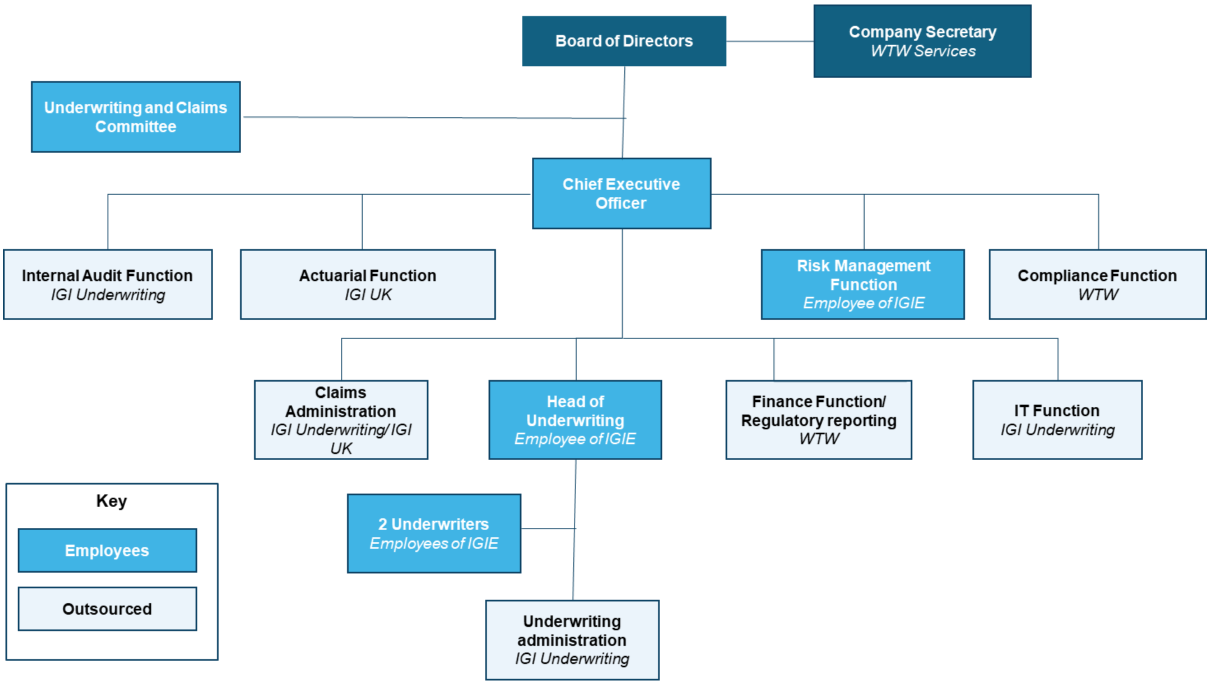
- Strategy
- Board Committees
- Delegation
- Finance
- Financial Statements
- Internal Control
- External Audit
- General responsibilities assigned to a Board of Directors
- Risk Management
- Internal Audit
- Compliance
- Actuarial
- Performance Monitoring
- Whistleblowing
- Board Operations

The primary responsibility of the Board of Directors is to provide effective governance over the Company's activities for the benefit of its Shareholders and to balance the interests of its diverse stakeholders, including customers, employees, international suppliers and local communities.

The Board is also responsible for directing the activities of the Company and for setting the goals and strategies necessary to operate and provide oversight for the implementation of those strategies carried out by the Executive Management. Potential conflicts of interest are discussed and disclosed at the start of every Board meeting.

The Company's governance structure defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. IGIE is structured so as to achieve its objectives and to enable effective risk management and to carry out its activities in a manner proportional to its size and complexity

The chart below outlines the Company's Corporate Governance Structure.




As depicted in the above chart, IGIE has established an Underwriting and Claims Committee. The terms of reference are approved by the Board. The roles and responsibilities of the Underwriting and Claims Committee are outlined below:

### Underwriting and Claims Committee

IGIE's Board of Directors formed an Underwriting and Claims Committee comprised of the local Managing Director, an independent non-executive Director and a non-executive Director. The Committee is responsible for assisting the Board in discharging its responsibilities in respect of the following:

Underwriting

- Set the parameters in line with the Risk Appetite Strategy of the Company;
- Ensure that the Chief Underwriter is operating in line with the underwriting parameters and reinsurance strategy of the Company and in line with the delegated authority granted to them by the Board;
- Review the retained risk, capital adequacy and solvency of the Company;
- Determine and Review on an annual basis the Reinsurance Strategy of the Company;
- Review Security Ratings of Reinsurers as prepared by management;
- Provision of advice to the Board;
- Review the underwriting results of each portfolio on a quarterly basis;
- Approve the launching of new products; and
- Approve the entry into new Coverholder agreements.

Claims

- Determine and annually review the claims reserving policy of the Company;
- Determine and annually review the Company's claims protocol/communications strategy;
- Review of reports on major claims incurred and appropriateness of reserves held;
- Review of Actuarial Function Report on reserves held; and
- Approve any large claim based on delegated authority given to the claims handlers.

### Key functions

IGIE has in place four Key Functions, being the Risk Management, Compliance, Actuarial and Internal Audit Functions, as required by the Solvency II Directive and Chapter 6 of the Insurance Rules issued by the MFSA.

The information below outlines the main roles and responsibilities of the four key functions:

Risk Management Function

- Is responsible for the maintenance and ongoing development of the Risk, Capital and Solvency Management Framework in a way that remains appropriate to the size and complexity of IGIE whilst supporting the effective identification, monitoring, management and reporting of internal and external risks;
- Embedding an enterprise risk culture throughout the business;
- Maintaining the annual risk management plan and reporting on progress to the Board on a quarterly basis;
- Assisting in the identification of all material risks, including emerging risks faced by the business and managing the continuous monitoring and reporting of risk in conjunction with 1st and 2nd line functions;
- Ensuring that the risk and control ownership is allocated to the most appropriate senior manager and facilitating regular risk and control reviews and reporting findings to the Board;
- Assisting the evaluation, monitoring and reporting of the regulatory capital requirements of the Company using the Standard Formula; and

- Maintaining and developing appropriate stress and scenario tests and reverse stress tests and reporting the results of such tests and any recommended remedial actions appropriately.

Further details are provided in section B.3.

<u>Compliance function</u>

- Identifying and assessing compliance risks;
- Implementing an appropriate internal control framework;
- Advising the Board of Directors on compliance matters;
- Assessing the impact of any changes in legislation;
- Establishing a compliance plan; and
- Ensuring that the Company adheres to all applicable laws, rules and regulations.

Further details are provided in section B.4.

<u>Internal Audit function</u>

The Internal Audit Function acts as the third line of defence. The function provides an independent and objective assurance to the Board on the effectiveness of the Company's risk management system, governance and internal controls. This is achieved through the preparation and implementation of an annual internal audit plan that utilises risk analysis and ensures that there are sufficient checks and balances throughout the Company and its outsourced third-party service providers which are critical to the Company's operations.

Further details are provided in section B.5.

<u>Actuarial function</u>

- Coordination and validation of the calculation of technical provisions, while ensuring that the methodologies, models, assumptions and data used in the calculation are appropriate;
- Calculation of best estimates of premium provisions and claims provisions and for each Line of Business;
- Express an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system.

Further details are provided in section B.6.

### *Material Changes During the Period*

There have been no other material changes in IGIE's System of Governance since acquisition by the IGI Group.

### *Remuneration Policy and Practices*

The remuneration policy and practices in respect of executives and employees are designed to compensate employees equitably based on their performance, including contributions to the risk management objectives of the IGI Group and IGIE, consistent with the Company's business needs and financial strength and in a way that does not discriminate against anyone based on race, religion, colour, marital status, gender, age or disability.

In addition to fixed salary entitlement, all employees are eligible for discretionary cash bonuses paid through salary based on the performance of both the Company and the individual over a calendar year.

Executive Directors and all other employees are eligible for Company pension contributions that are set according to local market practice and at a level that assists the Company in attracting and retaining high quality individuals.

The remuneration structure for IGIE's Non-executive Directors consists of an annual retainer fee.

### *Material Transactions during the reporting period*

IGIE is 100% owned by its parent company IGI Bermuda.

There have been no material transactions during 2021 with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body other than the intragroup quota share reinsurance arrangements with IGI Bermuda.

## B.2. Fit and Proper Requirements

The Company has a policy to ensure that persons appointed to carry out a senior management role or key function are 'fit and proper' to perform the role. This includes demonstrating prior to appointment and on an ongoing basis that the individual:

- possesses the level of competence, knowledge, experience, qualifications, and has or has undertaken the required training;
- acts with integrity, due skill, care, diligence, honesty, and has sound judgment to properly perform their duties;
- past conduct and performance reflects high standards;
- is not disqualified from acting in their position or performing their duties in terms of any legislation; and
- complies with Conduct Standards/Rules.

The assessment includes an extensive range of background checks which include but are not limited to:

- The fit and proper declaration form to be completed by the applicant;
- The undertaking of credit checks to determine the status of the person's credit record;
- The checking of qualifications and work experience;
- The undertaking of background checks for violation of any regulations; and
- Undertaking of checks via the internet or any other means for any other adverse information relating to the person.

The fitness and properness of the above-mentioned stakeholders are reviewed on an annual basis as part of the fit and proper questionnaire.

## B.3. Risk Management System Including the Own Risk and Solvency Assessment

### *Risk Management System*

IGIE closely monitors and manages risk exposures and the aggregate risk profile through a dedicated Risk Function operating processes aimed at containing volatility, ensuring adequate policyholder protection at all times, and optimising risk / return profiles through the use of effective capital allocation.

Risk management oversight is the responsibility of the relevant Board of Directors and the IGI Group Chief Risk Officer ('CRO'). The Company's Risk Manager has a direct reporting line to IGIE's Board of Directors and the CRO.

The governance structure includes well-defined lines of accountability for individuals, committees and boards and is laid out in the IGI Group's Risk Management Framework. As with other business functions, the risk management function is subject to Internal Audit.

IGI Group has a comprehensive risk framework designed around a clear understanding of the sources and nature of risks faced by the business, consistent with the good practice espoused by regulators.

The key objectives of the framework include:

- delivering an acceptable balance of risk / return volatility
- ensuring the ability of the business to withstand severe but plausible stresses
- maintaining sufficient liquidity at all times to service policyholder obligations
- minimising exposure to non-core risks with no potential for value creation

The risk function provides detailed Risk and Capital reporting to the Board at least quarterly encompassing the full scope of the risk universe and against the Board's defined Risk Appetites.

In the event of an actual, projected or proposed material change in the risk profile, the function performs an analysis to understand the potential implications from a risk and capital perspective ensuring that the results of the self-assessment form an integral part of the management and strategic decision-making process.

In addition to this ongoing monitoring and reporting, the function provides regulatory reporting on an annual/triennial basis including the ORSA, SFCR and Regular Supervisory Report ('RSR') which are also submitted to the MFSA.

### Risk identification

On an annual basis, Risk Owners are required to formally reassess and reaffirm the full scope of risks and emerging risks, and associated core processes and controls, for which they are responsible through discussion with the Risk Function. Any changes to existing items, including the addition of new risks etc. are considered during this discussion to ensure that all significant operational risks faced by the Company are understood and monitored on a regular basis.

### Risk assessment

A qualitative assessment for all the operational risks (failure of people, processes, systems etc.) not explicitly covered by the Standard Formula is carried out as part of the assessment of controls in place to ensure that they remain effective and the level of risk remains within the appetite of IGI. The aim is to articulate risks and controls clearly and at a level that they can be monitored against and audited more effectively providing a comprehensive assessment of the Controls environment in place.

The assessments of controls are performed through discussions with Control Owners and challenged by the Risk Management Function. Controls are rated as Fully Effective, Partially Effective or Not in Effect, based on supporting narrative provided by Control Owners and recorded.

In respect of prioritising Operational risks, Risk Management aims to understand where control environment deficiencies lie within each risk and core process and works with the respective owners to rectify these by recommending and monitoring courses of action for relevant departments.

Controls, and therefore control assessments, are grouped by their relevant 'Department' in order to mirror and compare with Internal Audit assessments which are also recorded.

Each department's relevant risks, core processes and controls are scheduled to be reviewed by Control Owners in detail on at least an annual basis. The Risk Function challenges the Control Owners' assessments with the benefit of full access to findings from prior Audits, Actions and Risk Events.

A quantitative assessment of risks is also carried out using capital models and Standard Formula to quantify the risks to which the Company is exposed and the capital to hold to meet those risk exposures.

### Risk and control monitoring

The monitoring of risks is an integral part of the Company's risk management process. Monitoring of all risks across the IGI Group and at entity level is done on a regular basis. This includes the monitoring of natural (e.g. Earthquake, Windstorm) and man-made (e.g. Fire, Terror) risk exposures, quality of investments and their performance, security and credit ratings of counterparties, liquidity and mismatches between assets and liabilities, as well as operational risks, risk events and potential emerging risks.

Furthermore, the Risk Function monitors the appropriateness of the control environment and the resolution of any identified deficiencies therein in the form of actions recorded on the risk management tool. Actions may also manifest from other sources in relation to the Risk and Capital Management Framework, such as from risk events, internal audit and board and committee meetings.

### Risk reporting

A summary of newly identified risks (including emerging risks) and the reviews and assessments performed in the period is reported at the quarterly Board meetings. A more detailed, quarterly Operational Risk Management Report is produced to report on the progress and results of individual Control assessments and changes from the previous period. The progress of other relevant actions is also reported in the quarterly risk report.

Furthermore, all underlying detail of control assessments and actions, including the Risk Function challenge, granular control assessments and justification of action statuses is fully visible to the Internal Audit Function.

Any risk events identified during the period are reported to the Board on a quarterly basis. This will include any identified control gaps and management actions to be implemented.

## *Implementation and integration of the Risk Management System in the organisational structure and decision-making process*

The Board of Directors retain ultimate accountability for ensuring the adequacy of the Company's Risk Management Framework, approval of risk appetite and tolerance limits, promoting a positive risk culture and ensuring compliance.

The Boards and committees in turn are supported by the Risk, Actuarial, Compliance and Internal Audit Functions consistent with the governance model operated across the IGI Group and its operating entities and recognised industry good practice.

The governance structure is based on well-defined lines of responsibility ('three lines of defence' or '3LoD') for individuals within business functions, committees, Board, Risk Management, Actuarial, Compliance and Internal Audit. Ownership and clear lines of accountability are defined for all risk tasks and these are ultimately linked to individual performance objectives.

Individuals within business functions are responsible for identifying and effectively managing and monitoring risks within their respective business function. The governance framework then enables the Risk Management function to have independent oversight and challenge to the first line through review and ongoing discussions to ensure that risks are being adequately monitored and kept within the boundaries defined by IGI Group and the Company.

The Compliance function is responsible for the identification and assessment of compliance risks, as well as identifying any emerging compliance risks, such as new laws and regulatory information which may have an impact on the Company. At the third line of defence, the IA function provides an objective and independent assurance on the effectiveness of the risk management and internal control system.

Furthermore, a good risk culture is a key element contributing to the effectiveness of the Risk Management Framework and the day-to-day risk management processes across all areas of the Company. The Board assume an important role in providing the 'tone from the top' to embed a positive risk culture within the Company, by promoting support and collaboration among employees for the benefit of stakeholders. IGI encourages the open reporting of risk events and near-misses and as a result is establishing a culture of continuous learning, improving processes and the control environment.

IGI's risk culture is also demonstrated through the following:

- Risk ownership – All risks are attributed an owner. This would be the most relevant person with responsibility to identify and manage and monitor risks to ensure that the risk exposure remains within risk appetite. On a regular basis, risk owners report to the Risk Function on its management of current and forward-looking risk exposures.
- Core Process and Control owners – Core Process Owners and Control Owners are integrated into the risk management framework, and regular meetings are held with the Risk Function and Risk Owners to ensure the effective management of risks.
- Policies and procedures – The IGI Group has policies and procedures to ensure that all risk and operational decisions are made in accordance with approved policies and procedures and are within the risk appetite of the IGI Group.
- Management information – The Risk Function and senior management report and communicate risk-related information to all relevant Boards and management committees across the IGI Group and its entities to ensure that risk information is transparent across all areas of the IGI Group.

### *Own Risk and Solvency Assessment ('ORSA')*

The Company's ORSA philosophy centres around embedding the core elements in our ongoing processes in a way that is proportionate and reflects the inter-relationship between IGIE, IGIUK and its parent IGI Bermuda.

It provides for quarterly monitoring via the Risk and Capital review report of the more dynamic elements of the risk and capital profile of the Company whilst providing the Board with full visibility of the multi-year capital and solvency profile and associated deterministic and stochastic scenarios.

The combination of these elements addresses the full scope of the requirements of the ORSA process and is considered both proportionate and appropriate to the risk profile of IGIE.

The results of the ORSA and SCR projections and stress test results are used for strategic decision making such as changes in the investment strategy and the addition or improvement of risk mitigations and controls. If either due to the business strategy, planned changes in business strategy or results of stress testing, the ORSA results anticipate possible non-compliance with capital requirements over the business planning period, the Board of Directors shall identify a timely and effective management action plan.

In line with Solvency II, on an annual basis the Company prepares an ORSA report documenting the ORSA process and its outcome, including the results of the assessment and the management actions taken as a result of the assessment.

### *Determination of Solvency Needs*

At an aggregate level, the IGI Group targets its economic capital such that it remains sufficient to withstand a reasonably foreseeable shock or series of shocks whilst maintaining the A- rating from Standard & Poor and A rating from AM Best that support its ability to access attractive business in its core markets. Headroom over and above this level is held in order to maintain financial flexibility to allow for continued investment in business development.

The resultant level of capital held at IGI Bermuda is therefore significantly higher than the Bermuda Solvency Capital Requirement (considered broadly equivalent to the Solvency II SCR).

At the level of IGIE, the Board monitors SII Own Funds coverage against its target Solvency Ratio on a formal basis at least quarterly (including a full recalculation of the Standard Formula SCR) and at any other such times as appropriate in the event of a projected or actual material impairment in the level of Own Funds, a material change in the risk profile.

Additionally, for those risks which are not covered by the Standard Formula, the Company has in place a number of controls to mitigate such risks. As explained above, the Company monitors all risks on an ongoing basis in order to identify any changes which may possibly result in capital shortfalls and ensure adequate management of such risks as they develop/emerge.

Should the Company require additional capital due to unexpected changes in external or internal factors, IGIE has the ability to draw down a capital injection from the IGI Group, benefitting from the Parental Guarantee which provides protection to the Company’s policyholders beyond the level provided by the Company’s own resources.

## B.4. Internal Control System

### *Description of the Internal Control Framework*

The system of internal control encompasses:

**Control environment** which sets the tone of the organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The control environment includes delegated authorities, policies and procedures within IGIE and the outsourced functions. IGIE has also adopted the IGI Group’s ‘Code of Business Conduct and Ethics policy’ and ‘Anti-Bribery and Corruption policy’, to demonstrate that the Company’s commitment to integrity and ethical values is consistent with the IGI Group. Additionally, the Managers who are responsible for the finance function of IGIE, IGIUK and IGIU have in place accounting policies and procedures and manuals to ensure proper implementation of standards and unified financial and accounting practices throughout the Company as well as with external business entities and achieve its financial reporting objectives.

**Risk assessment** to identify, analyse and manage the relevant risks to the achievement of the Company’s objectives and risks which may significantly impact the system of internal control. IGIE has adopted the IGI Group’s Risk, Capital and Solvency Management Framework and Operational risk management processes, which includes the framework to identify and manage risks arising from external and internal sources. All sub-risks, core processes and controls are assigned an owner and these are recorded in the risk register. On at least an annual basis, sub-risk and control owners are required to formally reassess and reaffirm the full scope of risks, sub-risks, core processes and controls for which they are responsible through discussion with the Risk Function. Controls are rated as Fully Effective, Partially Effective or Not in Effect, based on supporting narrative provided by Control Owners.

**Control activities** which reflect policies and procedures to help ensure that management directives are carried out and any necessary actions are taken to address risks to the achievement of the Company’s objectives. The Risk Management and Internal Audit Functions assess the effectiveness of controls on a regular basis and control effectiveness ratings are assigned and recorded in the risk register. Results of assessments performed within the reporting period are reported to the Board of IGIE within the Operational Risk and Controls Review section of the quarterly Risk Report.

**Information and Communication** whereby internal and external information is produced and shared across the Company to facilitate the effective operation of the control activities. Effective communication enables all employees and outsourced functions to receive clear and consistent information to assist them in understanding their role within the internal control system. The Company has developed adequate processes to obtain appropriate information and provide management with the necessary reports on the control activities and Company's performance relative to established objectives. Information systems and procedures are also in place to enable IGIE to provide the relevant, timely and adequate financial information and reporting. IGIE also has access to the Sharepoint Intranet system where both financial and non-financial information and communication can be shared across all entities. Furthermore, an IGI Group 'Employee Concerns and Complaints Procedures for Accounting, Accounting Controls and Auditing Matters' is in place to allow employees to communicate or report any suspected improprieties and/or concerns in relation to fraud, deficiencies in or noncompliance with the Company's internal accounting controls or auditing matters.

**Monitoring** whereby the internal control system and control effectiveness are monitored on a regular basis. Any failure, or observed weakness identified by employees and outsourced functions as part of its ongoing activity shall be reported to the Board as soon as is practicable.

### *Compliance Function*

The Compliance Function is an independent and outsourced function and reports to the Board of Directors on at least a quarterly basis. The Compliance Function also reports on a regular basis to the independent non-executive director responsible for the oversight of compliance within the Company.

Compliance ensures that the business of the Company complies with all applicable regulatory requirements. The responsibility for the identification and assessment of regulatory risks rests with Compliance. Compliance is involved in identifying and assessing regulatory risks in day-to-day business activities both directly and through providing assistance, support, and challenge to line management. The Compliance Function is also responsible for ensuring that an appropriate compliance and internal control is implemented within the Company.

## B.5. Internal Audit Function

IGIE has outsourced its Internal Audit Function to IGIU under the terms of a Service Level Agreement ('SLA') between IGIU and IGIE. It carries out an independent review of the internal control and governance system reporting on the strengths and weaknesses of the system.

The objective of the Function is to provide IGIE's Board and management with reasonable assurance with regards to effective corporate governance, business risk management and internal controls. This is achieved through providing objective, independent, professional and risk-based assurance and consultation services in line with the Company's values and the professional ethics and standards of the Internal Audit Function.

To maintain its independence and objectivity, the Internal Audit Function does not perform another key function and does not assume operational responsibility or authority over any of the activities audited. Consequently, the Internal Audit Function does not implement controls, develop procedures, install systems, prepare records or engage in any other activity that may impair its judgement.

Internal Audit adopts a risk-based approach with higher risk areas being reviewed on at least an annual basis. The Head of IGI Group Internal Audit reports to the Company's Board of Directors on a quarterly basis. The Internal Audit plan is agreed by the Board on an annual basis and all its findings and reports are submitted to the Board for review and feedback.

## B.6. Actuarial Function

The Actuarial Function is outsourced to IGIUK. It supports the IGI Group and all its subsidiaries across all areas where actuarial support is typically required. The Actuarial team is split between London, UK (currently 7 employees including the Group Chief Actuary) and Amman, Jordan (currently 2 employees).

The Actuarial Function coordinates and oversees the calculation of Bermuda Monetary Authority ('BMA'), Solvency II and IFRS technical loss provisions for the Company and carries out quarterly reserving reviews. It works closely with the Underwriting, Claims, Finance and Risk Management teams to ensure a deep understanding of exposure and loss experience.

In addition to its core role in reserving, the Actuarial Function assists in reinsurance purchase including program design and the development of technical pricing models and tools across all lines of business.

The IGI Group Chief Actuary reports to the IGI Group CEO and is a member of or attends:

| | |
|---|---|
| • IGIE Board | (Attendee) |
| • Group Enterprise Risk Management Committee | (Member) |
| • Group Reserving Committee | (Attendee) |
| • IGI Bermuda Board | (Attendee) |
| • UK Audit, Risk & Compliance Committee | (Attendee) |
| • Group Audit Committee | (Attendee) |

There is potential for conflict of interest to affect the Actuarial Function and this is dealt with through appropriate protocols and procedures and reporting line.

Function members are required to consider appropriate actuarial standards including peer review requirements. All actuaries within the function are members of professional organisations and subject to professionalism requirements and regulated by their SROs.

To ensure that the Actuarial Function has appropriate independence the Chief Actuary has a direct line to IGIE Board, including Non-Executive Directors.

## B.7. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom the activity is outsourced is referred to as the 'service provider'.

When outsourcing any critical/important or key functions, the Company remains responsible for discharging its obligations under the relevant regulatory requirements. Outsourcing of critical or important functions or activities is not undertaken in such a way that could lead to any of the following:

- Materially impairing the quality of the Company's system of governance;
- Unduly increasing the operational risk;
- Impairing the ability of the supervisory authorities to monitor the firm's compliance with its obligations; and
- Undermining continuous and satisfactory service to policyholders.

Prior to outsourcing any critical function, the Company conducts a risk assessment and assess any possible legal obligations to ensure sufficient/reasonable control over proposed outsourcing arrangements.

Furthermore, the Company ensures that it establishes appropriate contingency arrangements to allow business continuity in the event of a significant loss of services from the service provider. Considerations include a significant loss of resources at the service provider, or financial failure of the service provider and unexpected termination of the arrangement.

The table below outlines the critical or important functions that the Company outsourced during the reporting period:

| Critical or Important Function | Name of Provider | Jurisdiction |
|---|---|---|
| Internal Audit | IGIU | Amman |
| Actuarial Function | IGIUK | London / Amman |
| Compliance Function | Willis Towers Watson | Malta |
| Underwriting Administration | IGIU | London / Amman |
| Claims Management | IGIU Note 1<br>IGIUK Note 2 | Amman<br>London |
| Finance Function | Willis Towers Watson | Malta |

Note 1 – All lines of business except Casualty and Ports & Terminals lines of business
Note 2 – Only for Casualty and Ports & Terminals lines of business

For each outsourced key function IGIE has designated Board members responsible for the oversight of these functions to provide appropriate challenge and oversight of the performance and results of the service providers and ensure that the functions are being carried out in an effective manner and in line with all Solvency II requirements.

The Company takes a risk-based approach to all of these activities with service providers subject to defined contracts, service level agreements and ongoing performance management.

## B.8. Any other information

### *Assessment of adequacy of the system of governance*

Through its ongoing assessment of the system of governance including the critical/important and key functions, the regular review of their outputs, and the annual Board Effectiveness Review, the Board considers the appropriateness and adequacy of the system of governance in relation to the nature, scale and the complexity of the risks inherent in its business.

### *Other material information*

There is no other material information regarding the system of governance that requires disclosure.

# C. Risk Profile

Achieving the Company's Business Plan and strategic objectives is subject to the risk environment in which it operates.

IGIE's Risk Universe encompasses those intrinsic risks that are fundamental to the Company, operational risks (that may crystallise either independently of, or correlated with the intrinsic 'Core' and 'Non-Core' risks) and those more subjective yet nevertheless important sources of risk such as Strategic, Group, Reputational and Emerging risks.

Intrinsic risk includes those 'core' risks that we actively pursue in order to optimise risk adjusted return including underwriting and investment risks, and 'non-core' risks that are a necessary consequence of our business but have little or no potential to generate a reward, such as currency risk, reserving risk, liquidity risk and credit risk.

Operational risk differs from the core and non-core categories in that its subject matter is not limited to the intrinsic riskiness and 'random' uncertainty surrounding our core business, but rather the specific risk of losses arising from inadequate or failed internal processes, personnel, systems or external events. Because of this, its impact can crystallise both as a specific loss event in its own right (e.g. the imposition of a fine) or through exacerbating the level of risk crystallising primarily through one of the other risk categories.

Strategic, Group, Reputational and Emerging risks may not have the potential to impact on current period volatility and / or loss of capital that drive the focus of our quantitative modelling but are nonetheless important in terms of our ability to generate and sustain shareholder value and therefore are considered through the ERM framework and ORSA process. Therefore, the Company's risk management approach focuses on understanding and assessing these risks, enabling an evaluation of possible impacts that in turn guides formulating preparedness and response plans.

As IGIE was authorised to write (re)insurance business during the second half of 2021, the Board acknowledges that there exists some degree of uncertainty and volatility in the Company's risk profile, such as risks associated with the volume and mix of business underwritten, potential volatility in claims experience, and changes in the market risk profile due to changes in the investment strategy. The Board is also confident that the Company is adequately capitalised to cover the risks associated with the current and planned business activities while acknowledging the related uncertainties.

The following sections outline the Company's risk management approach and key exposures for each category of risk as required by Article 295 of the Commission Delegated Regulation 2015/35.

The approach to quantifying risk in respect of its contribution to the Company's regulatory capital requirement is dealt with in Section E.2. 'Solvency Capital Requirement and Minimum Capital Requirement'.

## C.1. Underwriting Risk

Underwriting risk is a core intrinsic risk which arises from the Company's general insurance activities. It refers to the risk of variation of accident year underwriting results from plan for reasons other than operational or insurance counterparty risk.

### *Risk Exposure*

The most material element of underwriting risk relates to the potential for outsized losses arising from natural or man-made catastrophe events, including political violence.

The Company has a low appetite for Catastrophe risk in high-risk areas and takes a conservative approach to natural and man-made catastrophe risks. IGIE uses the services of IGI Group which has a dedicated catastrophe and exposure management team responsible for continually developing and enhancing the reporting, analysis and methodology underpinning the aggregation systems upon which it relies.

The team has extensive risk management, underwriting, actuarial and data management skills and works closely with risk management, actuaries, proprietary modelling entities and other related entities as required.

### Natural Catastrophe Risk

The Company uses a range of approaches to manage Natural Catastrophe risk incorporating a combination of both stochastic probabilistic loss modelling and deterministic event sets to measure and quantify exposures.

For territories for which there are either no loss models available or for which the Company does not consider loss models sufficiently robust, the Company uses several alternative deterministic or Probable Maximum Loss ('PML') approaches to assess its exposure to individual loss scenarios.

In addition, the Company produces actual historical loss scenarios that have resulted in large industry wide insured losses along with cloned events to produce a deviation around these scenarios.

### Political Violence

As an additional critical part of the underwriting and portfolio management process of the Political Violence class of business, it is imperative that accurate up-to-date exposure data is available. The Company employs the Sequel Impact tool for aggregating terrorism exposures on the basis of individually geocoded risk exposures.

## *Risk Concentration*

IGIE writes a diversified book of business across the EEA and through different classes of business. IGIE seeks to manage its exposure to insurance and reinsurance losses through a number of loss limitation methods, including internal risk management procedures, writing a number of our inwards reinsurance contracts on an excess of loss ('XOL') basis, enforcement and oversight of our underwriting processes, outwards reinsurance protection, adhering to maximum limitations on policies whether written on a proportional, first loss or XOL basis, written in defined geographical zones, limiting programme size for each client, establishing per risk and per occurrence limitations for each event, employing coverage restrictions and following prudent underwriting guidelines for each programme written.

In relation to catastrophe risk, the Company monitors and controls the accumulation of risk for a number of realistic disaster scenario events. There are specific scenarios for natural, man-made and economic disasters, and for different business lines.

## *Risk Mitigation*

The primary tools for managing Underwriting risk include:

- Having a versatile and diversified book of business;
- Having effective underwriting guidelines and authority matrices in place and monitoring compliance against these;
- Underwriting within prudent aggregate loss and PML limits at individual and combined portfolio levels;
- Maintaining an effective exposure management system;
- Having a matching stratified reinsurance programme; and
- Maintaining effective and frequent monitoring and performance review practices.

In addition to the range of controls detailed above, the Company employs an extensive reinsurance programme designed to contain underwriting risk to acceptable levels.

The programme is designed and purchased at the level of IGI Bermuda in order to leverage the purchasing power of the IGI Group and afford protection to all IGI Group insurance risk taking entities and with full oversight from IGIE. It encompasses:

- XOL treaty arrangements to contain peak or catastrophe losses to an acceptable level;
- 'Quota Share' or 'Proportional' treaty arrangements to share the risk of particular lines of business, particularly newer lines, with partner reinsurers; and
- Intragroup 'Quota Share' treaty arrangement under which 75% of the retained risk net of the remaining reinsurances is ceded to IGI Bermuda in return for a ceding commission designed to compensate the Company for the expenses incurred in sourcing and processing the inwards business.

The Company also has the ability to purchase 'Facultative' reinsurance covers placed on a case by case basis to seek additional capacity and/or to contain individual risk exposures and protect the treaty reinsurance.

The effectiveness of these arrangements is monitored on a current and retrospective basis through the reserving process whereby their impact on mitigating the gross risk and potential default risk is explicitly considered.

On a prospective basis, the effectiveness and risk / return profile of the arrangements is assessed in the business planning and reinsurance placement process using a combination of internal and external deterministic and stochastic analysis.

The impact of reinsurance recoveries and the potential for these to result in counterparty default risk is explicitly considered in the Company's SCR capital calculations using the Standard Formula.

The following specific risks relating to the programme are monitored on an ongoing basis to ensure that it continues to provide protection consistent with the risk appetite and the basis upon which capital requirements have been calculated:

- The potential for 'vertical exhaustion' (i.e. the potential for gross losses to exceed the amount of protection provided by the programme) is monitored through the modelling of catastrophe exposures – the gross and net of reinsurance potential losses from a series of deterministic and stochastic scenarios being reported in full to management and the IGIE Board on at least a quarterly basis.
- The potential for 'horizontal exhaustion' (i.e. the potential for a number of losses to exhaust the number of reinstatements available under one or more elements of the programme) is considered through a combination of monitoring utilisation to date and modelling the potential volume and quantum of losses that might be expected to attach to the programme in a given return period.

### *Stress testing and sensitivity analysis*

IGIE monitors and reports quarterly on a range of individual underwriting stress scenarios as defined within the Standard Formula SCR calculation. During 2022, as IGIE develops a more sizeable and material insurance portfolio that could increase volatility, a full set of PMLs and RDSs will be analysed and reported through the quarterly Risk and Capital Review Board reporting and accompanying Executive Exposure Summary.

IGE conducts specific stress and scenario testing on a regular basis to assess the resilience of its business plan and to implement informed decision making.

Since, the Underwriting risk sub-module is mostly driven by the catastrophe risk sub-module, in the most recent round of stress testing and scenario analysis, the following scenario tests were considered for Underwriting risk:

Scenario 1: A 15% increase in the man-made catastrophe exposures for Marine, Fire and Aviation, up to the reinsurance treaty capacity.

Scenario 2: An increase in the two Marine exposures within the man-made catastrophe risk module. The scenario considered an increase in the maximum sum insured of the tanker/vessel and the offshore platform.

The table below outlines the scenario test results, in relation to the Solvency Capital Requirement:

| *EUR'000* | Base SCR | Stressed SCR | Change in SCR (%) |
|---|---|---|---|
| Scenario 1: 15% increase in man-made exposures | 4,192 | 4,331 | +3.3% |
| Scenario 2: Increase in two marine exposures | 4,192 | 5,075 | +21.1% |

The table above shows that in Scenario 1, the stress resulted in a small change in SCR, while a 21% increase in SCR is noted in Scenario 2. Assuming there are no changes in the Own Funds value of €12,167k, the Company remains adequately capitalised with an SCR ratio of 240%.

## C.2. Market Risk

Market risk is defined as the risk of variation in the market value of net assets as a result of changes in the market prices of securities or foreign currencies. Market risk considers the risk of the Company's economic position being negatively impacted due to market changes and the corresponding impacts on investment, credit, liquidity and other exposures.

### *Risk Exposure*

Market risk is further split into sub-categories including:

- Currency risk: The risk of adverse variation in the value of net assets in foreign currencies as a result of currency rate movements.
- Interest rate risk: The risk of variation in the market value of fixed interest securities as a result of changes in prevailing interest rates.
- Equity risk: The risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities.
- Spread risk: The risk of variation in the market value of fixed income securities as a result of changes in the compensation required by the market for credit risk including the risk of default.

IGIE's Investment Portfolio as at 31st December 2021 was comprised of 100% of investable assets held in cash with an "A" rated bank; therefore the Company currently has a low exposure to interest rate risk and zero exposure to equity and spread risk. On the other hand, IGIE is exposed to currency risk as a natural consequence of writing business in different currencies, other than the Euro.

### *Risk Concentration*

The Company's investment portfolio as at 31st December 2021 exposes IGIE to a concentration of cash and deposits held with one bank. The Company regularly monitors economic conditions and the bank's financial condition and its credit rating to ensure it becomes aware of any material threats or any possible adverse events in a timely manner.

The Company has no other material risk concentrations.

IGIE maintains a conservative approach to Market risk and maintains a highly liquid investment portfolio, while also ensuring the security and quality of investments and adequate profitability in accordance with the Prudent Person Principle. In this respect, as the Company grows and develops a better understanding of its business including movements in technical provisions as well as the nature and duration of its liabilities, IGIE will consider investing its assets in low risk and well rated investments to maintain the security and quality of investments, a proportion of which will be high-quality fixed income securities and a smaller proportion in equities, in addition to cash and deposits, in line with the prudent investment strategy across the IGI Group.

### *Prudent Person Principle*

The Company has established internal investment guidelines approved by the Board for the purpose of effectively managing and monitoring the Company's investments and to ensure that assets are invested in an adequate manner to cover the minimum capital requirement and the solvency capital requirement in accordance with the Prudent Person Principle, as laid down in Article 132 of the Solvency II Directive, taking into consideration the security, quality, liquidity and profitability of the investment portfolio.

Furthermore, the Company may only assume investment risks that it is able to identify, measure, respond to, monitor, control, and report on while taking into consideration the capital requirements and capital adequacy, the financial market environment, and policyholder obligations.

The guidelines outline the parameters and allocation limits of the Company's assets that are available for investment including risk tolerances for counterparty quality, concentration, and asset types. The allocation limits are set to ensure the risk is maintained within the risk tolerance levels and that the portfolio meets appropriate regulatory requirements. They are updated at least annually and at other such times as required to adapt to the changing economic, business and investment market conditions.

### *Risk Mitigation*

The Company has a relatively low appetite for Market risk as demonstrated in its investment guidelines, as its primary focus for value creation is underwriting rather than investment activity.

The primary tools for managing Market risk include, but are not limited to:

- Clear investment guidelines with limited exposure to non-traditional investment classes and requirements as to minimum investment counterparty quality or credit rating, minimum and/or maximum limits in the type of investment and maximum limits for geographical concentrations;
- Maintaining compliance with the Prudent Person Principle;
- Monitoring of the investment portfolio - investment holdings per class, cost and current market price;
- Monitoring of investments' credit rating; and
- Quarterly Asset Liability Management ('ALM') reports.

### *Stress testing and sensitivity analysis*

During the development of the Company's investment policy and guidelines, IGIE carried out a number of scenario tests and "what if" analyses to assess the impact that changes in the investment portfolio will have on the Solvency Capital Requirement of IGIE. The following are the three scenarios which were considered:

Scenario 1: A reduction in the proportion of Cash from 100% to 70% and allocating 15% of the investment portfolio to Fixed-Income Securities and another 15% to Equity.

Scenario 2: A reduction in the proportion of Cash from 100% to 70% and allocating 25% of the investment portfolio to Fixed-Income Securities and another 5% to Equity.

Scenario 3: A reduction in the proportion of Cash at bank from 100% to 15% and allocating 50% in Fixed-Income Securities, 20% to Equity and 15% to Property.

The above scenarios assume no changes in Other Assets and the total amount of investments. The allocation of EURO, USD and GBP in the investment portfolio remained unchanged.

| *EUR'000* | **Base SCR** | **Stressed SCR** | **Change in SCR (%)** |
|---|---|---|---|
| Scenario 1: 70% Cash, 15% Bonds, 15% Equity | 4,192 | 4,297 | +2.5% |
| Scenario 2: 70% Cash, 25% Bonds, 5% Equity | 4,192 | 4,174 | -0.4% |
| Scenario 3: 15% Cash, 50% Bonds, 20% Equity, 15% Property | 4,192 | 4,401 | +5.0% |

The above table shows that the three scenarios will not have a material impact on the Company's SCR and the Company remains well capitalised under each scenario.

## C.3. Credit Risk

In addition to the Credit risk inherent in its investment portfolio, which is covered under the market risk section above, the Company is exposed to the risk of counterparty default in respect of premiums receivable, reinsurance recoverables and cash held with banks.

The potential impact of such counterparty default is explicitly captured in the Standard Formula SCR calculation.

### *Risk Exposure*

Credit risk is split into the following sub-categories including:

- Reinsurer counterparty: The risk of loss from the failure of a reinsurer to make a payment due.
- Asset counterparty: The risk that cash held with banks that become insolvent will not be received.
- Intermediary counterparty: The risk of loss from the failure of an intermediary to make a payment to, or on behalf of, the Company.

During the reporting period, the Company's largest exposure to Credit risk came from the reinsurer counterparty and asset counterparty, which are both classified as Type 1 in the Standard Formula SCR. IGIE is exposed to reinsurer counterparty risk since it employs an outwards reinsurance programme in addition to the Intragroup Quota Share arrangement in place between the Company and IGI Bermuda. The Company is also exposed to Counterparty default risk as a result of the amount of cash held at the bank.

Counterparty default risk is considered 'non-core' in that it is not something we seek to create a return, rather it is a natural consequence of our decision to use reinsurance to mitigate underwriting risk and the inevitable consequence of investment holdings and doing business with intermediaries.

### *Risk Concentration*

The Company is exposed to concentrations of Credit risk in respect of the intragroup reinsurance arrangement with its parent. In this respect, the Board closely monitors the financial and solvency position of IGI Bermuda on a quarterly basis.

Furthermore, the Company's risk appetite requires reinsurance programmes diversified such that no individual counterparty (excluding IGI Group) can represent >25% of the overall amount.

During the reporting period, IGIE was also exposed to Credit risk concentration in respect of its cash holdings, whereby 100% of its assets were held with an A rated bank.

### *Risk Mitigation*

The Company has a low appetite for Credit risk in respect of receivables however accepts a degree of risk as an unavoidable consequence of its underwriting and reinsurance activity.

The primary tools for managing Credit risk include:

- Minimum credit quality criteria in respect of outwards reinsurance counterparties coupled with concentration limits to contain exposures in extremis
    - Reinsurers to be either 'A-' rated or better by AM Best or 'BBB+' or better by S&P for short tail classes, or, 'A' rated or better by AM Best or 'A-' or better from S&P for long tail classes. Outwards reinsurance counterparties with a credit rating lower than that stated above shall only be accepted subject to Reinsurance Security Committee review and subsequent IGI Group CEO approval.
    - No individual reinsurer to accept more than 25% of any reinsurance programme at time of placement. Reinsurance Security Committee review and subsequent IGI Group CEO approval is required should this limit be exceeded.
- Applying effective credit control policies and procedures in respect of broker and reinsurer receivables, including producing and monitoring aged debt reports on a regular basis.
- Regular monitoring of the bank's financial performance and credit rating. The Company developed an investment strategy and guidelines to ensure a better diversification of its investment portfolio.

### *Stress testing and sensitivity analysis*

In the most recent round of stress testing and scenario analysis, IGIE considered the downgrade by one credit rating of the bank which holds 100% of the Company's investable assets.

The table below outlines the results from the scenario test:

| *EUR'000* | Base SCR | Stressed SCR | Change in SCR (%) |
|---|---|---|---|
| Scenario: Downgrade of the asset counterparty | 4,192 | 4,655 | +11.0% |

The above scenario test resulted in an increase of €463k in the Type 1 risk sub-module which increased the Solvency Capital Requirement by 11%.

## C.4. Liquidity Risk

Liquidity is defined as the risk that the Company is unable to make payments or provide collateral when required.

### *Risk Exposure*

The Company considers Liquidity risk both in terms of the risk of having insufficient liquid financial resources to satisfy policyholder liabilities and maintaining financial flexibility in the event of a stress event.

Liquidity risk includes the following:

- Collateral risk: The risk that the Company is unable to provide collateral to a third party when contractually required to do so.
- Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, the sale of assets or capital raising.
- Suboptimal asset realisation: The risk that securities or other assets are required to be sold at a suboptimal price to meet liquidity requirements.

### *Risk Concentration*

There were no material Liquidity risk concentrations as at 31st December 2021.

### *Risk Mitigation*

Liquidity risk is mitigated through investment guidelines that require a highly liquid asset portfolio sufficient to cater for a combination of a significant payout of reserves plus gross underwriting stress loss.

As at 2021 year end, cash and deposits represented 100% of the overall investment portfolio, which is considered highly liquid.

### *Expected Profit in Future Premium*

As at 31st December 2021, IGIE did not take credit for expected profit in future premium.

## C.5. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes and controls, people, systems, or from external events. Operational risk events may impact the Company in terms of financial loss, reputational damage, regulatory sanction, inefficiency or opportunity loss.

### *Risk Exposure*

The Company is exposed to operational risks which may crystallise either independently of, or be correlated with the Intrinsic Core (Underwriting risks and Investment risks) and Non-Core (Reserving risks, Currency risks, Liquidity risks and Counterparty Default risks). These include Legal and Compliance, IT, HR and Process risks. Operational risks also include those more subjective, yet nevertheless important sources of risk such as Strategic, Group and Emerging risks.

An allowance for the potential capital impact of Operational risks is made under the SII Standard Formula.

Operational risk is monitored via the Risks and Controls register that articulates the material sources of potential risks and failures in core processes and the key controls in place to manage them.

### *Risk Concentration*

There were no material Operational risk concentrations as at 31st December 2021.

### *Risk Mitigation*

The control and risk mitigation approach includes:

- Established procedural controls including workflow management;
- Monitoring compliance with all applicable laws and regulations, established policies, procedures and processes;

- Business continuity and Disaster recovery plans;
- Maintaining an appropriate Information and Communications Technology ('ICT') and IT Security framework to ensure that adequate hardware and software is in place to support business needs and market expectations and mitigate IT disruptions;
- Periodic reviews of third-party service providers; and
- Maintaining effective human resource management and development practices.

On an annual basis and/or following an operational loss event materialising, the Risk Function meets Control Owners to formally discuss and reassess the control effectiveness rating for each control for which they are responsible. Control Owners are required to assess whether the controls in place are still operating as intended and whether they will continue to operate effectively in the future.

This control assessment enables the Risk Function and the Board to understand which risks are being effectively mitigated and controlled and those which are less effective and to focus on and allocate resources to those areas of risk and core processes with higher residual risk exposures.

### *Stress testing and Sensitivity analysis*

In relation to operational risks, a qualitative approach to stress testing and scenario analysis is carried out, focusing on the events, the impact of which may be difficult to quantify but could still cause IGIE's business model to become unviable. IGIE has established the following situations, each of which individually may render the business model unviable or significantly impaired:

| Scenario | Description |
|---|---|
| Liquidity shortfall | IGIE is unable to make available sufficient resources to pay its financial obligations as they fall due |
| Capital shortfall | IGI Group is unable to maintain capital in excess of rating agency and / or regulatory requirements |
| Loss of license to operate | Withdrawal of IGIE's regulatory authorisation or suspension from undertaking regulated activities |
| Withdrawal of reinsurer support | Reinsurance partners limit / withdraw support or offer terms that are not commercially viable |
| Loss of rating / downgrade | One or both of S&P and AM Best put the IGI Group, and consequently IGIE on negative outlook or downgrade current ratings |
| Failure to run operations / exposure to IGI Group systems | IGIE is unable to process business over a prolonged period due to governance failure, loss of people/teams, rogue underwriter |

## C.6. Other Material Risks

In addition to the above risks that have the potential to result in capital depletion, the Company also considers Strategic risk, Group Contagion risk and Reputational risk to be relevant.

The risks are managed through the strategic and business planning / performance monitoring processes to ensure that changes in the economic and market environment are factored into the long-term and tactical plans for the Company.

### *Strategic risk*

The Company defines strategic risk as the risk of impact on shareholder value, earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes, and the risk that the IGI Group and its entities fail to define, maintain or adequately communicate the strategy and, as a result, cannot take advantage of strategic opportunities. This may be caused by failure to:

- devise, implement, maintain and communicate an effective business strategy that is consistent with the risk and return objective and risk appetite; and
- effectively structure and manage the inter-relationships between IGI Group entities in such a way as to maximise the benefits of the structure whilst affording adequate protection to an individual entity.

### *Group Contagion risk*

The Company defines Group Contagion risk as the risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall IGI Group.

IGIE is exposed to IGI Group risks arising from the interconnected nature of the IGI Group and its entities, both from an operational and financial perspective. IGIE relies on the IGI Group for a number of functions, which may expose the Company to IGI Group risks arising from these internal outsourcing arrangements not being carried out in accordance with the service level agreements ('SLAs'), and all applicable legal and regulatory requirements.

Group contagion risks may arise from decisions or actions taken by the IGI Group or its other entities which may compromise the IGI Group or respective entity's going-concern, strategy, regulatory standing or reputation which may have an adverse impact on IGIE. Therefore, IGIE may be negatively impacted by the failure of the IGI Group to effectively structure and manage the inter-relationships between IGI Group entities in such a way as to maximise the benefits of the structure whilst affording adequate protection to an individual entity.

### *Reputational risk*

Reputational risk is defined as the risk that adverse events or circumstances negatively affect the reputation of IGI Group or its operating entities (including IGIE) with its rating agencies, regulators, policyholders, intermediaries and existing or prospective investors, which may cause an unexpected drop in IGI's share price value, loss of profits and future business for the Company and a downgrade in IGIE's credit rating. This may be caused due to failure to

- give due regard to clients' interests or failure to treat clients fairly in accordance with regulatory requirements;
- meet MFSA and EIOPA regulatory requirements including reporting and disclosure requirements; and
- poor/adverse PR coverage.

Reputational risk may also be caused by the crystallisation of other risks including legal risks, regulatory and compliance risks, strategic risks and information security risks (data breach).

### *Risk mitigation*

To mitigate the above risks IGIE has implemented a number of controls, which are recorded in the IGI Group's risk register and are monitored and assessed on at least an annual basis.

## C.7. Other material information

### *Climate Change*

During 2021 a Climate Risk Management Framework document was approved to formalise the IGI Group's approach to the identification, management and reporting of Climate related risks.

Furthermore, in 2022 an Environmental, Social and Governance (ESG) Committee was established at Group level, with the purpose of continuing development of IGI Group's ESG strategy alongside the executive team and Board of Directors.

From a physical risk perspective, the annual nature of the majority of our insurance contracts means that the latest view on natural catastrophe risks can be factored into risk selection, pricing and exposure management. The Company applies a range of approaches to assess Catastrophe risk incorporating a combination of both stochastic probabilistic loss modelling and deterministic event sets to measure and quantify potential exposures. The modelling of catastrophe risk exposures (both pre-bind and quarterly roll-ups) in partnership with AIR Worldwide provides for a prudent view of natural catastrophe perils and helps anticipate the likelihood and severity of potential future catastrophes before they occur so that the Company can factor this into risk selection, pricing and accumulation management processes.

From a transition risk perspective, potential risks are mitigated through an increasingly diversified underwriting portfolio (in terms of geography, class of business and insured trade) and include offsetting the more carbon dominant energy portfolios through the expansion into renewable energy and green technologies.

Asset transition risk for IGIE is currently considered immaterial since assets are held in cash at bank. As the balance sheet expands and the Company starts diversifying its investments into fixed-income securities and a lower proportion in equities, the impact of transition risk on the asset side will be reassessed.

Finally, the Company considers the potential for climate risk to exacerbate losses under liability classes such as Directors and Officers and Professional Indemnity coverages as people or businesses seek to recover compensation for actual losses or loss of value arising from climate change related physical or transition risks.

### *COVID-19*

During 2021, IGIE and the IGI Group's operations and other outsourced service providers continued to be stable with no notable disruptions encountered impacting either business continuity or operational resilience. Employees at all levels and in all functions within the IGI Group including IGIE were able to work remotely wherever practicable, depending on the situation. The Company's IT facilities have ensured that all of the Company's operations have been maintained allowing the Company to function as normal.

The Company has monitored the COVID-19 situation and the impact COVID-19 may have on it, the insurance industry and the economies in which the Company operates. The impact of the pandemic on the 2021 financials of IGIE, the IGI Group and other entities has been immaterial.

The Company is well positioned to experience a manageable impact from COVID-19 particularly in respect of its underwriting portfolio which is not materially exposed to the classes of business which are largely impacted by COVID-19.

### *Russian Invasion of Ukraine*

On 24th February 2022, the Russian Federation launched a full-scale military invasion of Ukraine. This has already led to significant economic and humanitarian consequences for both countries, and the long-term wider impact continues to be unknown as the situation develops. Areas of uncertainty include the impact on global energy prices, financial markets as well as the possible further escalation of the conflict.  We continue to closely monitor the situation alongside potential exposures and the imposition of sanctions.

# D. Valuation for Solvency Purposes

## D.1. Assets

The following table summarises the assets held by the Company as at 31st December 2021 with analysis of the main differences between Solvency II and IFRS valuation rules:

| **Asset Class** *EUR'000* | **Value as per IFRS Financial Statements** | **Reclassification / Adjustment for Solvency Purposes** | **Value as per Solvency II** |
|---|---|---|---|
| Deferred Acquisition Costs | 1,513 | (1,513) | - |
| Deferred tax asset | 416 | 191 | 607 |
| Property, plant and equipment held for own use | 19 | (19) | - |
| Reinsurance Recoverable | 5,738 | (2,481) | 3,257 |
| Insurance and Intermediaries Receivables | 6,174 | (3,307) | 2,867 |
| Reinsurance Receivables | - | 206 | 206 |
| Cash and Cash Equivalents | 13,675 | - | 13,675 |
| Other Assets | 6 | (6) | - |
| **Total Assets** | **27,541** | **(6,929)** | **20,612** |

The valuation principles applied to each material asset class are explained below. No changes were made during the reporting period to the bases and estimation approaches used to recognise and value assets.

### *Deferred Acquisition Cost:*

There is no concept of Deferred Acquisition Cost ('DAC') in Solvency II. The DAC is implicitly included in the premium provisions valuation and therefore not included as an asset.

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

Under IFRS these assets are held at cost less accumulated depreciation. For Solvency II purposes they can be valued at fair value less depreciation or impairment but have been given a nil valuation.

### *Cash and Cash Equivalents*

These financial assets are recognised at fair value as at the balance sheet date. The Solvency II valuation rules are consistent and in line with those applied in the IFRS financial statements.

### *Reinsurance Recoverable*

The valuation rules applied in the reinsurance assets calculation are covered in the Best Estimate Technical Provision section. The impact of the valuation rules is to reduce the valuation of the reinsurance recoverables by €2,481k from €5,738k under IFRS to €3,257k under Solvency II.

### *Insurance and Intermediaries / Reinsurance Receivables*

The Solvency II valuation is based on the best estimate of the recoverable value, discounted to present value where the expected recovery is greater than one year. In addition, the undue insurance receivables are reclassified and included as part of the Premium Provisions.

### *Other Assets*

The valuation of these other assets is the same under Solvency II and IFRS, the only exceptions being prepayments which do not meet the Solvency II valuation criteria, as prepayments could not be exchanged between knowledgeable willing parties in an arm's length transaction and they are valued at nil.

### *Deferred Tax Asset*

A deferred tax asset has been recognised under IFRS on the basis of temporary differences arising from unabsorbed tax losses and a provision for foreign exchange differences.

An additional deferred tax asset has been recognised under Solvency II and is valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II and the values under IFRS. Deferred tax assets comprise of a deferred tax asset on the reconciliation reserve.

A deferred tax asset is only recognised on the basis that future taxable profit will be available against which the deferred tax asset can be utilised.

## D.2. Technical Provisions

Technical Provisions reflect an amount of money as at the evaluation point (year-end) that would be needed to cover the future cost of claims and related expenses for all policies we have either written or committed to write, plus a Risk Margin. These are split into three component parts:

- Provision for future claim payments for events that have already taken place prior to the evaluation point – referred to here as the "Claims Provision".
- Provision for future claims on exposures yet to take place at the evaluation point – referred to here as the "Premium Provision".
- Risk Margin deemed to reflect a margin that would be necessary to effect a commercial portfolio transfer to another insurer.

The Technical Provisions total of € 2.3m (gross of reinsurance) and € (0.9m) (net of reinsurance) is subdivided by Line of Business in the following tables:

Technical Provisions gross of ceded reinsurance

| Line of Business EUR '000 (Note 1) | Abbrev | Claims Provision | Premium Provision | Risk Margin | Technical Provisions |
|---|---|---|---|---|---|
| Marine, aviation and transport insurance and proportional reinsurance | MAT | 50 | (456) | 350 | (56) |
| Fire and other damage to property insurance and proportional reinsurance | Fire | 47 | (7) | 60 | 100 |
| General liability insurance and proportional reinsurance | Liability | 544 | 658 | 323 | 1,525 |
| Miscellaneous financial loss insurance and proportional reinsurance | Financial | 186 | 323 | 278 | 787 |
| Non-proportional property reinsurance | NP prop | - | - | - | - |
| Non-proportional casualty reinsurance | NP cas | 3 | (10) | 3 | (4) |
| **Total** | | **830** | **508** | **1,015** | **2,352** |

Note 1 - Values underlying the tables shown are held to the nearest €1. When displayed and rounded to the nearest €1,000 the row totals and column totals may differ from the sum of the rounded amounts.

Technical Provisions net of ceded reinsurance

| Line of Business EUR '000 (Note 1) | Abbrev | Claims Provision | Premium Provision | Risk Margin | Technical Provisions |
|---|---|---|---|---|---|
| Marine, aviation and transport insurance and proportional reinsurance | MAT | 11 | (1,173) | 350 | (812) |
| Fire and other damage to property insurance and proportional reinsurance | Fire | 10 | (205) | 60 | (135) |
| General liability insurance and proportional reinsurance | Liability | 109 | (352) | 323 | 80 |
| Miscellaneous financial loss insurance and proportional reinsurance | Financial | 45 | (346) | 278 | (23) |
| Non-proportional property reinsurance | NP Prop | - | - | - | - |
| Non-proportional casualty reinsurance | NP Cas | 1 | (18) | 3 | (14) |
| **Total** | | **175** | **(2,094)** | **1,015** | **(904)** |

Note 1 - Values underlying the tables shown are held to the nearest €1. When displayed and rounded to the nearest €1,000 the row totals and column totals may differ from the sum of the rounded amounts.

## *Methods*

The following sets out the methods used to calculate the individual components shown in the above table.

### Claims Provision

Claims provision is the expected present value of the future cashflows arising from claim events occurring before or at the valuation date. The claims provision consists of:

- Reserve estimates for the IFRS accounts made up of:
    - Outstanding Claims Reserves ('O/S') (reserves held for claims that have already been reported and which will be paid and settled in the foreseeable future) as determined by the Claims team based on a legal view, loss adjuster reports etc.
    - Incurred But Not Reported ('IBNR') (reserves held for claims that have occurred but have not been reported as at the valuation date).
- An estimate of Unallocated Loss Adjustment Expense ('ULAE') is also added to these reserves.

The IBNR reserve is estimated according to a range of widely used actuarial methods including evaluation of run-off patterns of paid and incurred claims (both internal and external benchmarks), and evaluation of expected loss ratios (both internal and external benchmarks) having regard to the impact of the underwriting cycle. This analysis takes place separately for each material line of business.

Reserves are estimated on both a Gross and Net of reinsurance basis. The Actuarial Function assess how the reinsurance programme should respond to known unreported claims, historical recovery rates from reinsurance contracts and considering current Gross/Net ratios for each line of business, accident year and reinsurance contract type. This is estimated without margins for prudence as required by the regulations.

Using the patterns of claims payments and risk-free interest rates published by EIOPA in accordance with the Solvency II Directive, cash-flows are estimated and discounted for the time value of money.

Solvency II Technical Provisions are required to be a best estimate for all possible events. This will include events that may not have been experienced historically. Such events which are not presented in the observable historical data are referred to as Events Not in Data ('ENIDs').

There is a further loading for Reinsurance Default (‘RI Default’) which takes account of the amount of total expected recoveries within the claims reserve banded by the credit ratings of the reinsurers and is a different basis from IFRS bad debt provisions.

The Claims Provision is then: O/S ***plus*** IBNR ***less*** Discount Credit ***plus*** ENIDs ***plus*** RI Default.

### Premium Provision

Premium provision is calculated on both future exposures related to existing business and for business that is bound but not yet incepted (‘BBNI’). BBNI policies are contracts that the Company is contractually committed to but which are not yet on-risk.

The approach is to estimate likely future claims and remove future premium to be received.

Likely future claims are estimated according to IFRS Unearned Premium Reserves multiplied by appropriate loss ratios which vary by line of business and are consistent with the loss ratios adopted in the Claims Provision calculations. Future premiums are estimated according to the actual payment terms of the policies. Both components are calculated gross and net of reinsurance, with assumptions where appropriate that future reinsurance terms will be consistent with projections within the Company’s business plan and future management actions. The future reinsurance recoveries, allowed for in the net loss ratios, take account of the type of reinsurance applicable and for non-proportional coverage, and are consistent with the recoveries modelled in the derivation of the Business Plan. Netting down is undertaken by line of business, accident year and reinsurance contract type.

Where the allowance for future reinsurance anticipates recoveries on reinsurance contracts that are to be paid for after the valuation date, allowance is made for this cost. The largest element of this is likely to be the renewal of Treaties purchased on a Losses Occurring During basis.

A further allowance is calculated for additional expense reserves, being an estimate of future expenses that would be required to manage the claims without regard for future underwriting and which is calculated on a different basis from the allowance for claims management expenses in IFRS reserves. A single loading across Claims and Premium Provisions is calculated and included within Premium Provisions.

As with the Claims Provision calculation above, allowance is made for discounting, ENIDs, and RI Default. The calculation methods are the same but the results are different to allow for different claims payment timings and different exposure to reinsurers.

The Premium Provision is then:

Future claims ***less*** future premiums ***less*** Discount ***plus*** Future cost of Reinsurance, ***plus*** ENIDs, ***plus*** RI Default, ***plus*** total additional expense reserves.

### Risk Margin

The risk margin has been considered to ensure that the value of the Technical Provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance company in order to take over and meet the insurance obligations.

The risk margin has been calculated based on the estimated capital requirements to run off the insurance obligations and applying a cost of capital of 6% as specified by the Solvency II regulations. The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of underwriting risk and reinsurance counterparty risk.

### *Uncertainties*

The key areas of uncertainty in the Technical Provisions are:

### New Entity

During 2021, IGIE traded for almost 6 months. Whilst the profile of business written is almost identical to the one previously written by IGIUK, it is a subset of that business which may not exhibit the same characteristics. As IGIE grows these characteristics are likely to diverge. As a new entity, IGIE has no previous experience, reserving assumptions can be biased, and it could take a number of years for a credible experience to be established. In the absence of such experience reserving assumptions are based on those used for the IGI Group. This introduces an additional level of uncertainty into the results of the reserves projected.

### Reserving: Undertaken at a IGI Group Level

Reserving is undertaken using grouped data. Across the IGI Group, business thought to exhibit reasonably similar characteristics is grouped into Reserving Classes. However, the need for homogeneity is balanced against the need to have a volume of data and historic experience that is sufficiently credible to enable the application of actuarial projection methods to be reliable. Having derived IBNR for the IGI Group, IBNR is allocated to IGIE by policy and summing the IBNR for each policy in IGIE.

This approach introduces uncertainty:

- Where the business grouped into a Reserving Class is heterogeneous and/or not representative of the sub-set of business for the Company.
- The process of allocating IBNR by policy is, by necessity, broad-brush.

### Outstanding Case Reserves

As a specialty insurer IGIE is exposed to large individual claims which in both first party and especially in third party coverages can change over time as new information emerges and negotiations take place. This risk is managed through regular claims reviews, consistent reserving philosophy and the allowance in IBNR for expected future movements on case reserves.

### IBNR Claims

Uncertainty in the estimate of IBNR is usually greater than for outstanding case reserves because much of the IBNR is in respect of claims that have not yet been reported. Regular Reserve Review meetings are held with the Claims Department and Underwriters in which movements in the account are discussed and differences in the Actual-to-Expected critically examined to identify random timing or fluctuations as distinct from clear reserving signals. A formal Reserving Committee containing representatives of Underwriting, Claims, Finance, Management and Actuarial meet at least quarterly providing robust reserving governance.

### Estimation of claims on future exposures

Estimates of future claims are generally more uncertain than reserves for claims that have already taken place. The Company has a formal Business Plan to derive expected loss ratios for future exposures which considers attritional, large and catastrophe claims separately and takes account of historical and expected future movements in premium rates. These loss ratios, which are consistent with the IBNR reserving analysis, inform the Company's annual corporate plan and are used for future claims estimates in the Premium Provision.

### Catastrophe losses

The Claims Provision incorporates known natural catastrophe events, whereas the future claims part of the Premium Provision is exposed to potential future catastrophes. The Company models its catastrophe exposure and incorporates the findings into its reinsurance purchases, risk capital and expected future loss ratios.

### COVID-19

Potentially COVID-19 may impact reserves in a number of ways:

***Claims arising from the pandemic.*** IGIE has no direct exposure to the lines of business most affected, such as Life, Contingency or SME Property.

IGIE commenced trading more than 12 months after the beginning of the pandemic. Coverage terms incorporate updates made since the commencement of the outbreak. As a consequence, we do not expect COVID-19 to be a material driver of claims for IGIE.

***Uncertainty.*** Whilst we believe the Company has little exposure to pandemic related claims the scale and protracted nature of the crisis, the exceptional actions by governments to support their respective workers and industries and the legal challenges to the interpretation of coverage provided mean that there may be more uncertainty related to some of its earned and unearned exposure, especially in terms of inflation and other secondary impacts of the various global lockdowns.

***Future Experience.*** The economic impact of the pandemic, particularly on western economies, is such that we should expect an increase in the loss frequency and/or severity on the Professional and Financial Lines at some time in the future.

Most first order effects, such as; those resulting from stock market falls, the closure and the failure of businesses either have, or should have, already been seen. To date the impact observed to the Company's exposures is minimal. The second order effects are likely to take longer to work through the economy and may manifest themselves in different ways. Key signs of impending economic distress may include, but are not limited to:

- Governments cutting back and or ceasing to support businesses
- Governments cutting back and or ceasing to support those unable to work
- Companies rationalising their operations and/or cutting back on their labour force.
- Shortages of products, materials or labour that may arise when economies pick-up after lockdown
- Market sentiment pushing up the cost of borrowing
- Increases in inflation

At 2021 year end we started seeing an increase in inflation but it is not yet evident that other factors are giving rise to a general rise in the frequency or severity of claims. Allowance for an increased level of inflation has been factored into Projected Loss Ratios.

### Market environment

IGIE operates through brokers and is subject to uncertainties including the rating environment, customer retention and broking trends such as creation of automatic acceptance facilities. Each line of business is affected differently. The Company responds to these uncertainties by regular monitoring of these trends and incorporating up to date insight in its forward-looking Business Plan and projections.

### Description of Recoverable from Reinsurance Contracts

Reinsurance recoveries are provided on the basis of paid and incurred for each Line of Business ('LoB')/Accident Year by type (Facultative, external Quota Share and XOL Treaty) as factual inputs to the IBNR assessment process.

Reserves for outward reinsurance recoveries on estimated IBNR claims are determined by the application of reinsurance recovery ratios to the estimated gross IBNRs. Specifically, IBNR by line of business and year is apportioned by policy and Facultative and Proportional Treaty (excluding the Bermuda Reinsurance Treaty ('BRT'), a proportional reinsurance facility IGI Bermuda provides to IGIE) covers are applied.

The resulting IBNR is then subdivided between Pure IBNR and Incurred But Not Enough Reported (‘IBNER’). Pure IBNR is netted down using the Initial Expected reinsurance recovery ratio, derived in the business planning exercise and IBNER netted down by applying a judgmentally selected net to gross ratio, based on the ratio of net to gross incurred claims for each line of business by year.

Having allocated gross and net (pre-BRT reinsurance) IBNR by policy, results for each risk-taking entity of IGI Group are readily derived. The BRT is then applied to the IGIE (pre-BRT) net position and the post BRT IGIE and IGI Bermuda values derived.

### *Material Differences With IFRS*

IGIE’s financial statements are prepared in accordance with IFRS. The most material element in Technical Provisions – IFRS claims reserves (O/S + IBNR) – is common to both IFRS and Technical Provisions.

The following describes the linkage between IFRS reserves and Technical Provisions as quantified in the table:

- Removal of Unearned Premium Reserve: This is a material component of reserves on an IFRS balance sheet, but its removal is accompanied by the removal of premiums receivable as an offsetting asset. The effect when taking the balance sheet as a whole is therefore less material than when comparing only IFRS reserves against Technical Provisions. This is the most important difference arising from the cashflow basis of Solvency II compared with the accrual’s basis of IFRS, and is replaced by the inclusion of the Premium Provision
- Explicit consideration of contract boundaries, such as recognising ‘bound but not incepted’ business as a liability
- Applying yield curves to future cashflows to allow for the time value of money
- Inclusion of additional expense reserves to provide an amount reflecting the full cost of running off the Claims and Premium Provisions
- Inclusion of Risk Margin
- Inclusion of provision for ENIDs
- Different basis for provision for RI Default

### *Technical Provisions Reconciliation with IFRS by Line of Business*

The table below outlines the Technical Provisions Reconciliation with IFRS by Line of Business:

| EUR '000 (Note 1) | MAT | Fire | Liability | Financial | LE | NP prop | NP Cas | NP MAT | Total |
|---|---|---|---|---|---|---|---|---|---|
| **CLAIMS PROVISION** | 11 | 10 | 109 | 45 | 0 | 0 | 1 | 0 | **175** |
| Breakdown: | | | | | | | | | |
| Gross IFRS reserve Including ULAE | 48 | 46 | 537 | 182 | 0 | 0 | 3 | 0 | **815** |
| LESS Reinsurance amount | (37) | (36) | (432) | -139 | 0 | 0 | (2) | 0 | **(646)** |
| LESS Discount amount | 0 | 0 | (2) | 0 | 0 | 0 | 0 | 0 | **(3)** |
| PLUS ENID | 0 | 0 | 4 | 2 | 0 | 0 | 0 | 0 | **6** |
| PLUS RI Bad Debt | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | **3** |
| **PREMIUM PROVISION** | (1,173) | (205) | (352) | (346) | 0 | 0 | (18) | 0 | **(2,094)** |
| Breakdown: | | | | | | | | | |
| Gross IFRS UPR (Note 2) | 1,495 | 473 | 2,323 | 1,146 | 0 | 1 | 26 | 0 | **5,464** |
| PLUS UPR for Bound but not Incepted | 1,517 | 337 | 864 | 597 | 0 | 0 | 29 | 0 | **3,343** |
| Apply Expected Loss Ratio (for future claims) | 1,022 | 375 | 1,481 | 994 | 0 | 1 | 17 | 0 | **3,890** |
| Less Reinsurance amount | (783) | (308) | (1,188) | (750) | 0 | (1) | (13) | 0 | **(3,044)** |
| LESS Discount amount | (1) | 0 | (6) | (2) | 0 | 0 | 0 | 0 | **(9)** |
| LESS Future Premium (discounted) | (1,501) | (295) | (700) | (637) | 0 | 0 | (23) | 0 | **(3,157)** |
| PLUS ENID | 9 | 2 | 11 | 9 | 0 | 0 | 0 | 0 | **31** |
| PLUS RI Bad Debt | 2 | 1 | 5 | 3 | 0 | 0 | 0 | 0 | **11** |
| PLUS Expenses | 80 | 21 | 45 | 37 | 0 | 0 | 1 | 0 | **183** |
| **Best Estimate** | (1,161) | (195) | (244) | (301) | 0 | 0 | (18) | 0 | **(1,919)** |
| **Risk Margin** | 350 | 60 | 323 | 278 | 0 | 0 | 3 | 0 | **1,015** |
| **Total Technical Provisions** | **(811)** | **(135)** | **79** | **(23)** | **0** | **0** | **(15)** | **0** | **(904)** |

Note 1 - Values underlying the tables shown are held to the nearest €1. When displayed and rounded to the nearest €1,000 the row totals and column totals may differ from the sum of the rounded amounts.
Note 2 – The amount of €5.5m in the table above is net of deferred acquisition costs.

The Valuation of Technical Provisions from IFRS to Solvency II is provided in the table below:

| Description EUR '000 | IFRS Technical Reserves | Adjustment for Solvency Purposes | Solvency II Technical Provision |
|---|---|---|---|
| Gross Claims Reserve | 830 | - | 830 |
| Gross Premium Reserve | 6,568 | (6,060) | 508 |
| Risk Margin | - | 1,015 | 1,015 |
| **Total Gross Reserves** | **7,398** | **(5,045)** | **2,352** |
| Reinsurance | (5,738) | 2,482 | (3,256) |
| **Net Reserves** | **1,660** | **(2,563)** | **904** |

## D.3. Other Liabilities

The following table provides a summary of insurance payables and liabilities other than Technical Provisions for the year ended 31st December 2021:

| Description EUR '000 | Value as per IFRS Financial Statements | Reclassification / Adjustment for Solvency Purposes | Value as per Solvency II |
|---|---|---|---|
| Other Technical Provisions | 1,509 | (1,509) | - |
| Insurance & Intermediaries Payables | 1,260 | - | 1,260 |
| Reinsurance Payables | 3,854 | - | 3,854 |
| Payables (trade, not insurance) | 978 | - | 978 |
| **Total Liabilities** | **7,601** | **(1,509)** | **6,092** |

No changes were made during the reporting period to the bases and estimation approaches used to recognise and value liabilities except in respect of Subordinated Liabilities as detailed below.

Similar to Deferred Acquisition Costs in Assets, there is no concept of Unearned Commissions, included in Other Technical Provisions in the table above, under Solvency II. Unearned Commissions are included in the Premium Provisions valuation and therefore not included as a liability.

The amounts held under IFRS measurement principles in respect of the other liabilities are deemed to be approximations of fair value and therefore valued in accordance with the Solvency II valuation rules with no further adjustment required.

## D.4. Alternative methods for valuation

The Company does not use any other alternative methods for the valuation of its assets and liabilities.

## D.5. Other material information

There is no other material information that requires disclosure.

# E. Capital Management

The objective in managing IGIE's Own Funds is to ensure that capital meets the Solvency Capital Requirement, with an appropriate margin, and that sufficient liquidity is available for the payment of claims in order that the Company is able to meet its legal obligations as they fall due. IGIE maintains the protection of a full Parental Guarantee providing additional policyholder protection beyond that provided by its own capital resources.

The Company developed Investment Guidelines which set out the principles and minimum standards for investment of financial assets as well as for asset liability management. The Guidelines also deal with liquidity risk, credit risk, market risk, the asset/liability management process and the process for appointing investment managers.

Cash at hand and projected cash flows are reviewed to ensure the most efficient use of funds and to ensure that sufficient cash is available for the payment of obligations as they fall due.

## E.1. Own Funds

The following table analyses the differences between the equity in the IFRS financial statements and the excess of the assets over liabilities as calculated for Solvency II purposes as at 31st December:

| **Excess of assets over liabilities** | **EUR '000 2021** | **EUR '000 2020** |
|---|---|---|
| Total Equity in the financial statements | 12,539 | 5,101 |
| Difference in the valuation of assets | (6,928) | (-) |
| Difference in the valuation of gross technical provisions | 5,046 | (2) |
| Difference in the valuation of other liabilities | 1,510 | - |
| **Excess of assets over liabilities under Solvency II** | **12,167** | **5,099** |

The following table shows the analysis of Tier 1 and Tier 2 Own Funds as at 31st December 2021 of €12,167k (2020: €5,099k):

| **Own Funds** | **EUR '000 2021** | **EUR '000 2020** |
|---|---|---|
| Ordinary share capital | 11,105 | 3,700 |
| Reconciliation reserve | 455 | 1,399 |
| **Tier 1 funds** | **11,560** | **5,099** |
| Deferred tax asset | 607 | - |
| **Tier 3 funds** | **607** | **-** |
| **Total Own Funds** | **12,167** | **5,099** |

### *Tier 1 Capital*

Tier 1 Capital is made up of paid-in ordinary share capital and the reconciliation reserve. This is of the highest quality, unsubordinated and permanent. There are no planned redemptions, repayment or maturity dates linked to its share capital.

### *Deferred tax assets*

Tier 3 capital is made up of the net deferred tax asset. Deferred tax asset has been recognised under IFRS on the basis of temporary differences arising on unabsorbed tax losses and provision for foreign exchange differences.

An additional deferred tax asset has been recognised under Solvency II and is valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II and the values under IFRS. Deferred tax assets comprise of a deferred tax asset on the reconciliation reserve.

A deferred tax asset is only recognised on the basis that future taxable profit will be available against which the deferred tax asset can be utilised. The Company has made this conclusion on the basis of the approved Business Plan which indicates that the Company shall be profitable over its planning period.

The Tier 3 Capital recognised is capped at 15% of the SCR in line with the requirements of the Regulations and cannot be utilised as eligible capital to cover its MCR.

### *Other Matters*

None of the Company's Own Funds are subject to any transitional arrangement. No additional ratios to the ones calculated and disclosed in template S.23.01 are included in this document. None of the Company's Own Funds are transferable or fungible.

## E.2. Solvency Capital Requirement and Minimum Capital Requirement

IGIE has chosen the Solvency II Standard Formula method to calculate its regulatory capital requirement.

The Company has assessed the appropriateness of the Standard Formula on a qualitative basis and considers it to provide an adequate fit to the Company's business and risk profile and no material deviations were indicated. As part of the qualitative assessment IGIE took into consideration the assumptions, methodology and parameters of the Standard Formula.

Specifically, the assessment confirms that the Standard Formula:

- Captures the full scope of risks to which the Company is exposed and for which the holding of capital is an appropriate response;
- Is sufficiently sensitive to future changes in the risk profile on both the asset and liabilities side of the balance sheet including the influence of outwards reinsurance arrangements;
- Has been applied in full with no application of undertaking specific parameters or transitional measures; and
- Is applied with adjustment for the Loss Absorbing Capacity of Deferred Taxes ('LACDT').

### *Amounts of SCR and MCR*

| | 2021 | |
|---|---|---|
| | **EUR '000** | **%** |
| SCR | 4,192 | 290% |
| MCR | 3,700 | 312% |

As required by the Own Risk and Solvency Assessment process, the Standard Formula SCR is recalculated at least quarterly and at other times in response to an actual or projected material change in the risk profile and its results reported in full to the Board of IGIE. The adequacy of the Company's Own Funds to meet the SCR is monitored on an ongoing basis and particularly in the event of an anticipated or actual material impairment in the level of Own Funds.

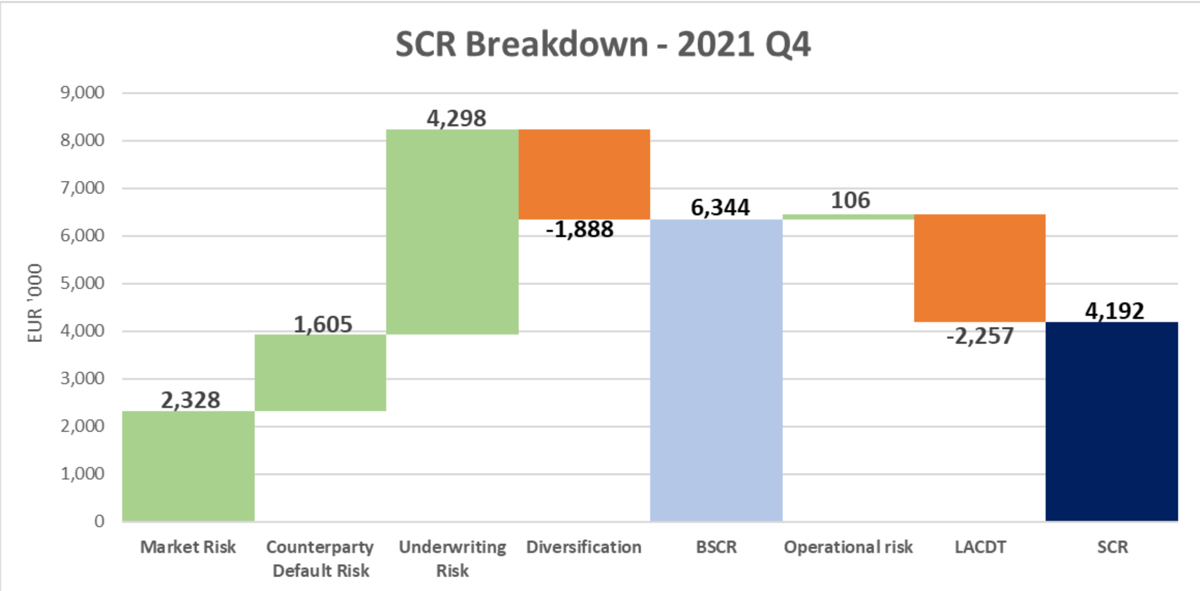
In addition, the 2021 year end calculation of the Solvency Capital Requirement as included in this report has been subject to internal and external validation. The Solvency Capital Requirement is also subject to supervisory assessment.

### *Solvency Position*

The Solvency Capital Requirement of €4,192k (2020: €1,424k) is covered to 290% (2020: 358%) by Own Funds of €12,167k (2020: € 5,099k) and to 276% (2020: 358%) by the Tier 1 Own Funds of €11,560k (2020: €5,099k)

The table below outlines the capital requirement per risk category:

| SCR Component | EUR '000 2021 | EUR '000 2020 |
|---|---|---|
| Market Risk | 2,328 | 1,130 |
| Counterparty Default Risk | 1,605 | 625 |
| Non-life Underwriting Risk | 4,298 | 6 |
| Diversification between Risk Categories | (1,888) | (337) |
| **BSCR** | **6,344** | **1,424** |
| Operational Risk | 106 | - |
| LACDT | (2,257) | - |
| **Total SCR** | **4,192** | **1,424** |



With allocation of the diversification and LACDT benefit on a pro-rated basis, as shown in the table below, it is noted that the SCR is mainly driven by Non-Life Underwriting Risk contributing 51.6% of the total SCR while Market Risk and Counterparty Default Risk constituted about 27.9% and 19.2% respectively.

| SCR Component | 2021 | | 2020 | |
|---|---|---|---|---|
| | EUR ‘000 | % | EUR ‘000 | % |
| Market Risk | 1,171 | 27.9% | 915 | 64.2% |
| Counterparty Default Risk | 807 | 19.2% | 506 | 35.5% |
| Non-life Underwriting Risk | 2,161 | 51.6% | 3 | 0.3% |
| Operational Risk | 53 | 1.3% | - | 0% |
| **Total SCR** | **4,192** | **100.0%** | **1,424** | **100.0%** |

### *Standard Formula simplifications*

The Company does not make use of simplifications for any of the modules or sub-modules of the SCR.

### *Use of undertaking specific parameters*

The Company does not make use of undertaking specific parameters, referred to in Article 104(7) of Directive 2009/138/EC.

### *Capital add-ons*

The Company does not make use of any capital add-ons.

### *Information on inputs used in the calculation of the MCR*

The inputs used in the calculation of the MCR are provided in template S.28.01.01 and the MCR at 31st December 2021 amounts to €3,700k.

### *Material Changes to the SCR and MCR*

The following table tracks the SCR showing percentage movement year on year for 2020 and 2021.

| EUR '000 | 2020 Q4 | 2021 Q4 |
|---|---|---|
| Solvency Capital Requirement | 1,424 | 4,192 |
| SCR Movement vs Prior Year | | +194% |
| Minimum Capital Requirement | 3,700 | 3,700 |
| MCR Movement vs Prior Year | | 0% |

The 31st December 2020 SCR position is reflective of the risk profile of the previous insurance operations. Since the IGI Group purchased the Company in June 2021, the risk profile has changed in line with the approved Business Plan of the Company and the increase in SCR is reflective of such change.

The underlying movements in the SCR over the period reflect the general organic growth in the business which is expected given that IGIE started writing business in July 2021. The Company expects this to continue over the business planning time period given that the Company is projecting a modest expansion of its underwriting activity, in addition to some changes in its investment strategy.

The SCR continues to be projected and calculated on at least a quarterly basis as part of the Own Risk and Solvency Assessment process and any material changes either actual or anticipated will be considered in the context of the IGIE Board's risk and solvency appetite.

The MCR requirement over the period has remained stable and is calculated as being the absolute floor MCR of €3,700k.

### *Loss Absorbing Capacity of Deferred Taxes*

The value of the SCR has been reduced to allow for the loss absorbing capacity of deferred tax assets. This adjustment has been calculated in accordance with Article 207 of the Regulation and is equal to the change in the value of deferred taxes that would result from an instantaneous loss of an amount that is equal to the Basic SCR plus operational risk. The valuation method is in line with the "Deferred Tax Asset" line in Section D and "Tier 3 Capital" in Section E.1.

## E.3. Use of the duration based equity risk sub module in the SCR Calculation

The duration-based equity risk sub-module does not apply to IGIE.

## E.4. Difference between the Standard Formula and any Internal Model used

The Company does not make use of an Internal Model for the purpose of calculating its regulatory capital requirements.

## E.5. Non-Compliance with the SCR and MCR

The Company has maintained a Solvency Capital Ratio in excess of 100% during 2021 and has no foreseeable risk of non-compliance given its relatively stable risk profile and extensive risk mitigation arrangements.

Were the Company to project a material lowering of its solvency ratio (either through a significant increase in the SCR or an adverse development in the level of Own Funds) the Board would determine the appropriate action to be taken. This might include risk mitigation, the injection of further capital from its parent (via an arrangement that is already explicitly in place) or through a hybrid of these two approaches.

It should be noted that IGIE maintains the protection of a full Parental Guarantee providing additional policyholder protection beyond that provided by its own capital resources.

## E.6. Other material information

There is no other material information regarding capital management that requires disclosure.

# APPENDIX 1: QUANTITATIVE REPORTING TEMPLATES

# International General Insurance Company (Europe) SE

## Solvency and Financial Condition Report

## Disclosures

31 December

2021

(Monetary amounts in EUR thousands)

## General information

| | |
|---|---|
| Undertaking name | International General Insurance Company (Europe) SE |
| Undertaking identification code | 21380087SZ854SSNYJ36 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | MT |
| Language of reporting | en |
| Reporting reference date | 31 December 2021 |
| Currency used for reporting | EUR |
| Accounting standards | IFRS |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | 0 |
| R0040 | Deferred tax assets | 607 |
| R0050 | Pension benefit surplus | 0 |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 0 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | 0 |
| R0120 | *Equities - unlisted* | 0 |
| R0130 | *Bonds* | 0 |
| R0140 | *Government Bonds* | 0 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 0 |
| R0190 | *Derivatives* | 0 |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | 0 |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | 0 |
| R0260 | *Other loans and mortgages* | 0 |
| R0270 | Reinsurance recoverables from: | 3,257 |
| R0280 | *Non-life and health similar to non-life* | 3,257 |
| R0290 | *Non-life excluding health* | 3,257 |
| R0300 | *Health similar to non-life* | 0 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | 0 |
| R0330 | *Life excluding health and index-linked and unit-linked* | 0 |
| R0340 | *Life index-linked and unit-linked* | 0 |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 2,867 |
| R0370 | Reinsurance receivables | 206 |
| R0380 | Receivables (trade, not insurance) | 0 |
| R0390 | Own shares (held directly) | 0 |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 13,675 |
| R0420 | Any other assets, not elsewhere shown | 0 |
| R0500 | **Total assets** | 20,612 |

S.02.01.02
## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 2,353 |
| R0520 | *Technical provisions - non-life (excluding health)* | 2,353 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 1,338 |
| R0550 | *Risk margin* | 1,015 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 0 |
| R0590 | *Risk margin* | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | 0 |
| R0630 | *Best Estimate* | 0 |
| R0640 | *Risk margin* | 0 |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | 0 |
| R0670 | *Best Estimate* | 0 |
| R0680 | *Risk margin* | 0 |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | 0 |
| R0710 | *Best Estimate* | 0 |
| R0720 | *Risk margin* | 0 |
| R0740 | Contingent liabilities | 0 |
| R0750 | Provisions other than technical provisions | 0 |
| R0760 | Pension benefit obligations | 0 |
| R0770 | Deposits from reinsurers | 0 |
| R0780 | Deferred tax liabilities | 0 |
| R0790 | Derivatives | 0 |
| R0800 | Debts owed to credit institutions | 0 |
| R0810 | Financial liabilities other than debts owed to credit institutions | 0 |
| R0820 | Insurance & intermediaries payables | 1,260 |
| R0830 | Reinsurance payables | 3,854 |
| R0840 | Payables (trade, not insurance) | 978 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | 0 |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 0 |
| R0900 | **Total liabilities** | 8,445 |
| R1000 | **Excess of assets over liabilities** | 12,167 |

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 | | | | | | 2,060 | 784 | 3,572 | 0 | 0 | | 1,850 | | | | | 8,266 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | 0 | 7 | 33 | 0 | 0 | | 0 | | | | | 40 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | 30 | 0 | 1 | 31 |
| R0140 | Reinsurers' share | | | | | | 1,563 | 665 | 2,907 | 0 | 0 | | 1,400 | | 24 | 0 | 1 | 6,560 |
| R0200 | Net | | | | | | 496 | 127 | 698 | 0 | 0 | | 450 | | 6 | 0 | 0 | 1,777 |
| | **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 | Gross - Direct Business | | | | | | 290 | 200 | 928 | 0 | 0 | | 332 | | | | | 1,750 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | 0 | 3 | 13 | 0 | 0 | | 0 | | | | | 16 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | 3 | 0 | 0 | 4 |
| R0240 | Reinsurers' share | | | | | | 232 | 214 | 773 | 0 | 0 | | 261 | | 3 | 0 | 0 | 1,483 |
| R0300 | Net | | | | | | 57 | -10 | 168 | 0 | 0 | | 70 | | 1 | 0 | 0 | 287 |
| | **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 | Gross - Direct Business | | | | | | 48 | 45 | 530 | 0 | 0 | | 182 | | | | | 805 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | 0 | 1 | 7 | 0 | 0 | | 0 | | | | | 7 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | 3 | 0 | 0 | 3 |
| R0340 | Reinsurers' share | | | | | | 37 | 51 | 432 | 0 | 0 | | 139 | | 2 | 0 | 0 | 661 |
| R0400 | Net | | | | | | 11 | -6 | 105 | 0 | 0 | | 43 | | 0 | 0 | 0 | 154 |
| | **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | 0 | 0 | 0 | 0 | 0 | | 0 | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | 0 | 0 | 0 | 0 | 0 | | 0 | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0500 | Net | | | | | | 0 | 0 | 0 | 0 | 0 | | 0 | | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | | | | | | 4 | 5 | -1 | 0 | 0 | | 6 | | 0 | 0 | 0 | 14 |
| R1200 | **Other expenses** | | | | | | | | | | | | | | | | | |
| R1300 | **Total expenses** | | | | | | | | | | | | | | | | | 14 |

**S.05.02.01**

## Premiums, claims and expenses by country

### Non-life

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | Top 5 countries (by amount of gross premiums written) - non-life obligations | | Total Top 5 and home country |
| R0010 | | | IE | NL | DE | ES | SE | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 720 | 2,113 | 816 | 590 | 803 | 480 | 5,522 |
| R0120 | Gross - Proportional reinsurance accepted | 0 | 0 | 7 | 0 | 0 | 0 | 7 |
| R0130 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 30 | 0 | 1 | 31 |
| R0140 | Reinsurers' share | 563 | 1,659 | 648 | 492 | 615 | 366 | 4,344 |
| R0200 | Net | 157 | 454 | 175 | 128 | 188 | 115 | 1,216 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 213 | 377 | 153 | 125 | 164 | 108 | 1,140 |
| R0220 | Gross - Proportional reinsurance accepted | 0 | 0 | 3 | 0 | 0 | 0 | 3 |
| R0230 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 3 | 0 | 0 | 4 |
| R0240 | Reinsurers' share | 169 | 312 | 128 | 107 | 130 | 84 | 931 |
| R0300 | Net | 45 | 65 | 28 | 22 | 34 | 24 | 217 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 105 | 213 | 74 | 58 | 44 | 26 | 521 |
| R0320 | Gross - Proportional reinsurance accepted | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| R0330 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 3 | 0 | 0 | 3 |
| R0340 | Reinsurers' share | 82 | 170 | 60 | 49 | 35 | 20 | 416 |
| R0400 | Net | 23 | 43 | 15 | 12 | 9 | 6 | 108 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 4 | 5 | 2 | 1 | -1 | 2 | 13 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 13 |

S.17.01.02

## Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | | | | | | 0 | 0 | 0 | 0 | 0 | | 0 | | 0 | 0 | 0 | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | | | | | | | |
| R0060 | Gross | | | | | | -456 | -7 | 658 | 0 | 0 | | 323 | | -10 | 0 | 0 | 508 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | 717 | 198 | 1,011 | 0 | 0 | | 669 | | 8 | 0 | 0 | 2,602 |
| R0150 | **Net Best Estimate of Premium Provisions** | | | | | | -1,173 | -205 | -352 | 0 | 0 | | -346 | | -18 | 0 | 0 | -2,094 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | | | 50 | 47 | 544 | 0 | 0 | | 186 | | 3 | 0 | 0 | 830 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | 38 | 37 | 435 | 0 | 0 | | 142 | | 2 | 0 | 0 | 655 |
| R0250 | **Net Best Estimate of Claims Provisions** | | | | | | 11 | 10 | 109 | 0 | 0 | | 45 | | 1 | 0 | 0 | 175 |
| R0260 | **Total best estimate - gross** | | | | | | -406 | 40 | 1,202 | 0 | 0 | | 510 | | -8 | 0 | 0 | 1,338 |
| R0270 | **Total best estimate - net** | | | | | | -1,161 | -195 | -244 | 0 | 0 | | -301 | | -18 | 0 | 0 | -1,919 |
| R0280 | **Risk margin** | | | | | | 350 | 60 | 323 | 0 | 0 | | 278 | | 3 | 0 | 0 | 1,015 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| R0300 | Best estimate | | | | | | | | | | | | | | | | | 0 |
| R0310 | Risk margin | | | | | | | | | | | | | | | | | 0 |
| R0320 | **Technical provisions - total** | | | | | | -56 | 100 | 1,525 | 0 | 0 | | 788 | | -5 | 0 | 1 | 2,353 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | | | | | | 755 | 235 | 1,446 | 0 | 0 | | 811 | | 10 | 0 | 0 | 3,257 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | | | | | | -811 | -135 | 79 | 0 | 0 | | -23 | | -15 | 0 | 0 | -904 |

**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 | | | | | | | | | | | 0 | 0 | 0 |
| R0160 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| R0170 | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 |
| R0180 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 |
| R0190 | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0200 | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | 0 |
| R0210 | 2017 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 | 0 |
| R0220 | 2018 | 0 | 0 | 0 | 0 | | | | | | | | 0 | 0 |
| R0230 | 2019 | 0 | 0 | 0 | | | | | | | | | 0 | 0 |
| R0240 | 2020 | 0 | 0 | | | | | | | | | | 0 | 0 |
| R0250 | 2021 | 0 | | | | | | | | | | | 0 | 0 |
| R0260 | | | | | | | | | | | | Total | 0 | 0 |

**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 | | | | | | | | | | | 0 | 0 |
| R0160 | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| R0170 | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| R0180 | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| R0190 | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| R0200 | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 |
| R0210 | 2017 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 |
| R0220 | 2018 | 0 | 0 | 0 | 0 | | | | | | | | 0 |
| R0230 | 2019 | 0 | 0 | 0 | | | | | | | | | 0 |
| R0240 | 2020 | 17 | 0 | | | | | | | | | | 0 |
| R0250 | 2021 | 846 | | | | | | | | | | | 830 |
| R0260 | | | | | | | | | | | | Total | 830 |

**S.23.01.01**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 11,105 | 11,105 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 0 | 0 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | 455 | 455 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 607 | | | | 607 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| 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** | 0 | | | | |
| R0230 | **Deductions for participations in financial and credit institutions** | 0 | | | | |
| R0290 | **Total basic own funds after deductions** | 12,167 | 11,560 | 0 | 0 | 607 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 12,167 | 11,560 | 0 | 0 | 607 |
| R0510 | Total available own funds to meet the MCR | 11,560 | 11,560 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 12,167 | 11,560 | 0 | 0 | 607 |
| R0550 | Total eligible own funds to meet the MCR | 11,560 | 11,560 | 0 | 0 | |

| | | |
|---|---|---|
| R0580 | **SCR** | 4,192 |
| R0600 | **MCR** | 3,700 |
| R0620 | **Ratio of Eligible own funds to SCR** | 290.21% |
| R0640 | **Ratio of Eligible own funds to MCR** | 312.43% |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 12,167 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 11,712 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | |
| R0760 | **Reconciliation reserve** | 455 |

| | **Expected profits** | |
|---|---|---|
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 0 |

**S.25.01.21**

## Solvency Capital Requirement - for undertakings on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 2,328 | | |
| R0020 | Counterparty default risk | 1,605 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 0 | | |
| R0050 | Non-life underwriting risk | 4,298 | | |
| R0060 | Diversification | -1,888 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 6,344 | | |

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 | 106 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | -2,257 |
| 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** | 4,192 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 4,192 |
| | **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 | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

| | **Approach to tax rate** | C0109 |
|---|---|---|
| R0590 | Approach based on average tax rate | Yes |

| | **Calculation of loss absorbing capacity of deferred taxes** | LAC DT |
|---|---|---|
| | | C0130 |
| R0640 | LAC DT | -2,257 |
| R0650 | LAC DT justified by reversion of deferred tax liabilities | 0 |
| R0660 | LAC DT justified by reference to probable future taxable economic profit | -2,257 |
| R0670 | LAC DT justified by carry back, current year | 0 |
| R0680 | LAC DT justified by carry back, future years | 0 |
| R0690 | Maximum LAC DT | -2,257 |

**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 | 116 |

| | | 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 | 0 | 0 |
| R0030 | Income protection insurance and proportional reinsurance | 0 | 0 |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | 0 |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 0 | 0 |
| R0060 | Other motor insurance and proportional reinsurance | 0 | 0 |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 0 | 76 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 0 | 93 |
| R0090 | General liability insurance and proportional reinsurance | 0 | 530 |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | 0 |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | 0 |
| R0120 | Assistance and proportional reinsurance | 0 | 0 |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 0 | 241 |
| R0140 | Non-proportional health reinsurance | 0 | 0 |
| R0150 | Non-proportional casualty reinsurance | 0 | 0 |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | 0 |
| R0170 | Non-proportional property reinsurance | 0 | 0 |

| | **Linear formula component for life insurance and reinsurance obligations** | C0040 |
|---|---|---|
| R0200 | $MCR_{L}$ Result | 0 |

| | | 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 | 0 | |
| R0220 | Obligations with profit participation - future discretionary benefits | 0 | |
| R0230 | Index-linked and unit-linked insurance obligations | 0 | |
| R0240 | Other life (re)insurance and health (re)insurance obligations | 0 | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | 0 |

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 116 |
| R0310 | SCR | 4,192 |
| R0320 | MCR cap | 1,887 |
| R0330 | MCR floor | 1,048 |
| R0340 | Combined MCR | 1,048 |
| R0350 | Absolute floor of the MCR | 3,700 |
| R0400 | **Minimum Capital Requirement** | 3,700 |