2022 Solvency and Financial Condition Report

Arch Insurance (EU) dac
28 March 2023

2022 Solvency and Financial Condition Report

Contents

Summary

Arch Insurance (EU) dac (“AIEU” or the “Company”) is an Irish regulated insurance entity authorised by the Central Bank of Ireland (“CBI”). The Company’s ultimate parent is Arch Capital Group Ltd. (“ACGL” and together with its subsidiaries, the “Group” or the “Arch Group”), whose common shares are listed and traded on the NASDAQ stock market in the U.S.

This Solvency and Financial Condition Report ("SFCR") for AIEU is for year ended 31 December 2022.

The SFCR is produced as part of our compliance with the reporting requirements under Solvency II. It covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Business, Strategy & Performance

The Company is a non-life insurance company which writes a diversified portfolio, both in terms of line of business and geography. Its main lines of business are credit insurance, motor insurance and specialty property & casualty (“P&C”) insurance business. The Company is authorised by the CBI to write Classes 1 to 17 inclusive. AIEU writes insurance on a Freedom of Services (“FOS”) basis in EU Member States, and via Freedom of Establishment (“FOE”) through our Branch in Italy and through our UK Branch under the Temporary Permission Regime (“TPR”) of the UK Prudential Regulation Authority (“PRA”).

The Company is impacted by Brexit by virtue of its UK Branch presence. The UK PRA has introduced the TPR which enables existing operations, such as the Company’s UK branch, to apply to continue to operate whilst making an application to establish a Third Country branch. The Company has availed of the TPR and an application for authorisation of a Third Country branch was submitted by the Company to the UK PRA in June 2022. It will continue to operate under the TPR until it receives approval from the PRA.

During 2022 the Company wrote gross premium of €297.7m (2021: €268.6m). During 2022 the Company reported a pre-tax loss of €5.9m (2021: pre-tax profit of €7.5m). The decrease in pre-tax profit in 2022 relative to 2021 is due to a deterioration in net underwriting result and a deterioration in net investment return. Net underwriting result in 2022 was a loss of €3.4m (2021: profit of €2.2m). Net investment return in 2022 was a loss of €2.6m (2021: profit of €5.2m). The premium growth experienced in 2022 has been a result of the Company’s strategy of cycle management and focus on new opportunities which met our underwriting and return on equity (“ROE”) criteria.

The Company purchases reinsurance on the business it writes to protect it against adverse performance and to efficiently manage capital. The Company cedes underwriting risk under an intra-group quota share agreement with Arch Reinsurance Ltd. (“ARL”), the level of which was set at 85% as at 31 December 2022. ARL is a Bermuda domiciled company which is a wholly owned subsidiary of ACGL. ARL had $14.9 billion of capital, comprised of shareholders’ equity as at 31 December 2022 (2021: $14.8 billion). More details about the Company’s business and performance can be found in Section A.

System of governance

The Company maintains an effective system of governance, which provides for sound and prudent management of its integrated operations.

The Company has designed its system of governance to achieve the following:

- Maintain an adequately transparent organizational structure that has well-defined, clear, consistent and documented lines of responsibility across the integrated operations.
- Ensure staff have the skills, knowledge and expertise necessary to properly discharge their assigned responsibilities.
- Establish and maintain processes to achieve effective internal reporting and communication of information at all relevant levels within the integrated operations.

- Maintain information systems that produce sufficient, reliable, consistent, timely and relevant information concerning all business activities, the commitments assumed and the risks to which the integrated operations are exposed.
- Safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question.
- Ensure that any outsourced responsibilities are delegated and managed appropriately, with ultimate responsibility residing with the Board of Directors ("Board") of the Company.

The system of governance is based on the principle of proportionality, such that systems and controls are proportionate to the nature, scale and complexity of the integrated operations. Appropriate and proportionate systems, resources and procedures are in place for the Company's operations. In this regard, the Board monitors key aspects of the business and is assisted where appropriate by the Risk and Audit Committees of the Board. It is not deemed appropriate or proportionate, given the scale of the business and the governance structure in place to appoint an Investment Committee, Nomination Committee, or a Remuneration Committee. In addition, the Board reviews information that would otherwise be addressed by such committees at its meetings.

The principles and requirements of the system of governance, particularly risk management, internal control, internal audit, and outsourcing, are the responsibility of the Board. While retaining these responsibilities, the Board has delegated the authority for day-to-day risk management to AIEU's Executive team. The Company's Chief Risk Officer ("CRO") monitors the Risk Management Framework for operating effectiveness and reports to the Risk Committee and Board as appropriate.

The Board has approved formal policies, which are a component of the Company's Governance Structure.

The system of governance is assessed via reviews by the Head of Compliance, together with the CRO (2nd line of defence) and periodic evaluation by Internal Audit (3rd line of defence). All related Internal Audit findings and/or reports are presented to the Audit Committee and the Board. The Head of Compliance and CRO report to the Risk Committee and the Board. Section B provides further details on the Company's system of governance.

Risk Profile

The Company's risk appetite framework provides an expression of the level of risk it is willing to accept in pursuit of its strategic objectives. The risk appetite framework provides quantitative and qualitative statements which are used to define the general attitude within the organization towards the desired level of risk. Furthermore, the risk appetite framework supports the Company's risk management framework, and it enables the Company to make informed business decisions regarding key risks to which it may be exposed.

In general, the Company has an appetite for insurance (underwriting) risk and a tolerance for other forms of risk. The risk philosophy of the Company encompasses all major risks and focuses on attaining the following business objectives:

- Underwrite business that meets agreed targeted returns.
- Underwrite only carefully selected business lines.
- Manage underwriting volumes in line with the business cycle.
- Limit the downside risk such that the Company maintains a sufficient solvency margin.

To meet these objectives and the Company's overall strategy, performance against risk appetites and risk tolerances & limits metrics, as articulated in the Company's Risk Appetite Statement, are monitored by the CRO and reported on to the Risk Committee on a quarterly basis with a defined escalation process for breaches of these key metrics.

The Company's risk profile is detailed in Section C.

Valuation for Solvency II purposes

The Company prepares its financial statements in accordance with Generally Accepted Accounting Practice ("GAAP") in Ireland comprised of accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', Financial Reporting Standard 103 'Insurance Contracts', the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and the Irish Companies Act 2014.

The Company's Solvency II balance sheet is prepared on an economic or fair value basis. The most significant differences between the Solvency II balance sheet and the balance sheet prepared on a GAAP basis arise from:

- the valuation of technical provisions and reinsurer's share of technical provisions.
- the valuation of insurance and intermediary balances receivable / payable and the reinsurance balances receivable /payable.
- the valuation of deferred acquisition costs / deferred ceding commissions.
- the valuation of deferred tax asset / deferred tax liability.

Section D provides a reconciliation between the valuation of assets and liabilities under GAAP and under Solvency II along with further details on valuation for Solvency II purposes.

Capital Management

The Solvency Capital Requirement coverage ratio as at 31 December 2022 was 204% with Eligible Own Funds to meet the SCR of €118.0m and a Solvency Capital Requirement of €57.8m. The Company derives its Solvency Capital Requirement from the Standard Formula approach.

The Company has a strong capital base enabling it to meet its solvency requirements and to facilitate the level of activity anticipated throughout its business planning horizon and within the Company's Own Risk and Solvency Assessment Report. Section E provides details about the Company's Capital Management.

Section A – Business Performance

A.1 Business

A.1.1 Name and Legal Form of the Undertaking

AIEU is incorporated in Ireland as a designated activity company ("dac"). A dac is a corporate form for a private company limited by shares, whose activities are limited by its objects clause, and its constitution comprises a memorandum and articles of association.

The address of the registered office of the Company is:

Arch Insurance (EU) dac Level
2, Block 3, The Oval
160 Shelbourne Road, Ballsbridge
Dublin 4, Ireland

This Solvency and Financial Condition Report ("SFCR") covers the Company on a solo basis.

A.1.2 Insurance Supervisor and Group Supervisor

<u>Insurance Supervisor</u>
Central Bank of Ireland PO
Box 559
New Wapping Street
North Wall Quay Spencer
Dock
Dublin 1
Ireland

<u>Arch Group Supervisor</u> Bermuda
Monetary Authority BMA House
43 Victoria Street Hamilton HM
12 Bermuda

A.1.3 External Auditor

Grant Thornton 13-18
City Quay Dublin
Docklands Dublin 2,
Ireland

A.1.4 Description of the ownership details including proportion of ownership interest

AIEU is a wholly owned subsidiary of Arch Financial Holdings Europe II Limited, (an Irish company). Arch Financial Holdings Europe II is a wholly-owned subsidiary of Arch Reinsurance Ltd., (a Bermudian reinsurance company). Arch Reinsurance Ltd. is a wholly-owned subsidiary of Arch Capital Group Ltd. (a Bermudian company).

A.1.5 Group Structure

The Company's ultimate parent and ultimate controlling party is ACGL, a Bermuda public limited liability company. ACGL prepares group financial statements and is the largest group for which group financial statements are drawn up and of which the Company is a member. Copies of the ACGL group financial statements are available on ACGL's website located at www.archgroup.com or on the website of the U.S. Securities and Exchange Commission located at www.sec.gov.

An organization chart illustrating the Company's position in the Group is included as Appendix 1.

A.1.6 Material Lines of Business and Geographical areas where business is conducted

The following table sets forth summary information regarding gross premiums written, by line of business and geographical location of risk for the year to 31 December 2022 and year to 31 December 2021:

Gross Written Premiums	**2022 €'000**	**2022 % of Total**	**2021 €'000**	**2021 % of Total**
Gross written premiums - line of business				
Income protection	9,623	3%	7,473	3%
Motor vehicle liability	60,072	20%	77,720	29%
Other motor	6,675	2%	8,636	3%
Marine, aviation and transport	41,019	14%	23,471	9%
Fire and other damage to property	27,171	9%	16,600	6%
General liability	136,010	46%	117,987	44%
Credit and suretyship	13,092	5%	13,003	5%
Miscellaneous financial loss	4,033	1%	3,696	1%
Total	**297,695**	**100%**	**268,586**	**100%**
Gross written premiums - by geographic location of risk				
Ireland	71,489	24%	86,602	32%
Denmark	27,673	9%	37,509	14%
Italy	70,954	24%	50,102	19%
Other Europe	127,677	43%	93,752	35%
Other Non-Europe	(99)	0%	621	0%
Total	**297,695**	**100%**	**268,586**	**100%**

The Company operates from its head office in Ireland and its branches in the UK and Italy.

A.1.7 Significant Business or Other Events

No significant events have occurred since the year end that require disclosure in the financial statements.

A.2 Underwriting Performance

Since the Company prepares its financial statements in accordance with Generally Accepted Accounting Practice ("GAAP") in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', Financial Reporting Standard 103 'Insurance Contracts'), the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and Irish law, the underwriting performance information given in this section is on an Irish GAAP basis. The following table summarizes the underwriting result for year ended 31 December 2022 and year ended 31 December 2021:

Underwriting Performance	2022		2021	
	€'000	%	€'000	%
Gross written premiums	297,695		268,586	
Net written premiums	255,454		228,327	
Net earned premiums	249,086		212,312	
Net claims incurred	(135,627)	54.4	(122,933)	57.9
Net acquisition expenses	(74,197)	29.8	(55,161)	26.0
Operating expenses	(24,042)	9.7	(17,619)	8.3
Net underwriting result before Intra-Group reinsurance	**15,220**	**93.9**	**16,599**	**92.2**
Intra-Group reinsurance (1)	(18,579)		(14,383)	
Underwriting income loss	**(3,359)**		**2,216**	
Net investment return	(2,563)		5,250	
Profit / (Loss) before taxation	(5,922)		7,465	
Tax on profit / (loss) on ordinary activities	(1,330)		(457)	
Profit / (Loss) after taxation	**(7,252)**		**7,008**	

Note 1: Intra-Group reinsurance is presented within one line

The following table summarizes the underwriting result by line of business for year ended 31 December 2022 and year ended 2021:

	2022	2022	2021	2021
	€'000	€'000	€'000	€'000
Line of business	**Gross Written Premiums**	**Underwriting Income (Loss)**	**Gross Written Premiums**	**Underwriting Income (Loss)**
Income protection	9,623	(38)	7,473	913
Motor vehicle liability	60,072	1,562	77,720	553
Other motor	6,675	174	8,636	61
Marine, aviation and transport	41,019	223	23,471	873
Fire and other damage to property	27,171	986	16,600	1,229
General liability	136,010	(6,704)	117,987	(2,721)
Credit and suretyship	13,092	1,234	13,003	1,250
Miscellaneous financial loss	4,033	(796)	3,696	58
Total	**297,695**	**(3,359)**	**268,586**	**2,216**

During 2022 the Company wrote gross premium of €297.7m (2021: €268.6m). During 2022 the Company reported a pre-tax loss of €5.9m (2021: pre-tax profit of €7.5m). The decrease in pre-tax profit in 2022 relative to 2021 is due to a deterioration in net underwriting result and a deterioration in net investment return. Net underwriting result in 2022 was a loss of €3.4m (2021: profit of €2.2m). Net investment return in 2022 was a loss of €2.6m (2021: profit of €5.2m). Further information on the Company's investment performance is provided in Section A.3 below.

The loss ratio prior to intra-Group reinsurance (net claims incurred divided by net earned premium) was 54.4% in 2022 (2021: 57.9%). The acquisition cost ratio prior to intra-Group reinsurance (net acquisition costs divided by net earned premium) was 29.8% in 2022 (2021: 26.0%). The operating expense ratio prior to intra- Group reinsurance (operating expense divided by net earned premium) was 9.7% in 2022 (2021:8.3%).

Net operating expenses were €24.0m in 2022 (2021: €17.6m). Net underwriting result prior to intra-Group reinsurance in 2022 was a profit of €15.2m (2021: profit of €16.6m).

The Company purchases both external reinsurance and intra-Group reinsurance on the business it writes to protect it against adverse performance and to efficiently manage capital. The Company benefits from intra- Group reinsurance, a quota share agreement with Arch Reinsurance Ltd. ("ARL"), the level of which was set at 90% up until 25th March 2019 and is 85% from 26th March 2019. Net underwriting result after intra-Group reinsurance in 2022 was a loss of €3.4m (2021: profit of €2.2m).

A.3 Investment Performance

The Company invests in fixed maturity securities, asset backed securities and short-term investments such as money market funds and deposits with banks. The Company does not invest in equity holdings. The following table summarizes the invested assets of the Company at year ended 31 December 2022 and at year ended 31 December 2021.

Invested Assets	2022 €'000	2022 % of Total	2021 €'000	2021 % of Total
Bonds				
Government Bonds	51,693	35%	50,861	37%
Corporate Bonds	75,517	51%	58,484	43%
Asset Backed Securities	618	0%	726	1%
Subtotal	127,828	86%	110,070	81%
Short term investments				
Money Market Funds	339	0%	13,076	10%
Deposits at Banks	20,861	14%	12,457	9%
Subtotal	21,200	14%	25,533	19%
Total	**149,028**	**100%**	**135,603**	**100%**

(Note above amounts include accrued interest)

All of the investment return and investment expenses and charges relates to the Company's bond and short- term investment portfolio. The following table summarizes the investment performance of the Company for year ended 31 December 2022 and year ended 31 December 2021.

Investment Return	2022 €'000	2021 €'000
Investment income		
Interest income	2,059	1,141
Investment return		
Foreign exchange gains / (losses) on investments	2,700	7,265
Unrealised gains / (losses) on investments	(8,536)	(3,108)
Realised gains / (losses) on investments	1,583	310
Total investment income and investment return	**(2,194)**	**5,608**
Investment expenses and charges	**(369)**	**(358)**
Net investment return	**(2,563)**	**5,250**

During 2022 the Company had net investment loss of €2.6m. Prior year net investment return was a profit of €5.2m. Hence, net investment return was €7.8m lower in 2022 than 2021 primarily due to unrealized losses and lower foreign exchange gains which were partially offset by higher realized gains ("FXGL, URGL and RGL"). FXGL, URGL and RGL for 2022 was a loss of €4.3m which is €8.7m lower than 2021 FXGL, URGL and RGL profit of €4.5m.

ACGL, the Company's ultimate parent, is a USD reporting company. The Company's invested assets are predominately USD denominated assets. This minimizes the volatility in financial reporting at the ultimate parent; however, it increases the volatility in investment return at the Company. The Company performs stress and scenario tests on currency risk. Further information on the Company's stress and scenario tests on currency risk is provided in Section C.2.4 below.

There were no gains or losses recognized directly in equity.

A.4 Performance of other activities

There were no material other income or expenses during the year.

A.5 Any other information

No other material information to report as of 31 December 2022.

Section B – System of Governance

B.1 General information on the system of governance

B.1.1 Overview

The Company is classified as a Medium-High risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as Probability Risk and Impact SysteM ("PRISM"). The Company is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings ("Requirements").

The Company's Board of Directors ("Board") is responsible for overseeing, controlling and directing the activities of the Company. The Board retains primary responsibility for corporate governance within the Company at all times. Senior Management also plays an important role in ensuring effective governance.

The terms of reference of the Board require the Board be made up of at least five directors, the majority of whom must be non-executive directors or independent directors. At least two members of the Board must be independent non-executive directors.

The Board of Directors as at 31 December 2022 was as follows:

- Ian Britchfield — INED (Board Chair, Risk Committee member)
- Seamus Fearon — NED (Risk Committee Chair)
- Michael Hammer — NED
- Gerald Koenig — INED (Audit Committee member, Risk Committee member)
- Mark Nolan — NED
- Søren Scheuer — CEO (Executive Director, Risk Committee member)
- Ruth Sullivan (née Patterson) — INED (Audit Committee Chair, Risk Committee member)
- Kirsten Valder — NED (Audit Committee member) The

Company Secretary is Deirdre Casey.

The presence of independent non-executive directors ensures that there is an appropriate element of independent challenge and oversight. The presence of ACGL executive management on the Board ensures that the Company's strategic direction remains aligned with the wider Group and ensures there is continuous feedback between, and interaction with, the Company and its parent. This structure enables the Group to retain an appropriate oversight of the Company's operations and to ensure that the business is aligned with the Group's long-term goals.

The Board is responsible for overseeing the business of the Company and supervising management. The Board sets the standards of conduct of the Company, provides direction and oversight, and promotes a culture of integrity. While the Board delegates certain functions to Sub-Committees and Management, this does not absolve the Directors of their responsibility for the Company.

The Board operates under agreed terms of reference and has the following key responsibilities:

- To comply with any obligations for the Board prescribed by the Requirements, the Companies Act 2014 and all other rules, regulations, guidelines and laws applicable.
- The effective, prudent and ethical oversight of the Company.
- Setting the business strategy for the Company.
- Ensuring that the Company complies with its constitution as well as relevant legal, regulatory, and governance requirements.

The Board reserves the following matters specifically to the Board unless, where permitted by applicable Irish law and regulatory requirements, such matters are expressly delegated in writing to management, the Audit

Committee, the Risk Committee, or otherwise. These matters are also subject, where appropriate, to the direction/decision of the shareholder.

- All matters prescribed as being specifically reserved to the Board by the Company's Memorandum and Articles of Association, company law and regulatory requirements.
- Appointment of members of the Board, subject to regulatory approval.
- Approval of minutes of meetings of the Board and acknowledgement of the content of any minutes of any Committee of the Board or management/operational committee.
- Approval or ratification of any recommendation from or action taken by Executive Management or any Committee of the Board, to the extent that any such recommendation or action requires approval or ratification.
- Recommendation and approval of distributions or dividends to the shareholders.
- Review of financial reporting and controls including final approval of the full year Financial Statements and Accounts (after review and recommendation of the Audit Committee).
- Final approval of the reserves for financial accounting and solvency and considering the Actuarial Function Report.
- Approval of reports and reliability of regulatory submissions relating to regulatory capital requirements including but not limited to Solvency II capital requirements.
- Appointment of Auditors.
- Approve and monitor the Investment Strategy and approve the Investment Risk Policy.
- Approval of banking arrangements including:
    - Opening and closing of accounts at any bank, custodian or intermediary.
    - Lines of credit and arrangements to grant a security interest.
    - Facilities for letters of credit.
- Approval of any changes in the structure of the Board.
- Approval of the business plan, including but not limited to corporate strategy, goals and structure.
- Establishment, appointment to and/or dissolution of, as the case may be, Committees of the Board and Management/Operational Committees, including prescribing and approving charters and/or terms of reference for such Committees. In doing so, review and satisfy itself as to the relevant expertise, skill of members and their ability to commit appropriate time to the Committee.
- Appointment and removal of members of Control Functions.
- Ensuring maintenance of a sound system of risk management and internal control and using its product, including:
    - Adopting a structured framework for proactively managing material risk in light of vulnerabilities to the business model, consideration of strategy and factors of change.
    - Determining the nature and extent of significant risks the Company is willing to take in achieving its strategic objectives, by approval of Risk Appetites in accordance with the Risk Policies recommended and promoted by the Risk Committee.
    - Employing risk / reward calculation in key decision making.
    - Considering material issues affecting the corporate risk profile in light of monitoring of identified drivers of risk according to and Key Risk Indicators recommended by the Risk Committee in relation to key risks as well as emerging risk.
    - Final approval of the ORSA Report for submission to regulators.
    - Assurance and providing confirmation of compliance (Solvency II).
- Self-assessment of the Board, including in relation to composition, performance, conflicts of interest and any other matter specified in the Requirements. In relation to performance, the Board shall document the fact and results of its review.
- Waiver of any actual or apparent conflict of interest, if legally appropriate, involving the Company.
- Final approval of litigation or arbitration activities, including compromises and settlements of disputed litigation (other than ordinary business course insurance or reinsurance claims, litigation and arbitration).
- Approval of the removal from office of any head of a Control Function as defined in the Requirements.
- Dealings with (including disposal or acquisition of, or change of use of) any material asset of the Company.

- Approval of any appointments to Executive Management.
- Assess performance of the Board, and monitor the Board Committees.
- Approval of matters outside of Company Policies (e.g., limits, products, investments).
- Approval of material agreements.
- Any other matters not delegated to Executive Management or otherwise delegated by the Board.

The Board has an Audit Committee and a Risk Committee. Both are governed by their respective Terms of Reference.

The duties of the Audit Committee are to:

- Liaise with the external and internal auditors particularly in relation to their audit findings.
- Oversee the relationship with the external auditors.
- Review the integrity of the Company's financial statements and to ensure that they give a "true and fair view" of the financial status of the Company.
- Review any financial announcements and reports and to recommend to the Board whether to approve the Company's annual accounts.
- Assess auditor independence and the effectiveness of the audit process.
- Review and examine management's processes for ensuring the appropriateness and effectiveness of the firm's systems and controls.
- Review all reports on the Company from the auditors and management's responsiveness.
- Review and assess the annual internal and external audit plan including adequacy of resources and ensure that it is consistent with the scope of the audit engagement.
- Check quarterly the developments under the Annual Compliance Monitoring Plan (for avoidance of doubt the other Compliance activities, such as training, reporting, advising and policies are overseen by the Risk Committee as part of the Annual Compliance Plan) and report to the Risk Committee
- Ensure the Compliance function has adequate resources and independence.
- Review and challenge, where necessary:
    - the consistency of, and any changes to, accounting policies.
    - the methods used to account for significant or unusual transactions where different approaches are possible.
    - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- Review and approve on behalf of the Board significant regulatory filings and Solvency II Pillar 3 disclosures.
- Consider the Company's arrangements for its employees and stakeholders to raise concerns (including "Whistleblowing") regarding possible wrongdoing in financial reporting and other legal and regulatory matters.

The duties of the Risk Committee are to:

- Liaise at least quarterly with the Chief Risk Officer ("CRO") to discuss the quarterly risk report and other matters under these Terms of Reference.
- Oversee the risk management function and to check quarterly the developments under the Annual Risk Plan.
- Review updated or new Risk Policies and make a recommendation to the Board.
- Review the Annual Plan for the Risk Management Function including a review of adequacy of resources.
- Review at least annually the Risk Management Framework and advise the Board accordingly.
- Ensure that the risk appetite is clearly articulated and reflected within the Risk Appetite Statement and that the Risk Appetite Statement is reviewed at least annually.
- Review at least annually the Risk Register and advise the Board accordingly.
- Review quarterly the Risk Matrix and advise the Board on the current risk exposures.
- Keep under review the Company's overall risk assessment processes ensuring both qualitative and quantitative metrics are used.

- Review the Company's capability to identify and manage new risk types; to advise the Board, before a decision is taken to proceed with a proposed strategic transaction, including acquisitions or disposals, on risk aspects of such transaction(s) and any implications for the risk appetite and tolerance of the Company.
- Review reports on any material breaches of risk limits and the adequacy of proposed action.
- Ensure the Risk Management Function has appropriate access to information to enable it to perform its function effectively.
- Ensure the Risk Management Function has adequate independence and unfettered access to the Board and Chair of the Risk Committee.
- Consider other risk management topics, as defined by the Board.
- Monitor the effectiveness and adequacy of the Company's risk management processes.
- Advise the Board on the effectiveness of strategies and policies with respect to maintaining, on an on- going basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the institution.
- Review, challenge and advise on the inputs to and outputs from the (at least) annual Own Risk and Solvency Assessment ("ORSA") process and report.
- Monitor and review emerging risk.
- Advise the Board on the effectiveness of risk mitigation and reinsurance programmes.
- Review reports on compliance risk assessments, regulatory themes, developments and implementation, monitoring and reviews in accordance with the Compliance Plan and any material compliance risk events and engagement with supervisors.
- Review the risk assessment in respect of outsourced activities and outsourced service providers.
- Oversee the Compliance management function in relation to its policies, advising, reporting and training activities and to check quarterly the developments under the Annual Compliance Plan (for avoidance of doubt the monitoring activities and the Compliance Monitoring Plan are overseen by the Audit Committee).
- Review updated or new Compliance and Governance Policies and make a recommendation to the Board.

B.1.2 Code of Business Conduct

The Company has adopted the Group Code of Business Conduct, ("Ethics Code"), which describes our ethical principles for the conduct of our business. The full text of the Ethics Code and our Corporate Governance Guidelines are available on the Group's website located at www.archgroup.com.

B.1.3 Independent Control Functions

The Company has in place four key independent control functions as required under the Corporate Governance Requirements for Insurance Undertakings 2015. These are:

- Risk Management (See Section B.3)
- Compliance (See Section B.4.2)
- Actuarial (See Section B.7)
- Internal Audit (See Section B.5)

These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework. Each function has the necessary authority, resources and operational independence to meet their responsibilities.

B.1.4 Material Changes

The Board membership changed during 2022.

- Anthony Asquith resigned as Director effective 3 February 2022.
- Gerald Koenig was appointed as Director effective 4 February 2022.

B.1.5 Remuneration Policy and Practices

The ACGL Compensation Committee, in its capacity as a committee of the ACGL Board of Directors, has overall responsibility for approving and evaluating, and making recommendations to the Board regarding compensation plans, policies and programs of the Company for senior executives, as well as compensation parameters for all other employees of the Company and its controlled subsidiaries.

The Company has a Remuneration Policy in place which is guided by principles which are embedded in the Company's risk management framework and in the Ethics Code. The Ethics Code embodies the Group's goal of promoting an organizational culture that encourages the highest standards of ethical business conduct. The Remuneration Policy follows compensation parameters established and approved by ACGL Compensation Committee.

The Board of the Company is responsible for the implementation and administration of the Remuneration Policy. It is not deemed appropriate or proportionate, given the scale of the business and the governance structure in place in Ireland and within the Arch Group, to appoint a Remuneration Committee. At least annually, the Risk Committee of the Company will review the Remuneration Policy against the Company's risk framework and provide recommendations to the Board. The Board will review the Risk Committee's recommendations and ultimately approve the Remuneration Policy for implementation if appropriate.

The CEO is responsible for reporting to the Board on the implementation and operation of this Remuneration Policy, and consequent controls and processes. The Head of Compliance is responsible for providing advice, implementing a monitoring program and reviewing the Remuneration Policy at least on an annual basis as part of the Compliance Plan. The Head of Compliance and CEO will present recommendations for changes to the Remuneration Policy to the Risk Committee.

The Head of Compliance will monitor the implementation of the Remuneration Policy, then conferring with the CEO and, if needed, Group Human Resources staff, confirm that the Remuneration Policy is being implemented appropriately. Reasonable evidence of the implementation shall be provided to the Head of Compliance.

Responsibility for the determination of fixed salary levels rests with the CEO. For departmental staff, consultation is undertaken with department heads. The remuneration of the CEO is set at the Group level.

The principal features of our compensation programs and policies are summarized below.

- **Key Principles:**

  Remuneration decisions are meant to encourage employees to meet the strategic aims and objectives of the Company within a framework of prudent and effective risk management and system of internal controls. Remuneration decisions should also take into account financial and non-financial considerations, as well as an employee's functions, responsibilities and experience.

- **Material Risk Takers:**

  With respect to Material Risk Takers specifically, the Policy also embodies the Group's guiding principles to emphasize long-term compensation tied to Group performance in order to mitigate excessive risk- taking. Arch philosophy requires exercise of judgment in making compensation decisions for employees after reviewing the Group's and Company's overall performance and long-term interests and evaluating an employee's performance during the year against established objectives, leadership qualities, scope of responsibilities and current compensation. Specific factors affecting compensation decisions include key financial metrics, such as growth in book value, return on capital, after-tax operating income, combined ratio and investment performance, as well as achieving strategic objectives and supporting the Arch Group's values by promoting a culture of integrity through compliance with law and its ethic policies. Fixed (base salary) and variable (bonus) components of remuneration may be adjusted upwards or downwards based on these considerations. The Group can modify or terminate elements of the compensation program for Material Risk Takers which create a fully flexible bonus policy, including the possibility of no pay-out of the variable cash component and no issuance of new equity awards.

- **Formula Approach:**

  Material Risk Takers and some senior non-Material Risk Takers who perform an underwriting or underwriting support function and who are eligible to receive cash bonuses will be granted them based on a "Formula Approach", which is determined by ACGL. Under the Formula Approach, a bonus pool is established for each business segment based on underwriting performance during a given underwriting year. Further, individual performance is factored using a modifier to the target which becomes the basis for future pay-outs for that specific underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the employees over a 10-year development period. A deferral period of three years is in place for a substantial portion of the bonus in that the bonus is paid out over ten years. The Group adopts this approach because it believes that much of its business requires multiple years to determine whether the business written has been successful (in terms of return on capital). The Group believes that making payments to employees over a period of years as actual results become known effectively aligns pay with performance. Thus, performance-based remuneration is awarded in a manner which promotes sound risk management, does not induce excessive risk-taking and encourages the highest standards of ethical business conduct.

- **Risk Management:**

  We believe our approach to evaluation of performance and the design of our compensation programs assists in mitigating excessive risk-taking that could harm our Company. We emphasize variable compensation that is tied to Company performance. For senior management, we emphasize long-term compensation that vests over a multi-year period. Furthermore, and as discussed above, the Formula Approach is based on underwriting performance during a given underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the participants over a 10-year development period. Since much of our business requires multiple years to determine whether we have been successful in our assessment of risk, we have structured our plan in this manner so that incentive payments are made to employees as actual results become known. In addition, senior management is subject to our clawback policy and share ownership guidelines with hedging/pledging restrictions.

B.1.6 Supplementary Pension / Early Retirement Schemes

The Company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the Company in independently administered funds. The contributions to the defined contribution plan are recognized as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

B.1.7 Material Transactions

We are not aware of any material insurance or other business transactions between the Company and shareholder controllers, persons who exercise significant influence, the Board or senior executives during the reporting period.

B.1.8 Assessment of Adequacy of System of Governance

The system of governance has been established taking account of the principle of proportionality, such that it is appropriate to the size, nature and scale of the Company's operations. The Compliance Function conducts an annual review of the Corporate Governance Requirements. Accordingly, the system of governance is considered adequate for the Company.

B.2 Fit and proper requirements

B.2.1 Fit and Proper Process

The Company's Fitness & Probity policy sets out the guidelines to ensure that employees meet the fit and proper standards, both on entry and throughout their employment at the Company. The CEO is responsible for implementing this policy, while the Head of Compliance is responsible for providing advice, implementing a monitoring program and reviewing the policy at least annually.

The Head of Compliance identifies and maintains a record of Pre-Approved Controlled Function ("PCF") and Controlled Function ("CF") holders. Before the Company can appoint a person to a PCF, the Board and the CBI must have approved the appointment.

The Fitness & Probity policy sets out a number of steps that must be carried out before proposal of a PCF to the CBI. These include, but are not limited to:

- A competency interview to establish evidence of the required competencies.
- A full chronological interview to establish patterns and trends in behaviour that should indicate integrity and competency.
- A full and thorough screening by an independent third-party company with a recognized reputation for pre-employment screening, where necessary.
- Pre-employment screening including identity verification, credit and bankruptcy checks, self- certification on conflicts of interests, directorship checks, education and professional qualifications validation, employment reference checks, compliance and regulatory checks.
- Board approval.

B2.2 Professional Qualifications, Skills and Expertise

The Company ensures that all persons who hold key positions or functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

As described above, the Fitness and Probity policy sets out the due diligence that must be performed before a candidate is proposed to the CBI to a PCF role, CF role or appointed to a senior management position. The process aims to ensure that key function holders and decision makers have the requisite employment experience, technical skills, professional qualifications and key competencies to perform their duties to the highest standard.

All employees are monitored on an on-going basis through a formal performance appraisal process and continuing professional development ("CPD"). Specific requirements include:

- Appraisal meetings are conducted in the third month of employment for all new hires.
- The appraisal meeting focuses on development by reviewing the employee against a set of competencies specific to their role and on setting objectives for the next year and measurement of goals during the first three months of employment. Competency is also reviewed at this meeting.
- Formal appraisal meetings are held annually to ensure that staff continues to meet their goals and to set new objectives for the year ahead.
- Appraisal meetings and development requirements are documented, and training needs are actioned via the appropriate training methods.
- Employees are required to maintain an on-going record of their CPD/training.
- Employees are required to attend a minimum level of training courses and maintain a minimum standard of competency. Examples of areas covered by on-going training are work specific roles, general insurance, legal issues and regulations.
- Employees are also required to complete in-house training, including code of conduct training, anti-harassment training and anti-money laundering training.
- Head of Compliance issues reminder emails to PCF holders/relevant staff periodically to attest whether they have completed sufficient/ appropriate training in order to effectively discharge their roles and responsibilities.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk Management Function

The Board has approved the CRO, who is responsible for the Risk Management Function. The Board has approved a Risk Management Charter and Terms of Reference for the CRO and the Risk Management Function and reviews the terms of reference annually. The Risk Committee has approved the annual risk plan and reviews the plan annually.

The CRO's primary responsibility is to the Board, and reports to the Board periodically with direct access to the Chair of the Board. The CRO also reports to the Risk Committee, at least quarterly.

The Risk Management Function and CRO carry out the following duties:

- Ensure that the Company has and maintains effective processes to identify, monitor, manage and report on the risks to which the Company is or might be exposed.
- Maintain robust interaction and frequent dialogue with AIEU Compliance Function to ensure a strong 2nd Line of Defence.
- Measure and assess the controls of material risks.
- Implement the risk management framework and risk policies.
- Prepare a regular risk report, including a view of all current and future material risks, for review by the Risk Committee.
- Provide comprehensive and timely information on AIEU's material risks which enables management and the Board of Directors (the "Board") to understand the overall risk profile.
- To be the central point for risk reporting.
- To propose an Annual Plan for the risk function.
- Maintain a Risk Function calendar of activities.
- Report on the effectiveness of the risk management system.
- Provide advice on risk management to all stakeholders.
- Provide education and training on risk matters to colleagues and staff in affiliate companies.
- Promote a strong risk culture by increasing awareness of good practice and lessons learned from incidents or near misses.
- Co-ordinate the annual refresh of the risk policies.
- Maintain the risk register.
- Lead the ORSA process.
- Lead the Capital Management Plan process.
- Lead the Recovery Plan process.
- Identify, assess and report on emerging risks.
- Facilitate the setting of the risk appetite by the Board.

B.3.2 Risk Management Process and Procedures

As described above, the CRO produces regular risk reports, including the quarterly CRO report. This reporting aims to provide the Board and Risk Committee with sufficient oversight of the Risk Management Framework and the risks to which the company is exposed.

The ORSA process is carried out throughout the year, which facilitates integration with decision making, culminating in the annual ORSA report which is owned and shaped by the Board.

The Company has a Risk Management Framework in place which is designed to support the Company's decision-making procedures by providing consistent, reliable and timely risk information and protecting capital from risks that exceed established risk tolerances.

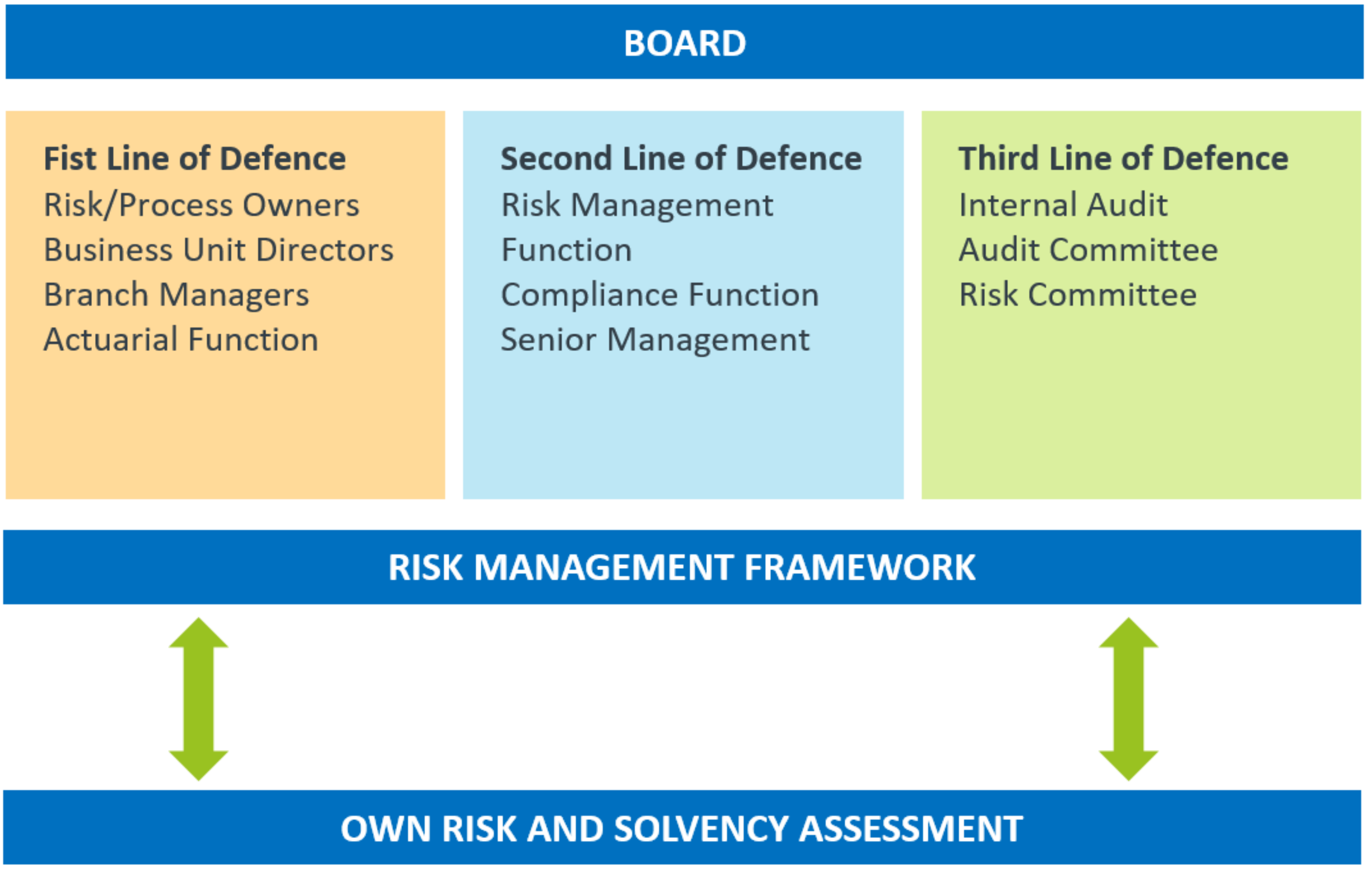
The following narrative provides an overview of the Risk Management Framework, which sets out the Company's methodology for identifying, measuring, managing and reporting on the key risks affecting the Company. It outlines the Company's approach to risk identification and assessment and provides an overview of the Company's risk appetite and tolerance for each of the following major risks:

- Underwriting risk.
- Market risk.
- Counterparty credit risk.
- Operational, including governance, regulatory, business/strategic, investor relations (reputational), rating agency and outsourcing risks.

The framework includes details of the Company's:

- Risk philosophy and policies to address the material risks confronting the Company.
- Compliance, approach and procedures to control and/or mitigate these risks.

The Risk Management Framework follows the Three Lines of Defence model, and fits into the overall governance structure as follows:



The actions and policies implemented to meet the Company's business management and regulatory obligations form the core of this framework. The Company has adopted a holistic approach to risk management by analysing risk from both a top-down and bottom-up perspective.

Risk Identification and Assessment

The Risk Committee of the Board oversee the top-down and bottom-up review of the Company's risks. Given the nature and scale of the Company, the Committee consider underwriting, investments and operational risks within the scope of the assessment. The CRO assists these committees in the identification and assessment of all key risks. The CRO is responsible for maintaining the Risk Register and continually reviewing and challenging risk assessments, including the impact of emerging risks and significant business developments. Board approval is required for any new high-level risks or change in inherent / residual designations.

Risk Monitoring and Control

The Company's Risk Management Framework requires risk owners to monitor key risks on a continuous basis. The highest residual risks are actively managed by the Risk Committee. The remaining risks are managed and monitored at a process level by the risk owners and/or CRO. Risk owners have ultimate responsibility for the day-to-day management of each designated risk, reporting to the CRO on the satisfactory management and control of the risk and timely escalation of significant issues that may arise in relation to that risk. The CRO is responsible for overseeing the monitoring of all risks across the business and for communicating to the relevant risk owners if he becomes aware of issues, or potential and actual breaches of risk appetite, relevant to the assigned risks. A key element of these monitoring activities is the evaluation of the Company's position relative to risk tolerances and limits approved by the Board.

Risk Reporting

Quarterly, the CRO compiles the results of the key risk review process into a report to the Risk Committee for review and discussion at their quarterly meeting. The report includes:

- An overview of selected key risks (e.g., Underwriting, Market, Credit).
- Changes in the rating of high-level risks in the Risk Register.
- A risk dashboard that depicts the status of risk limit and tolerance metrics.
- Summary of largest exposures and concentration risks.
- Reinsurance arrangements, including outstanding and uncollectible recoveries.

Key risk management matters reviewed at the Risk Committee meeting are presented for discussion by the Board. The CRO is responsible for immediately escalating any significant risk matters to the Company executive management, the Risk Committee and/or the Board for approval of the required remediation.

B.3.3 Implementation and Integration of ORSA

The Company believes an integrated approach to developing, measuring and reporting its ORSA is an integral part of the Risk Management Framework. The ORSA process provides the link between the Company's risk profile, its Board-approved risk appetite including approved risk tolerances and limits, its business strategy and its overall solvency requirements.

The ORSA is the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long-term risks the Company faces, or may face, and to determine the capital necessary to ensure that overall solvency needs are met at all times. The ORSA also makes the link between actual reported results and the capital assessment.

The ORSA process and reporting are integral parts of the Company's business strategy, tailored specifically to fit into the Company's organizational structure and risk management system with the appropriate techniques in place to assess its overall solvency needs, taking into consideration the nature, scale and complexity of the risks inherent in the business.

The Company also takes the results of the ORSA into account for its system of governance, including long- term capital management, business planning and new product development. It also contributes to various strategic decision-making including how best to optimize capital management, establishing the most appropriate premium levels and deciding whether to retain or transfer risks.

The ORSA is the basis for risk reporting to the Board and its committees and acts as a mechanism to embed the Risk Management Framework within the Company's decision-making processes and operations. The Board has delegated responsibility for supervision and oversight of the ORSA to the Risk Committee. This oversight includes regular reviews of the ORSA process and output.

An ORSA Report is produced at least annually, and the results of each assessment are reported to the Board. The Board actively participates in the ORSA process by steering how the assessment is performed and challenging its results, including suggesting and challenging stress scenarios. This assessment is also taken into account when formulating strategic decisions for the Company.

B.3.4 Performance, Documentation and Review of the ORSA

A full ORSA cycle is performed at least annually and reported to the Risk Committee of the Board. The

ORSA process is a circular process that relies on key elements of the business:

- **The Board outputs** - Strategy / Capital Management Plan / The Board Risk Appetite.
- **Business Planning** - providing the basis for the base case projections.
- **The Solvency II Pillar I Standard Formula** – projections over the business planning horizon & base assumptions used.
- **The Risk Committee** - who review, challenge & approve the test scenarios, and ORSA process and output.
- **The Actuarial Function** - who quantify technical provisions and provide other input into the Pillar I model.
- **The Risk Function and Management** - who quantify the Pillar I capital requirements, assess the outputs and prepare the reports.
- **The Risk Committee & Board** - who provide an assessment of the output and resultant capital, strategy & risk appetite review.
- **ORSA Reporting to the National Supervisors.**

The Key Activities in the ORSA Process are:
- Strategy & Planning.
- Pillar I base outputs and assumptions.
- Risk identification & assessment.
- Scenario setting.
- Scenario testing through the Pillar I model & production of test output.
- Review of test output & report preparation.
- Risk Committee & Board review & regulatory submission.

Each run of the ORSA process will be appropriately documented to evidence each of its constituent parts, and this record will be retained for any later scrutiny.

The documentation shall contain:
- A summary of the Board strategy for the Company.
- The Risk Appetite Statement.
- The Pillar I standard assumptions & output.
- The schedule of scenarios to be tested, cross-referenced to the Risk categories in the Board's risk appetite, and quantification of deviations from the base assumptions.
- The scenario test results.
- The ORSA report.
- Any Audit and Risk Committee Minutes relating to scrutiny & challenge of the ORSA process & outputs.
- Any Board minutes relating to ORSA output review & challenge – resultant strategy decisions and risk appetite review.
- A record of the report to the CBI.

B.3.5 Relationship between the ORSA, Solvency Needs, and Capital and Risk Management Systems

The Company has both a Capital Management Policy and Capital Management Plan in place. The Risk Management Function is responsible for developing and maintaining the Capital Management Plan. The Risk Committee reviews and monitors the plan and presents it to the Board for approval. The Audit Committee is responsible for monitoring the alignment of the investment strategy with the plan.

The Capital Management Plan incorporates the output from the ORSA and associated reporting. The plan also sets out triggers for corrective capital actions relative to the Company's Solvency Ratios, both in terms of Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR").

The Company's capital planning process aims to be dynamic and forward-looking in relation to the Company's risk profile and shall take into account the output from the Company's risk management activities and the ORSA process and associated reporting as part of capital planning activities.

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

The Capital Management Plan identifies a number of potential sources of capital and associated corrective actions that may be utilized to restore sufficient capitalisation, depending on the severity of the capital requirements placed upon the Company.

When considering the sources of capital and corrective actions, the Company will have regard to the Solvency II Own Fund requirements.

Any material changes in the underlying risks, such as changes in business mix, reinsurance strategy and investment strategy, are modelled for potential impact upon the Company's capital requirements. The aim of this process is to ensure that all material risks feed into the capital requirements analysis, and in some cases also trigger further investigation through stress testing.

In addition to the Company's Capital Management Plan and Policy, AIEU have in place a Recovery Plan and Policy. The purpose of recovery planning to enable it to identify recovery options to restore financial strength and viability if the Company comes under severe stress. The CBI in April 2021 published Recovery Planning Regulations and supporting guidelines that require all undertakings authorised by the Bank as an insurer or reinsurer to document a Recovery Plan. AIEU's Recovery Plan was approved by the Board in December 2022.

B.3.6 Approval Process

The Company records the actual performance of the overall capital assessment and the assessment of any deviations in its risk profile from the assumptions underlying the capital requirements analysis to a level of detail that enables a third party to evaluate the assessments performed.

The CRO prepares a quarterly report for the Risk Committee covering risk management in general, including relevant ORSA topics, for discussion in the Risk Committee meetings. The Risk Register is presented to the Risk Committee on an annual basis for review, followed by Board approval. Any material changes in the risk management strategy, policies, processes, procedures and/or capital requirements analysis are presented to the Board for approval.

The ORSA policy and the ORSA report are reviewed by the Risk Committee and recommended to the Board for approval.

B.4 Internal Control System

B.4.1 Internal Control System

The Company maintains an effective internal control system, which includes administrative and accounting procedures, an internal control framework, appropriate reporting arrangements and a compliance function.

The Board is responsible for monitoring the establishment and maintenance of the system of controls used to assess and manage exposure to all areas of risk. The objectives of these controls are to ensure that the Company's risk strategy is maintained, and risk remains within the appetite and tolerances set by the Board. The Company's internal control framework provides an appropriate level of reporting on the control environment to the Board.

Controls are detailed in the Risk Register, which associates elements within the category of risk to one or more mitigating controls. The Company's internal control framework includes reviews of both the design and effectiveness of key controls, with results of this periodic evaluation regularly reported to the Board.

B.4.2 Compliance Function

Implementation of the Compliance Function

The Board has approved a Head of Compliance, who is responsible for the Compliance Function. In addition, the Board has approved a Compliance Function Terms of Reference and a Compliance Plan. Both have to be reviewed on an annual basis.
The Compliance Function Terms of Reference contains, among other topics: Mission Statement, Guiding Principles, Responsibilities, Powers, Limitations, Activities, Planning and Reporting of the Compliance Function.

While the Board retains primary responsibility for compliance and governance within the Company at all times, senior management plays an important part in ensuring effective governance and compliance and hence is responsible for operating effective oversight consistent with Board policy. The role of the Compliance Function is to assist and advise the Board and management with their responsibilities. In addition, senior management and all staff members are responsible for their own regulated activities and for complying with relevant rules, legislation, standards, contracts, policies and procedures relevant to their work.

The high-level goals of the Compliance Function are:

- To ensure that a proportionate compliance infrastructure is in place.
- To identify and manage compliance risks.
- To implement a review and monitoring program.
- To help the business to meet requirements with applicable legislation and regulation.

The Head of Compliance produces and submits an Annual Compliance Plan to the Board for approval. The Compliance Plan ensures that the Compliance Function's work has a focus with measurable output that is understood by and aligns with expectations of the business. It determines the actions that the Compliance Function needs to achieve in the next 12 months.

The Compliance Plan shall cover at least the following:

- Compliance Objectives.
- Compliance Resources.
- Provision of regulatory staff training.
- Revision of existing policies and procedures.
- Preparation of new policies and procedures.
- Monitoring – details of a risk-based monitoring review program.
- Projects – on-going and planned business or regulatory projects.

The Head of Compliance is required to make following internal reports:

- Quarterly to the Risk Committee.
- Monthly to the Executive Committee.
- Promptly once any medium or major compliance issues are identified to the relevant person and the CEO.

Independence and Authority

The Head of Compliance does not hold any other responsibilities for the Company besides compliance. The Head of Compliance attends Committee and Board meetings and reports to the Audit and Risk Committee and the Board on all relevant matters.

The Compliance Function is authorized to review all areas of the Company and has full, free, and unrestricted access to all Company activities, records, property and personnel. Head of Compliance has full and direct access to the Board and the authority to escalate matters to ACGL where required.

Process for Reviewing Compliance Policy

The Company's Compliance Terms of Reference is reviewed on an ongoing basis with regard to the specific functions carried out, taking into account any amendments that may be required due to legislative or regulatory change.

Each year, a proposed Compliance Plan is provided to the Board for review and comment. This sets out the planned compliance activity during the year. On a quarterly basis, the Head of Compliance reports to the Board on the activity during the quarter and reports on any changes that may have been required due to changes in the Company's operations.

During the year, there have been no changes to the Company's Compliance Charter.

B.5 Internal Audit Function

The purpose of Internal Audit ("IA") is to provide independent, objective assurance and consulting services designed to add value and improve Company operations.

The mission of IA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. IA helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

IA governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework. IA practices are summarized in the ACGL Charter ("the Charter"). The Charter outlines the role, responsibilities and requirements of the function, including the requirement for independence and objectivity. The Charter is annually reviewed and updated, as necessary, by the Chief Audit Executive ("CAE"), and approved by the ACGL Audit Committee.

B.6 Maintenance of Independence

The CAE and Head of IA ensure IA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and report content. If the CAE or Head of IA determines independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on engagement matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Company or its affiliates.
- Initiating or approving transactions external to IA.
- Directing the activities of any Company employee not employed by IA, except to the extent that such employees have been appropriately assigned to engagement teams or to otherwise assist internal auditors.

B.7 Actuarial Function

The Board has approved the Head of Actuarial Function ("HoAF"), who is responsible for the Actuarial Function. The Board has approved terms of reference for the Actuarial Function and reviews the terms of reference annually. The terms of reference state that the Actuarial Function must be free from influence from other functions and the Board.

The HoAF's primary responsibility is to the Board. The HoAF in performing their duties acts independently of the Company's business units. The Board provides oversight to ensure the HoAF has adequate resources and authority to operate effectively.

The main activities of the Actuarial Function in a Solvency II environment shall include the requirements of the Solvency II Directive, the Central Bank of Ireland's Domestic Actuarial Regime and the Central Bank of Ireland's Guidance for (Re)Insurance Undertakings on the Head of Actuarial Function Role, including:

- Coordinate the calculation of Technical Provisions.
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of Technical Provisions.
- Assess the sufficiency and quality of the data used in the calculation of Technical Provisions
- Compare best estimates against experience.
- Inform the Board of the reliability and adequacy of the calculation of Technical Provisions.
- Oversee the calculation of Technical Provisions in the cases set out in the regulations
- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk management system.
- Provide an Actuarial Opinion on Technical Provisions.
- Provide Actuarial Report on Technical Provisions.
- Express an opinion on each ORSA process.

On an annual basis the HoAF prepares an Actuarial Opinion on Technical Provisions ("AOTP") and presents the Actuarial Report on Technical Provisions ("ARTP") to the Board of Directors. The ARTP is prepared in line with relevant regulatory and Actuarial Standards of Practice.

The actuarial function comprises experienced, fully qualified, individuals with in-depth knowledge of actuarial and financial mathematics. The function is staffed appropriately given the nature, scale and complexity of the risks inherent in the integrated operations.

ACGL's Chief Actuary oversees actuarial policies throughout the Group, as well as development of Group-wide actuarial techniques and education. This individual provides an independent assessment of the Group's reserves to the ACGL Audit Committee each quarter.

B.8 Outsourcing

The Company defines outsourcing as contracting out part or all of an internal business process to a third-party provider (either outside or inside the Arch Group of companies). In this regard the Company may use the external service provider's processes and controls to perform the agreed upon services. However, the Company will retain all decision making and ultimate responsibility over the business function and maintain the appropriate monitoring mechanisms to ensure adherence to a service level agreement.

AIEU operates an Outsourcing Policy which is approved by the Board. The Outsourcing Policy outlines the Company's policy with regard to the outsourcing of critical or important functions or activities which are essential to the operation of the Company.

The Outsourcing Policy in place sets out the following;

- The definition of outsourcing.
- Responsibility for implementation and operation of the policy and consequent controls and processes.
- The approval process.
- Contract and legal requirements.
- Risk assessment and risk mitigation measures.
- Monitoring and on-going requirements.
- Define exit strategy/contingency plan.

All regulatory requirements including those relating to critical or important functions or activities are met. Internal Audit is the only key independent control function (as described in Section B.1.3) which is fully outsourced. Certain other functions are managed within the Company with an element of service support from outsource providers.

Critical or important functions or activities which have been outsourced to counterparties within the Arch Group or to third parties are shown in the following table:

Type of Supplier	Critical or Important Function or Activity that is outsourced	Location of Service Provider
Arch Group	Investment Management Services	Bermuda
Arch Group	Internal Audit	USA, UK
Arch Group	HR, Legal, Financial Consolidation, Tax, IT and Administrative Services	USA, Bermuda
Arch Group	Underwriting, Claims, Finance, Compliance, Risk Management, Actuarial and Administrative Services	UK
Arch Group	Administrative Services, Marketing	Ireland
Third Party	Underwriting Delegated Authority	Ireland, UK, Italy, Denmark, France, Spain, Germany, Netherlands, Malta, Cyprus, Austria
Third Party	Claims Handling Services	Ireland, UK, Italy, Denmark, France, Spain, Germany, Netherlands, Malta, Cyprus, Belgium

B.9 Any Other Information

No other material information to report as of 31 December 2022.

Section C – Risk Profile

Overview

The Company's risk appetite framework provides an expression of the level of risk the Company is willing to accept in pursuit of its strategic objectives. The risk appetite framework provides quantitative and qualitative statements which are used to define the general attitude within the organization towards the desired level of risk. It not only supports the Company's risk management framework; it also enables the Company to make informed business decisions having regard to the key risks to which it may be exposed by such a decision.

In general, the Company has an appetite for insurance (underwriting) risk and a tolerance for other forms of risk. The risk philosophy of the Company encompasses all major risks and focuses on attaining the following business objectives:

- Underwrite business that meets agreed targeted returns.
- Underwrite only carefully selected business lines.
- Manage underwriting volumes in line with the business cycle.
- Limit the downside risk such that the Company maintains a sufficient solvency margin.

The following table shows the composition by sub-module of the SCR at year ended 31 December 2022.

Risk Category	Description	Allocated % of Undiversified SCR at 31/12/2022
Underwriting Risk	Risk of losses from business already written or planned to be written over the next year	36.7%
Market Risk	Risk of losses from market movements, including exchange rates and investment returns	34.1%
Credit Risk	Risk of losses from counterparty defaults, including reinsurers and other counterparties	13.1%
Operational Risk	Risk of operational losses	16.1%

C.1 Underwriting Risk

C.1.1 Key Underwriting Risks

Underwriting Risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing or risk quantification assumptions which includes the fluctuations in the timing, frequency and severity of insured events. At a risk policy level, we consider underwriting risk is linked to reserving risk. Reserving risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate reserving assumptions which includes the fluctuations in the timing, frequency and severity of insured events.

Furthermore, the nature of the business we write means we are exposed to regulatory, legislative and fiscal changes, economic factors and changes in behaviour.

The resulting key underwriting and reserving risks identified by management are:

- Reserve Risk: The risk of loss, or adverse change, in the value of insurance liabilities due to the occurrence, amount, and timing of claims, inadequate pricing and provisioning assumptions.
- Pricing Risk: The risk of loss due to inadequate pricing of business pre-claim.
- Catastrophic Risk: The risk of loss from infrequent high severity claims from natural or man-made disasters.

The Company writes a mix of short tail and long tail business. The long tail business, primarily liability and credit business, has greater uncertainty in respect of reserve development.

The insurance business transfer scheme completed during 2020 increased the level of underwriting risk (reserving risk) for the Company.

C.1.2 Material Concentrations

An identified risk to the Company is an inappropriate concentration of underwriting risks, through over- exposure to a particular geographic region, line of business / peril or insured. The risk is monitored in the Risk Register and is managed through a number of controls, including the setting of exposure limits, modelling of catastrophe ("CAT") exposure and quarterly measurement and reporting of accumulations. Single Realistic Disaster Scenario events (net of expected reinsurance recoverables) at a 1-in-250-year return period are limited to less than 25% of shareholders equity. After controls, the risk is considered medium impact; therefore, the concentration of underwriting risk is not considered to be material.

C.1.3 Underwriting Risk Mitigation

AIEU purchases external reinsurance protection to mitigate the impact of catastrophic claims and/or to manage accumulations of risk. In addition, intra-Group quota share reinsurance is in place to mitigate the impact of attritional losses.

In addition, underwriting risk is further mitigated through a number of controls and practices, which include the following:

- Underwriting Guidelines are in place and approved by the Board. These are reviewed and updated as required.
- Underwriters are required to access legal counsel for review and opinion on non-standard contract wording.
- Business performance is monitored regularly, including consideration of market factors, pricing trends and strategic challenges.
- Actual performance is compared against expected each quarter.
- Actuarial review of reserves by the Company and Group actuaries.
- Periodic audits of clients.

C.1.4 Stress and Sensitivity Testing

Stress and scenario testing is carried out as part of the ORSA process, which is conducted at least annually. These tests consider moderate as well as extreme but plausible stresses and assess the impact on the Company's capital position.

We considered a number of scenarios in the ORSA which aim to reflect the underwriting and reserving risk to which the company is exposed. Numerous Realistic Disaster Scenarios ("RDS") were devised in conjunction with the underwriting team; these represent very adverse scenarios to which the Company could be exposed. The projected SCR and Own Funds were then calculated under each of these scenarios, allowing us to assess the capital impact of each scenario.

Due to the Company's capital strength, while the stresses showed deterioration in the Company's capital position, none of the scenarios were considered likely to result in a breach of the SCR. The Company's underwriting risk profile is therefore considered to be resilient to most shocks.

C.2 Market Risk

C.2.1 Key Market Risks

Market Risk is the risk of changes in income or values of assets arising from fluctuations in political and economic variables (systemic), including interest rates, currency exchange rates, equity markets, commodity markets and real estate markets. It is the risk of loss, or adverse change, resulting directly or indirectly from fluctuations in the prices of assets. Market Risk includes the following specific components;

- Currency Risk.
- Interest Rate Risk.
- Spread Risk.
- Property Risk.
- Equity Risk.

Market Risk is also affected by:

- Concentration Risk: The risk that the Company will suffer losses from lack of diversification with regards to a particular sector, industry, geographic region, security, or asset class in the investment portfolio. Concentration Risk also includes the risk of failure to identify and manage correlation risk between insurance/reinsurance operations and invested assets
- Investment Credit Risk: The risk of loss, or adverse change in financial condition, resulting from fluctuations in the credit standing of issuers of securities and counterparties to which undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentration risk

The Company's primary investment objective is to preserve capital and ensure adequate liquidity for policyholder claims, while supplementing the ROE generated by the insurance underwriting operations. The key market risks identified by management are:

- Failure or impairment of investment counterparty.
- Exposure to foreign currency fluctuations.

C.2.2 Material Concentrations

AIEU has a diversified portfolio of assets with no material risk concentrations in non-government securities. The Company’s investment guidelines have specific single issuer limits, including sovereign and supranational single issuer limits, to prevent asset risk concentrations. Exposure to foreign currency fluctuations (USD relative to Euro) constitutes a material risk concentration.

C.2.3 Market Risk Mitigation

The Company mitigates investment risk through the implementation of appropriate controls. These include:

- Regular Board and Senior Management oversight.
- Formal agreements which delegate investment authority to AIM.
- Investment Guidelines which are structured to ensure sufficient liquidity and prevent over-exposure to any one risk sector.
- Analysis of quarterly Investment Guideline compliance confirmations issued by Investment Managers, as summarized by ACSI personnel and reviewed by the Company.
- Quarterly review of investment portfolios by AIM with the Company Senior Management.
- Appropriate trade due diligence and guideline compliance.
- Utilisation of company approved brokers, investment managers and 3rd party service providers.
- Quarterly testing of Investment Guideline compliance and subsequent review with the Company Senior Management.

- Investment portfolio reporting from AIM to the Company Senior Management and the Board. This reporting includes performance and risk summaries, and includes duration analysis.
- Accounting reconciliations across holdings and risk data.
- Linkage between ALM and the limits for asset classes, as approved by the Board and set out in the Investment Risk Policy.

C.2.4 Stress and Sensitivity Testing

We performed an ORSA stress in respect of an economic crisis scenario to reflect the Company's exposure to market risk. In the scenario, we consider the impact of higher losses in our mortgage insurance business, along with impact of interest rate movements on bond prices and the impact of exchange rate movements.

Due to the Company's capital strength, while the stress showed deterioration in the Company's capital position, the scenario was considered not likely to result in a breach of the SCR. The Company's market risk profile is therefore considered to be resilient to most shocks.

C.2.5 Prudent Person Principle

AIEU seeks to manage investment assets subject to the Prudent Person Principle which states that the Board must discharge its duties with the care, skill, prudence and diligence that a prudent person acting in a similar capacity would use in the conduct of an enterprise of similar character and objectives.

The Board has outlined the following risk management objectives in order to minimise its exposure to Investment Risk in line with the overall Company Risk Appetite:

- The Company shall adopt a conservative approach to investments and seek to safeguard the assets of shareholders.
- The Company shall hold sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due.
- The Company shall ensure that there are appropriate policies, strategies and procedures in place to meet these objectives.

AIEU adopts a conservative approach to investments and as articulated in the Company risk management philosophy, limits Investment Risk such that the overall portfolio will consist of high-quality fixed income securities and short-term investments and limits the proportion of total investments that may be represented by other investments. New investment products initiatives fall into the category of other investments and include investments such as equities and all alternative investments. Participation in new investment products are subject to Board approval. In circumstances where new products are being considered by the Company, the following steps will be undertaken:

- Detailed information will be provided describing the nature of the investment such that the Board has full information to properly evaluate the risk.
- The finance function will document the impact of the new product, including an assessment of whether it complies with the prudent person principle.
- A presentation will be made to the Board to explain the rationale for the proposed investment.
- The Risk Committee will separately review the material and consider the impact on the Company's risk appetite and risk profile.

If the proposed investment is approved, the Company's finance and compliance functions will liaise with AIM to revise or develop bespoke Investment Guidelines for the new product where appropriate. In certain circumstance, such as in the case of an investment in a fund, this may not be required.

C.3 Credit Risk

C.3.1 Key Credit Risks

The Company has a low appetite for investment credit risk, which is recommended by the Company Senior Management and approved by the Board.

The Company is exposed to credit risk from the following sources:

- Investments in fixed income securities.
- Deposits with banking counterparties.
- Reinsurance counterparties.
- Premiums collectable from insured parties and insurance intermediaries.

The key risk is that one or more of these counterparties fail.

The exposure to counterparty default risk includes banks where the Company has short term deposits, insured and insurance intermediary receivable balances and reinsurance agreements including the 85% quota share reinsurance agreement with ARL.

C.3.2 Material Concentrations

As at 31 December 2022, the reinsurance recoverable from the quota share reinsurance agreement with ARL is a material risk concentration, however this risk is mitigated by assets in trust to partially collateralise the net recoverable.

C.3.3 Credit Risk Mitigation

The Company mitigates credit risk through the implementation of appropriate controls, processes and procedures.

At purchase, securities must be rated investment grade by at least two of the following ratings agencies (if rated by all three): Moody's, Standard & Poor's or Fitch. If only two of the three agencies rate the security, the lower rating is used to determine eligibility. If only one of the three agencies rates a security, the rating must be A3/A- or higher.

Money market instruments must be rated at least Al+ or equivalent by Standard & Poor's or Fitch and P-l or equivalent by Moody's at the time of purchase.

Reinsurance and premium receivables are closely monitored and controlled, with short credit periods mitigating any risk exposure. Furthermore, other than the inter-group Quota Share reinsurance, other reinsurance arrangements are split across a number of counterparties, thereby reducing single name exposure.

In addition, AIEU requires many counterparties, including ARL, to post significant collateral against reinsurance balances, further mitigating this risk. Following the Part VII transfer in 2020, and to the extent that the collateral held is greater (or less) than the required level, both parties shall use its reasonable endeavours to procure the release and transfer of collateral to eliminate the difference. The collateral posted by ARL is held in a trust account for the benefit of the Company. Collateral is required to be maintained at a minimum level based on a percentage of the net amount recoverable by the Company from ARL. In the event that ARL's rating were to be downgraded this minimum percentage would be subject to graduated increase with the increased percentage being a function of the rating following any such downgrade.

C.3.4 Stress and Sensitivity Testing

Due to the high level of reinsurance ceded, the Company is exposed to a material amount of counterparty default (credit risk). As one of the company's most material risks, a downgrade of the Company's intra-Group

affiliate ARL was considered. The Company is able to withstand the shock of a downgrade in ARL's credit rating without breaching the SCR.
Due to the Company's capital strength, while the stresses showed deterioration in the Company's capital position, none of the scenarios were considered likely to result in a breach of the SCR. The Company's credit risk profile is therefore considered to be resilient to most shocks.

C.4 Liquidity risk

Liquidity risk is the risk of the Company's inability to realize investments and other assets in order to settle its financial obligations when they fall due. Liquidity risk has low materiality for the Company. One of the objectives of the investment risk policy of the Company is that the Company shall hold sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due. To achieve this objective, the investment risk appetite permits only highly rated securities to be purchased. Risk limits and tolerances have been also set in respect of (i) asset-liability duration matching and (ii) availability of liquid assets. These risk appetites, risk limits and tolerances are monitored by the risk function and reported to the Board and Risk Committee. The Company considers that the composition of its assets in terms of their nature, duration and liquidity are appropriate in order to meet its obligations as they fall due.

C.4.1 Risk Exposure and Material Risk Concentrations

The Company considers its exposure to this risk as low. The Company monitors its liquidity in compliance with its investment risk policy and stated limits and tolerances in respect of the percentage of assets which are invested in liquid investments.

C.4.2 Risk Mitigation

Liquidity risk is mitigated by the cash held in investments and bank accounts. There are no planned changes to risk mitigation over the business planning horizon.

C.4.3 Expected Profit in Future Premium

As of 31 December 2022, the expected profit in future premium is €29.3m. The expected profit included in future premiums is calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. The calculation of the expected profit included in future premiums is carried out separately for the homogeneous risk groups used in the calculation of the technical provisions. Loss-making policies are only offset against profit-making policies within a homogeneous risk group. The following table shows the expected profit in future premium by line of business as at 31 December 2022:

Line of business	Expected Profit in Future Premium €'000
Income protection	174
Motor vehicle liability	0
Other motor	0
Marine, aviation and transport	1,417
Fire and other damage to property	3,132
General liability	2,518
Credit and suretyship	22,062
Miscellaneous financial loss	0
Total (profitable Lines of Business)	**29,303**

C.5 Operational Risk

C.5.1 Key Operational Risks

Operational Risk means the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

It also includes the risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations, and the exposure to litigation from all aspects of business activities.

Within Operational Risk, the Company also includes:

- Group Risk: Risks related to regulated or unregulated entities within the Group, implicit or explicit exposure to losses throughout the group ("contagion risk"), risks related to inter-company transactions and double gearing, the extent to which practical, legal, or regulatory barriers to the transfer of capital between group members exist, and other additional risks which individual members of a group face by virtue of their group membership.
- Strategic Risk: Risk that strategic business decisions prove to be ill-founded or poorly executed. Examples of such risk include mergers and acquisitions, moving into new markets, business lines, or regions, changes to the operating model, or failing to anticipate or react to a more general shift in the economic environment, demographics, etc.
- Reputational Risk: The potential adverse impact of an economic loss through deterioration of reputation, credibility or standing with insurance partners, other customers, brokers and the investor community.

The Company's management has identified the following key operational risks:

- Financial (e.g. fraud) and/or non-financial (e.g. reputational loss arising from over reliance on outsourced service providers).
- Inadequate claims handling.
- Legal, litigation, regulatory, political and reputational risk.
- Reliance on key individuals (including directors and staff at outsourced service providers).
- Inappropriate overall business strategy or inadequate monitoring of strategic decisions.
- Inadequate or ineffective policies, procedures, processes and controls.
- Inappropriate training, competencies and resources.
- Business continuity.
- IT environment including cyber risk.
- Risks external to the Company but internal to the Group.

Those risks classified under the Operational Risk profile have been identified, assessed and articulated in the Company's Risk Register. Relevant risk and control owners report to the CRO, who in turn reports to the Risk Committee and are responsible for identifying new, emergent or changing risks and any consequent control changes required to realign the risks with the risk appetite.

With respect to Legal Risk, the Company's Head of Compliance has the responsibility for monitoring new and pending legislation from the CBI or Irish Government, the European Insurance and Occupational Pensions Authority ("EIOPA") and relevant bodies in other applicable jurisdictions for items that could potentially impact the Company.

In addition, applicable international risks are identified through discussions, meetings and memos with/from law and accounting firms within the jurisdiction of all ACGL entities.

The Company holds economic capital, based on the Solvency II Standard Formula, against operational risk. The economic capital measured in respect of operational risk increased due to the completion of the insurance business transfer scheme during the year and the growth in the Company's existing business.

C.5.2 Material Concentrations

There are no material Operational Risk concentrations.

C.5.3 Operational Risk Mitigation

The Company has put in place a strong internal control framework which mitigates operational risk. In particular, the following are key controls in managing this risk:

- Appropriate segregation of duties across all functions.
- Systems access controls.
- Four-eyes oversight of all key areas.
- Regular management accounting process including reconciliations and checks.
- Business Continuity and Disaster Recovery Plans.
- All outsourced arrangements conducted under formal agreements and in accordance with the Outsourcing Policy.
- Ongoing oversight and regular audits of outsourced service providers.
- All material contracts reviewed by the Arch Group General Counsel on behalf of the Company.
- Appropriate reporting to ACGL on all relevant matters to enable oversight.
- Business plans and budgets reviewed quarterly.
- Appropriate governance structures, including quarterly Board meetings.

C.5.4 Stress and Sensitivity Testing

Operational risk is included in the Standard Formula. However, as part of its ORSA process, the Company also considers those areas of operational risk which may not be adequately covered, such as implementation and compliance with Solvency II and other relevant regulation, and other group risks. In addition, operational risk is indirectly stress tested through other risks, such as a credit down-grade of the intra-Group quota share partners.

Operational risk comprises a moderate part of the Company's risk profile and the stress tests prove the Company's capital buffer to be sufficiently resilient to withstand this risk.

C.6 Other Material Risks Emerging

Risks

Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a high loss potential. To assess the impact of emerging risks, the risk function liaises with Group Risk Function to scan potential emerging risks. In conjunction with management, the risk function assessed the potential emerging risks in terms of Impact, Probability and Speed to Crystallization.

This assessment is presented to the Board for challenge and review. Emerging Risks which are assessed by the Board as Medium or High Impact and Medium or High Probability are approved for inclusion in the emerging risk section of the Risk Register. Risk mitigation actions are identified for each emerging risk.

Climate Change

As part of Arch Group, the Company benefits from being part of widely supported climate change initiatives. Climate risks is a key area of risk consideration. As part of the AIEU assessment of the impact of climate risks, the risk function liaises with Group Risk Function on a regular basis to discuss climate risk and the associated action plans. Activities have included development of stress tests around climate risks which are included in our ORSA process.

Climate risks are considered in the context of:

- Physical risks: These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity.

- Transition risks: These financial risks which could arise from the transition to a lower-carbon economy. This can include the potential impacts on the liability side resulting from reductions in insurance premiums in carbon- intensive sectors such as motor.

Cyber Risk

With the increased dependency on electronic data storage within the Company and the industry, there is increasing cyber security risk of data theft, and malicious data and service disruption. For AIEU, IT security standards are set and monitored at Group level. Performance in relation to information security, including the required periodic activities, is monitored by Management and the Risk Committee.

Risk Exposure and Material Risk Concentrations

The Company considers the most material exposures in this category of risk are (i) the potential for inappropriate business strategy, (ii) the potential for regulatory breaches and (iii) potential group risk.

Risk Mitigation

Risk controls, risk monitoring and reporting are considered to be the main methods of risk mitigation.

C.7 Any other information

There is no other information to report.

Section D – Valuation for Solvency Purposes

D.1 Assets

The table below sets out the value of the assets of the Company as at 31 December 2022 and as at 31 December 2021 under Solvency II and Irish GAAP.

Assets	Year ended 31/12/2022		Year ended 31/12/2021	
	Solvency II	Irish GAAP	Solvency II	Irish GAAP
	€'000	€'000	€'000	€'000
Deferred Tax Asset	–	63	75	696
Costs	–	34,219	–	32,072
Investments	128,168	128,168	123,146	123,145
Equivalents	20,861	20,861	12,457	12,457
Receivable	9,755	82,080	8,326	70,996
Receivable	22,931	29,152	20,383	20,383
Deposits to Cedants	9,698	9,573	7,771	7,771
Other Assets and non-insurance receivables	14,802	14,801	10,615	10,615
Technical Provisions	294,577	549,559	322,803	462,364
Total assets	**500,792**	**868,476**	**505,576**	**740,499**

The following are the bases, methods and main assumptions used for valuation of each material class of assets for Solvency II purpose.

D.1.1 Deferred Tax Assets / (Liabilities)

Deferred tax assets / (liabilities) are the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts under Solvency II. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if they relate to income taxes levied by the same taxation authority on the same taxable entity.

D.1.2 Deferred Acquisition Costs

In the financial statements, acquisition costs which represent commission and other related expenses are deferred over the year in which the related premiums are earned. To the extent that acquisition costs are deferred and considered irrecoverable against the related unearned premiums, they are written off to net operating expenses as incurred.

Solvency II balance sheet is prepared based on the best estimate of future cash flow basis. Therefore, deferred acquisition costs are excluded from the Solvency II balance sheet.

D.1.3 Investments

The Company's investments are valued at fair value under Irish GAAP and Solvency II based on market prices at the reporting date, which are quoted prices in active markets for identical assets. Where there are no quoted prices available, the fair value is determined using inputs that are observable for the assets.
The valuation of investments is consistent with the accounting valuation under Irish GAAP.

D.1.4 Cash and Cash Equivalents

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Company receives monthly statements at the period end to confirm the balances held. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset.

The valuation of cash and cash equivalents is consistent with the accounting valuation under Irish GAAP.

D.1.5 Insurance and Intermediaries' Receivables

Insurance and intermediaries' receivables balance represents premiums owed from policyholders. Outstanding premiums are valued at fair value and due to the short-term nature of the receivable no adjustments to valuation are required. The valuation of insurance and intermediaries' receivables under Solvency II is consistent with the accounting valuation under Irish GAAP except that the share of insurance and intermediaries' balances which are not yet due at the valuation date are deducted from the balance and included in the technical provisions cashflow.

D.1.6 Reinsurance Balances Receivable

Reinsurance balances receivable represents amounts owed from reinsurers. The valuation of reinsurance balances receivable under Solvency II is consistent with the accounting valuation under Irish GAAP except that the share of reinsurance balances receivable which are not yet due at the valuation date are excluded from the balance and included in the technical provisions cashflow.

D.1.7 Deposits to Cedants

These balances are valued at fair value reflecting the amount held at the balance sheet date, translated at the closing exchange rate for balances not denominated in the reporting currency. No estimates or judgements are required in the valuation.

The valuation of deposits to cedants is consistent with the accounting valuation under Irish GAAP.

D.1.8 Other Assets and Non-Insurance Receivables

Other assets and non-insurance receivables have been valued using the alternative valuation method in accordance with Solvency II. The Directors have used the cost approach or current replacement cost approach, being the closest to the fair value of these assets.

The valuation of other assets and non-insurance receivables is consistent with the accounting valuation under Irish GAAP.

D.2 Technical Provisions

D.2.1 Results Summary

The following table sets out the Solvency II technical provisions as at 31 December 2022:

Solvency II Technical Provisions (€'000) as at 31 December 2022

Solvency II Line of Business	Claims Provisions	Premium Provisions	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance contracts	Net Technical Provisions
Income protection	4,593	356	60	5,009	4,190	819
Motor vehicle liability	104,731	2,256	657	107,644	85,086	22,558
Other motor	11,677	269	65	12,011	9,649	2,362
Marine, aviation and transport	15,370	(1,119)	976	15,226	11,694	3,532
Fire and other damage to property	10,658	(8,375)	394	2,677	1,818	859
General liability	234,334	11,386	2,177	247,897	218,578	29,319
Credit and suretyship	14,171	(68,862)	1,913	(52,778)	(35,165)	(17,612)
Miscellaneous financial loss	725	(56)	26	695	(1,273)	1,967
Total	**396,259**	**-64,145**	**6,268**	**338,381**	**294,577**	**43,803**

The following table sets out the Solvency II technical provisions as at 31 December 2021:

Solvency II Technical Provisions (€'000) as at 31 December 2021

Solvency II Line of Business	Claims Provisions	Premium Provisions	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance contracts	Net Technical Provisions
Income protection	4,995	(423)	89	4,661	3,934	726
Motor vehicle liability	91,305	6,589	935	98,829	86,741	12,088
Other motor	10,143	730	90	10,963	9,965	998
Marine, aviation and transport	12,971	(3,745)	1,122	10,349	7,335	3,013
Fire and other damage to property	8,299	(13,050)	1,487	(3,264)	(4,474)	1,211
General liability	210,594	25,960	2,690	239,244	203,919	35,325
Credit and suretyship	17,742	(6,703)	892	11,931	14,630	(2,699)
Miscellaneous financial loss	311	66	46	423	753	(330)
Total	**356,360**	**9,424**	**7,351**	**373,136**	**322,803**	**50,333**

D.2.2 Calculation Methodology

Under Solvency II an economic balance sheet is required – which requires a market valuation of technical provisions. The overarching principle for valuing technical provisions under Solvency II is the current amount undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another undertaking.

The starting point for valuing the Company's Technical Provisions (TPs) is the Company's Irish GAAP basis reserves for loss and allocated loss adjustment expenses (Loss Reserves). Cash flows associated with those Loss Reserves, along with unearned premium reserves and provisions for other components of economic basis TPs, are calculated for each homogenous risk group using the approach outlined below.

(a) Best Estimate Liability

The best estimate liability ("BEL") is calculated from the cashflows in respect of the claims provisions and premium provisions. The best estimate liability represents the present value of future cashflows. The present value is calculated based on the timing of cashflows and on yield curves provided by EIOPA. The best estimate liability is determined on a gross, ceded and net basis for both the claims provisions and the premium provisions.

(b) Premium Receivable

Premium receivable in respect of the portion of the GAAP premium receivable not yet due on the valuation date is included in the premium provisions cashflows. A consistent approach is applied to calculation of ceded premium payable.

(c) Premium in Respect of Bound Business

The Company's technical provision calculation allows for (i) business that is bound and incepted and (ii) business that is bound but not yet incepted ("BBNI") at the valuation date.

The premium provisions include the future premium cashflows in respect of the bound and incepted business and the BBNI business up to the relevant contract boundary.

(d) Future Loss and Allocated Loss Adjustment Expense

The Company reviews the level of GAAP Loss Reserves and removes any implicit or explicit margins in the GAAP Loss Reserves. Future loss and allocated loss adjustment expense cashflows are projected in respect of the GAAP Loss Reserves, net of any implicit or explicit margins, in order to calculate claims provisions.
Future loss and allocated loss adjustment expense cashflows are projected in respect of the GAAP unearned premium reserves and BBNI premium in order to calculate premium provisions. The projection uses business planning assumptions in respect of future loss ratios on unearned premium reserves and not yet incepted business.

(e) ENIDs

The Solvency II technical provisions must allow for events not in data ("ENIDs"). An ENID loading has been derived by the Company using a truncated distribution approach and is applied to future claim cashflows in both the claims provisions and premium provisions.

(f) Expenses

Acquisition costs directly attributable to the future premium receivable are determined based on the terms of the contracts which generate the premium receivable.

In addition, an allowance for unallocated loss adjustment expenses, administrative expenses and investment management expenses associated with the settlement of the best estimate liabilities is included in the technical provisions.

(g) Adjustment for counterparty default

An adjustment for counterparty default is applied to the ceded technical provisions. The adjustment for counterparty default uses the Probability of Default ("PD") consistent with the Credit Quality Steps specified in EIOPA guidance in respect of the AM Best financial strength rating for reinsurance counterparties.

(h) Risk Margin

The Risk Margin is calculated based on Method 2 from Guideline 61 in the EIOPA Guidelines on the valuation of technical provisions (EIOPA-BoS-14-166). This method projects future SCR values based on the assumption that the SCR to Net BEL ratio is constant through time. A ratio of SCR to Net BEL is determined as of the valuation date. This ratio is applied to future BEL estimates at each 1-year interval until liabilities are fully runoff to estimate future SCR requirements. The estimated future SCR includes Counterparty Default risk Type 1 excluding cash, Underwriting risk excluding future premium and Operational risk. A 6% cost of capital is applied to all SCR estimates through time to estimate the cost of capital to support the liabilities. The resulting series of costs of capital requirements are present valued to the valuation date using the yield curve for the reporting currency of the Company with a 1-year lag per the EIOPA guidance material.

D.2.3 Material Changes since the Last Reporting Period

None

D.2.4 Impact of Reinsurance

The held provisions for Solvency II correspond to the probability-weighted average of all future cash flows including cash flows recoverable from reinsurance contracts and special purpose vehicles. This takes account of the time value of money, using the relevant risk-free interest rate, and the adjustment for the expected losses due to the default of the counterparty (i.e., bad debt).

Recoverables from reinsurance contracts are shown separately on the asset side of the balance sheet (as "recoverables from reinsurance contracts"). Recoveries due on settled claims do not sit within the technical provisions, i.e., those where collection notes have been sent out but not received – reinsurance receivables.

Calculation of amounts recoverable from reinsurance contracts are performed under the same principles as for calculation of the gross best estimate. Risk margins are not required in respect of reinsurance and special purpose vehicle recoverables, as risk margins are calculated at a net level.

Gross and net best estimate reserves are estimated separately for each underwriting year. Reinsurance cash flows are then derived as the difference between gross and net cash flows.

Reserves are calculated on both gross and net (post intra-Group quota share) bases. The net figures are produced in two stages:

- Firstly applying all external reinsurance.
- Secondly applying the intra-Group quota share reinsurance.

Cash inflows stemming from ceded reinsurance income are calculated as a factor of net premiums.
In addition, the principle of correspondence underlying the calculation of reinsurance recoveries is also considered, as set out in the next section.

D.2.5 Level of Uncertainty

Uncertainty in the technical provisions arises from a number of sources:

- The estimates for outstanding losses are based on known information at the balance sheet date. Ultimate settlement of these claims may differ from these estimates.
- The estimates for future losses on both expired and unexpired business are based on actuarial assumptions reflecting past performance and anticipated future changes. These assumptions may ultimately prove to differ from actual experience.
- The estimates of future premium from bound and incepted business and BBNI business are based on known information at the balance sheet date and actuarial assumptions reflecting past performance and anticipated future changes. Ultimate premiums received may differ from these estimates.
- The estimates for expenses are based on reasonable judgement reflecting past experience of expenses and on assumptions as to the run-off period. Either of these factors may differ from ultimate experience.
- Events not in data are, by their nature unpredictable and any allowance made could prove to be over-prudent or insufficient.

The Company follows a robust process in setting appropriate assumptions underlying the calculation of technical provisions. Actual performance is monitored against expectations on an ongoing basis to ensure assumptions are updated as required.

Stress testing was performed on the Solvency II Technical Provisions as at 31 December 2022 in order to give an indication of sensitivity in respect of future claim payments. The following table shows the impact on technical provisions from an increase in the future cashflow in respect of loss and allocated loss adjustment expenses (including allowance for ENIDs) from €548.2m to €630.5m, which is an increase of 15%:

As at 31 December 2022	Company Held	Stress Case	Variance
	€'000	€'000	€'000
Gross Technical Provisions	338,381	414,760	76,380
Net Technical Provisions	43,803	53,416	9,613

The above results of sensitivity testing should be considered in the context of the Company's solvency profile. As at December 31st 2022, the Company's SCR was €57.8m, against which it held eligible own funds to meet the SCR of €118.0m, equating to SCR coverage of 204%.

D.2.6 Material Differences between Irish GAAP and Solvency II

Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the existing Irish GAAP rules, there are other rules where there will be significant changes. These include:

- Movement to a cash flow basis for valuation of both gross business and reinsurance.
- Removal of any implicit or explicit margins within technical provisions to give a "true best estimate" for solvency purposes, defined as the mean of the full range of possible future outcomes.
- Introduction of the valuation of very low probability extreme events including latent claims, referred to as an allowance for "events not in data" or ENIDs.
- Removal of the requirements to hold an unearned premium reserve and to allow for other non- monetary items. These are replaced by "premium provisions", valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows.
- Movement to recognising contracts on a "legal obligation basis". This will mean the inclusion of business currently not valued as part of the Irish GAAP valuation – for example 1 January renewals entered into prior to a 31 December valuation.
- Introduction of discounting of cash flows.
- Introduction of the principle of a market consistent basis and calculation of a "risk margin."
- Valuation of liabilities segmented by at minimum, the Solvency II lines of business.

D.2.7 Other Comments

The Company does not apply the matching adjustment referred to in Article 77 b of Directive 2009/138/EC, the volatility adjustment referred to in Article 77 d of Directive 2009/138/EC, the transitional adjustment to the risk-free interest rate term structure referred to in Article 308 c of Directive 2009/138/EC, or the transitional deduction referred to in Article 308 d of Directive 2009/138/EC.

Due to the nature of the business and the low level of materiality in respect of policyholders opting to lapse, no lapse assumption has been applied to future premium in the calculation of technical provisions.
Future management actions are not considered relevant for this business.

D.2.8 Irish GAAP to Solvency II Comparison

The table below sets out the movement analysis between Irish GAAP and Solvency II for the Company as at 31 December 2022 and as at 31 December 2021:

Technical Provisions	**Year ended 31/12/2022**			**Year ended 31/12/2021**		
Irish GAAP basis and Solvency II basis	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Best Estimate Claims Provisions	396,259	348,915	47,344	356,360	308,287	48,073
Best Estimate Premium Provisions	(64,146)	(54,338)	(9,808)	9,424	14,516	(5,092)
Best Estimate Liability	**332,113**	**294,577**	**37,536**	**365,784**	**322,803**	**42,981**
Risk Margin	6,268	–	6,268	7,351	–	7,351
Technical Provisions	**338,381**	**294,577**	**43,803**	**373,136**	**322,803**	**50,333**
GAAP Reserves (Losses and ALAE)	**467,438**	**416,196**	**51,242**	**379,909**	**338,486**	**41,423**
Remove Margins	(50,026)	(45,215)	(4,811)	(38,429)	(35,150)	(3,280)
Allowance for ENID	6,089	5,405	683	4,796	4,234	561
Change of Expense Basis	4,034	–	4,034	9,160	–	9,160
Adjustment for Counterparty Default	–	(118)	118	–	(96)	96
Discounting Impact	(31,277)	(27,354)	(3,923)	925	813	112
Solvency II Claims Provisions	**396,259**	**348,915**	**47,344**	**356,360**	**308,287**	**48,073**
GAAP Reserves (Unearned Premium)	**152,830**	**133,362**	**19,468**	**142,242**	**123,879**	**18,363**
Remove Unearned Premium Reserve	(152,830)	(133,362)	(19,468)	(142,242)	(123,879)	(18,363)
Future Premium	(218,151)	(205,366)	(12,785)	(111,126)	(93,254)	(17,873)
Future Acquisition Costs	28,508	45,882	(17,374)	23,313	25,629	(2,316)
Future Losses and ALAE	118,334	102,859	15,475	88,889	77,649	11,240
Allowance for ENID	6,386	5,542	844	5,268	4,576	692
Change of Expense Basis	3,107	–	3,107	3,180	–	3,180
Adjustment for Counterparty Default	–	(25)	25	–	(22)	22
Discounting Impact	(2,329)	(3,230)	901	(99)	(63)	(36)
Solvency II Premium Provisions	**(64,146)**	**(54,338)**	**(9,808)**	**9,425**	**14,516**	**(5,092)**

The movement from Irish GAAP basis reserves and Solvency II Technical Provisions applies in the same manner for each Line of Business.

D.3 Other Liabilities

The table below sets out the value of the liabilities of the Company as at 31 December 2022 and as at 31 December 2021 under Solvency II and Irish GAAP.

Liabilities	Year ended 31/12/2022		Year ended 31/12/2021	
	Solvency II	Irish GAAP	Solvency II	Irish GAAP
	€'000	€'000	€'000	€'000
Deferred Tax Liability	4,585	–	–	–
Deferred Ceding Commission	–	43,857	–	40,412
Reinsurance payables	15,020	94,335	17,315	67,157
Insurance and intermediaries payables	15,080	15,080	4,986	4,986
Deposits from reinsurers	401	401	192	192
Other liabilities and non-insurance payables	9,362	9,238	13,052	13,052
Technical Provisions	338,381	620,268	373,136	522,151
Total liabilities	**382,829**	**783,179**	**408,681**	**647,950**

The following are the bases, methods and main assumptions used for valuation of each material class of other liabilities for Solvency II purpose.

D.3.1 Deferred Ceded Acquisition Costs

In the financial statements, ceded acquisition costs which represent commission and other related expenses are deferred over the year in which the related reinsurers' share of premiums are earned. To the extent that ceded acquisition costs are deferred and considered irrecoverable against the related reinsurers' share of unearned premiums, they are written off to net operating expenses as incurred.

Solvency II balance sheet is prepared based on the best estimate of future cash flow basis. Therefore, deferred ceded acquisition costs are being excluded from the Solvency II balance sheet.

D.3.2 Reinsurance Payables

Reinsurance payables balance represents amounts due to reinsurers in respect of ceded premiums. Reinsurance payables are valued at fair value and due to the short-term nature of the payables no adjustments to valuation are required. The valuation of reinsurance payables is consistent with the accounting valuation under Irish GAAP except that the share of reinsurance payables which are not yet due at the valuation date are deducted from the balance and included in the technical provisions cashflow.

D.3.3 Insurance and Intermediaries Payable

Insurance and intermediaries' payables balance represents amounts owed to policyholders. The valuation of insurance and intermediaries' payables is consistent with the accounting valuation under Irish GAAP except that the share of insurance and intermediaries payables balances which are not yet due at the valuation date are deducted from the balance and included in the technical provisions cashflow.

D.3.4 Deposits from Reinsurers

These balances are valued at fair value reflecting the amount held at the balance sheet date, translated at the closing exchange rate for balances not denominated in the reporting currency. No estimates or judgements are required in the valuation.

The valuation of deposits from reinsurers is consistent with the accounting valuation under Irish GAAP.

D.3.5 Other Liabilities and Non-Insurance Payables

Other liabilities and non-insurance payables have been valued using the alternative valuation method in accordance with Solvency II. The Directors have used the cost approach or current replacement cost approach, being the closest to the fair value of these liabilities.

The valuation of other liabilities and non-insurance payables is consistent with the accounting valuation under Irish GAAP.

D.4 Alternative Methods for Valuation

As previously stated, (i) other assets and non-insurance receivables and (ii) other liabilities and non-insurance payables have been valued using the alternative valuation method in accordance with Solvency II.

D.5 Any Other Information

The Company has a number of risk management policies in place that aim to protect the balance sheet against various risks. These include the investment risk policy and underwriting and reserving risk policy. Further information on the Company's risk management is provided in Section B above.

D.5.1 Going Concern

The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the SFCR is authorised for issue ('the period of assessment') and have prepared the SFCR on a going concern basis.

In making this assessment the directors considered the impact of the macroeconomic inflationary environment and the Russia / Ukraine conflict, and COVID-19 on the Insurance industry and the Company's business, including:

- The Company's capital position and the surplus over its Solvency Capital requirements and minimum capital ratio reflect the fact that the Company expects to have sufficient Own Funds to meet its Solvency Requirements.
- The outcome of the stress and sensitivity tests carried out by the Company as part of its Own Risk and Solvency Assessment ("ORSA") process.
- Forecasts for the period of assessment which are based on the Company's historic performance and its past record of achieving strategic objectives.
- The Company's level of reinsurance.
- The credit rating of the Company's ultimate parent and principal reinsurance counterparties.
- The company's liquidity position and conservative investment strategy.

On that basis, the Directors consider it appropriate to prepare the SFCR on a going concern basis. As such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

No other material information to report as of 31 December 2022.

Section E – Capital Management

E.1 Own Funds

E.1.1 Management of Own Funds

The Company has adopted a capital management policy setting out the methodology and procedures to provide oversight of the Company's own funds. The strategic objectives articulated in the capital management policy are (i) to ensure compliance with the Company's regulatory capital requirements, (ii) to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives as articulated in the Company's business plans; and (iii) to ensure access to capital markets on competitive terms, so that the Company's overall cost of capital is minimised. To achieve these objectives, the Company strives to maintain capital levels that are consistent with its risk appetite, corporate strategy and statutory minimum requirements, at both a point in time and on a forward-looking basis. The Company's time horizon for both business planning and capital planning spans five years.

The Company has adopted a capital management plan which is reviewed annually and sets out the methodology and procedures to provide oversight of the Company's own funds. The capital management plan articulates solvency capital thresholds, corrective actions to be taken if the thresholds are reached and potential sources of capital for the Company and their estimated timeframe of realisation.

High level roles and responsibilities in relation to capital management activities are outlined below.

- Board: Sole responsibility for approving the capital management policy and plan. Overall responsibility for monitoring capital management.
- Risk Committee: Reviews the capital management policy and plan and makes recommendations to the Board. Responsible for reviewing and monitoring the key capital management metrics and tolerances and presenting key capital management information to the Board on an ongoing basis.
- Audit Committee: Responsible for aligning the investment strategy with the capital management policy and plan and ensuring an appropriate level of funds are available to meet the Company's obligations.
- Finance Function: Responsible for producing the reports necessary for appropriate monitoring that the capital management policy is being followed and monitoring execution of the capital management plan.
- Actuarial Function: Responsible for maintaining the capital models, which amongst other things, produce the solvency capital requirement for the Company.
- Risk Management Function: Responsible for maintaining and developing the capital management policy and plan.

In the event that the ongoing monitoring indicates that Company's capital position is outside of risk appetite, corrective actions shall, as deemed appropriate, be taken. Proposed corrective actions shall be initiated by the Finance Function, after receiving approval from the Board on the appropriate corrective action to be taken.

The Company has identified management actions which would provide capital relief if required:

- Restricting line sizes/product redesign/repricing.
- Discontinue / Run off certain lines of business.
- Adjustment of investment strategy.

Estimated timeframe for realization of relief from the management actions is six months.

Other potential sources of capital which the Company has identified are:

- Additional capital sourced from Group through contributed capital, capital loan or additional reinsurance arrangements.
- Capital sourced from outside parties, e.g. merger, private equity.

Estimated timeframe for realization of relief from the potential sources of capital from the Group is 1 to 3 months. Estimated timeframe for realization of relief from outside parties is three months to one year.

There have been no material changes to capital management during 2022.

In addition to the Company's capital management plan and policy, AIEU have in place a Board approved Recovery Plan and Policy.

E.1.2 Classification of Own Funds

The following table shows the Company's Own Funds by Tier as at 31 December 2022 and 31 December 2021:

Own Funds		**Year ended 31/12/2022**	**Year ended 31/12/2021**
Tier	***Composition***	**€'000**	**€'000**
Tier 1	Paid in Capital	97,252	97,252
Tier 1	Reconciliation Reserve	20,712	(432)
Tier 1 subtotal before Deduction		117,964	96,820
Tier 1 Deduction (Capital Contribution)		–	–
Tier 1 Total		117,964	96,820
Tier 2 Total		–	–
Tier 3 Total		–	75
Total eligible own funds to meet the SCR		**117,964**	**96,895**
Total eligible own funds to meet the MCR		**117,964**	**96,820**

The Company's Own Funds consist of Tier 1 Own Funds comprised of paid-in capital and reconciliation reserve. The reconciliation reserve equals the excess of assets over liabilities less other own funds items as at the reporting date and represents retained earnings less adjustments from GAAP to Solvency II valuation.

E.1.3 Terms and Conditions of Own Funds

There is no restriction on the availability or the eligibility or transferability of the own funds.

E.1.4 Differences in Own Funds between Financial Statements and Solvency II Valuation

The difference between the equity shown in the Company's financial statements and the Solvency II eligible own funds arises due to (i) the valuation of technical provisions, (ii) the inclusion of a portion of the GAAP balances/receivables in the technical provisions, (iii) the ineligibility of the deferred acquisition costs, (iv) the adjustment to the deferred tax net asset and (v) the removal of the non-eligible own funds.

Differences in Own Funds between Financial Statements and Solvency II Valuation	Year ended 31/12/2022 €'000	Year ended 31/12/2021 €'000
Financial Statement Shareholders' Funds	**85,297**	**92,549**
Adjustments for Solvency II:		
Technical Provisions	26,906	9,455
Technical Provisions	769	(12,828)
Costs	9,638	8,340
Adjustment to deferred tax net asset	(4,648)	(621)
Excess of Assets over Liabilities	**117,962**	**96,895**
Solvency II Non-Eligible Own Funds	–	–
SCR	**117,962**	**96,895**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Calculation of SCR and MCR

In respect of the calculation of the SCR and MCR:

- The Company uses the Standard Formula
- Undertaking specific parameters are not used
- No capital add-ons are applied to the SCR figures
- The simplifications outlined in Articles 107, 108, 110, 111 and 112 Commission Delegated Regulation (EU) 2015/35 apply to the Counterparty default risk sub-module
- No simplifications have been used in the other risksub-modules
- The MCR is calculated based on the Linear MCR based on the net of reinsurance best estimate technical provisions and the net of reinsurance written premiums in the last 12 months. Then a floor of 25% of the SCR and a cap of 45% of the SCR is applied with an absolute floor of €4.0m also applied to derive the final MCR requirement

The SCR is €57.8m as at 31 December 2022 and is €51.5m as at 31 December 2021. A breakdown of SCR by risk category is set out in the following table:

SCR by Risk Category	Year ended 31/12/2022 €'000	Year ended 31/12/2021 €'000
Market risk	28,452	28,901
Counterparty default risk	10,957	7,790
Life underwriting risk	–	–
Health underwriting risk	479	483
Non-life underwriting risk	30,170	23,196
Diversification	(17,474)	(14,855)
Basic Solvency Capital Requirement	**52,585**	**45,514**
Operational Risk	13,444	11,293
taxes	(8,254)	(5,266)
Solvency Capital Requirement	**57,776**	**51,541**

The MCR is €14.4m as at 31 December 2022 and is €12.9m as at 31 December 2021. The following table shows the inputs used to calculate the MCR:

Inputs for MCR	Year ended 31/12/2022		Year ended 31/12/2021	
Line of Business	Net of Reinsurance Best Estimate €'000	Net of Reinsurance written premiums in last 12 months €'000	Net of Reinsurance Best Estimate €'000	Net of Reinsurance written premiums in last 12 months €'000
Income Protection	759	1,423	637	1,100
Motor Vehicle Liability	21,901	8,308	11,153	8,114
Other Motor	2,297	923	908	924
Marine, Aviation and Transport	2,556	5,447	1,891	3,630
Fire and Other Damage to Property	465	2,868	–	1,438
General Liability	27,142	19,339	32,636	16,779
Credit and Suretyship	–	1,658	–	1,561
Miscellaneous financial loss	1,941	–	–	564
Linear MCR	10,266		6,599	
SCR	57,776		41,630	
Combined MCR	14,444		10,408	
Absolute Floor of the MCR	4,000		3,700	
Minimum Capital Requirement	**14,444**		**10,408**	

The Company's SCR and MCR increased during 2022. The SCR for non-life underwriting risk, health underwriting risk, counterparty default risk and operational risk increased due to the higher level of premium written during the year compared to prior year.

The SCR for market risk increased compared to prior year due to the higher value of the investment portfolio as at 31 December 2022 compared to 31 December 2021. Favourable investment return and negative underwriting income contributed to the increased the value of the investment portfolio.

The loss-absorbing capacity of deferred taxes is higher as at 31 December 2022 relative to 31 December 2021, reflecting an increase in the expected profits, expected tax rate and premium written, in the business planning period, compared to prior year business plan.

E.2.2 SCR Ratio and MCR Ratio

The ratio of eligible own funds to SCR is 204% and the ratio of eligible own funds to MCR is 817% as at 31 December 2022. The ratio of eligible own funds to SCR is 188% and the ratio of eligible own funds to MCR is 751% as at 31 December 2021.

SCR ratio and MCR ratio	Year ended 31/12/2022 €'000	Year ended 31/12/2021 €'000
SCR	117,964	96,895
MCR	117,964	96,820
SCR	57,776	51,541
MCR	14,444	12,885
Ratio of eligible own funds to SCR	**204%**	**188%**
Ratio of eligible own funds to MCR	**817%**	**751%**

E.3 Use of the Duration-based Equity Risk Sub-module in the Calculation of the SCR

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

E.4 Differences between the Standard Formula and Any Internal Model Used

Not applicable.

E.5 Noncompliance with the MCR and Noncompliance with the SCR

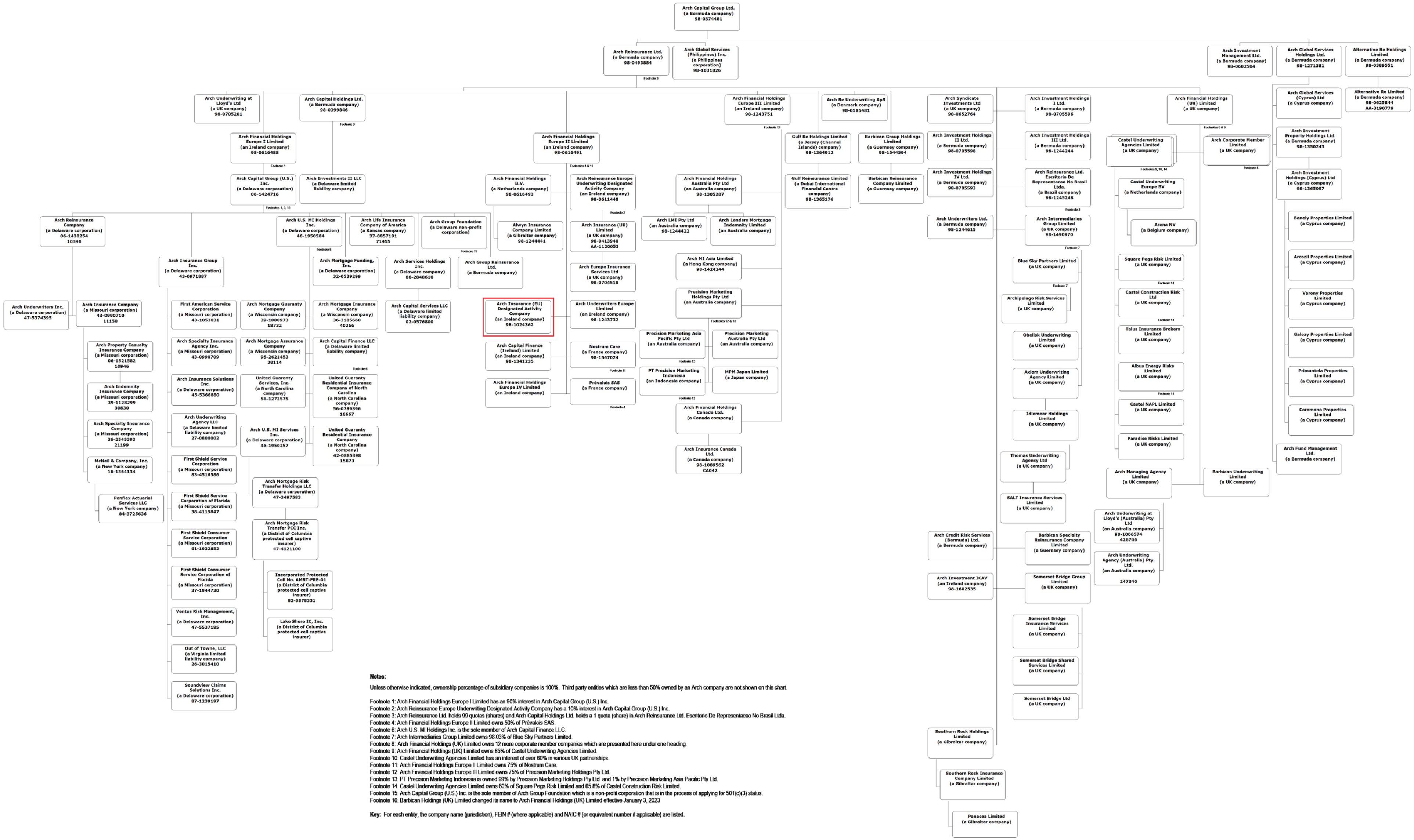
The Company complies with the Solvency Capital Requirement and Minimum Capital Requirement during 2022.

E.6 Any Other Information

No other material information to report as of 31 December 2022.

Appendix 1 – ACGL Organizational Chart

Date: 12/31/2022



Notes:

Unless otherwise indicated, ownership percentage of subsidiary companies is 100%. Third party entities which are less than 50% owned by an Arch company are not shown on this chart.

Footnote 1: Arch Financial Holdings Europe I Limited has an 90% interest in Arch Capital Group (U.S.) Inc.
Footnote 2: Arch Reinsurance Europe Underwriting Designated Activity Company has a 10% interest in Arch Capital Group (U.S.) Inc.
Footnote 3: Arch Reinsurance Ltd. holds 99 quotas (shares) and Arch Capital Holdings Ltd. holds a 1 quota (share) in Arch Reinsurance Ltd. Escritorio De Representacao No Brasil Ltda.
Footnote 4: Arch Financial Holdings Europe II Limited owns 50% of Prévalois SAS.
Footnote 6: Arch U.S. MI Holdings Inc. is the sole member of Arch Capital Finance LLC.
Footnote 7: Arch Intermediaries Group Limited owns 98.03% of Blue Sky Partners Limited.
Footnote 8: Arch Financial Holdings (UK) Limited owns 12 more corporate member companies which are presented here under one heading.
Footnote 9: Arch Financial Holdings (UK) Limited owns 85% of Castel Underwriting Agencies Limited.
Footnote 10: Castel Underwriting Agencies Limited has an interest of over 60% in various UK partnerships.
Footnote 11: Arch Financial Holdings Europe II Limited owns 75% of Nostrum Care.
Footnote 12: Arch Financial Holdings Europe III Limited owns 75% of Precision Marketing Holdings Pty Ltd.
Footnote 13: PT Precision Marketing Indonesia is owned 99% by Precision Marketing Holdings Pty Ltd and 1% by Precision Marketing Asia Pacific Pty Ltd.
Footnote 14: Castel Underwriting Agencies Limited owns 60% of Square Pegs Risk Limited and 65.8% of Castel Construction Risk Limited.
Footnote 15: Arch Capital Group (U.S.) Inc. is the sole member of Arch Group Foundation which is a non-profit corporation that is in the process of applying for 501(c)(3) status.
Footnote 16: Barbican Holdings (UK) Limited changed its name to Arch Financial Holdings (UK) Limited effective January 3, 2023

Key: For each entity, the company name (jurisdiction), FEIN # (where applicable) and NAIC # (or equivalent number if applicable) are listed.

Appendix 2 – Quantitative Reporting Templates

S.02.01.02 Balance Sheet (€'000)

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	47
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	128,168
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	127,829
Government Bonds	**R0140**	51,693
Corporate Bonds	**R0150**	75,517
Structured notes	**R0160**	
Collateralised securities	**R0170**	618
Collective Investments Undertakings	**R0180**	339
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	294,577
Non-life and health similar to non-life	**R0280**	294,577
Non-life excluding health	**R0290**	290,387
Health similar to non-life	**R0300**	4,190
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	9,698
Insurance and intermediaries receivables	**R0360**	9,755
Reinsurance receivables	**R0370**	22,931
Receivables (trade, not insurance)	**R0380**	3
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	20,861
Any other assets, not elsewhere shown	**R0420**	14,751
Total assets	**R0500**	500,792

		Solvency II value
Liabilities		**C0010**
Technical provisions –non-life	**R0510**	338,381
Technical provisions – non-life (excluding health)	**R0520**	333,372
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	327,164
Risk margin	**R0550**	6,207
Technical provisions - health (similar to non-life)	**R0560**	5,009
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	4,949
Risk margin	**R0590**	60
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	401
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	15,080
Reinsurance payables	**R0830**	15,020
Payables (trade, not insurance)	**R0840**	9,237
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	125
Total liabilities	**R0900**	382,828
Excess of assets over liabilities	**R1000**	117,964

S.05.01.02 Premiums, Claims and Expenses by Line of Business (€'000)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								Total
		Income protection 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	Miscellaneous financial loss	
		C0020	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0120**	**C0200**
Premiums written										
Gross - Direct Business	**R0110**	9,623	60,072	6,675	41,019	27,171	136,010	13,092	4,033	297,695
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	8,201	51,764	5,752	35,572	24,309	116,665	11,434	5,841	259,537
Net	**R0200**	1,423	8,308	923	5,447	2,862	19,345	1,658	(1,808)	38,158
Premiums earned										
Gross - Direct Business	**R0210**	8,991	66,414	7,379	32,679	21,451	131,311	14,952	3,929	287,107
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	7,660	57,656	6,406	28,227	18,954	112,756	13,189	5,205	250,054
Net	**R0300**	1,331	8,758	973	4,452	2,497	18,555	1,763	(1,276)	37,053
Claims incurred										
Gross - Direct Business	**R0310**	2,888	39,297	4,366	16,051	9,588	87,855	(2,816)	2,283	159,513
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	2,457	34,371	3,819	13,717	8,612	76,313	(2,588)	2,254	138,955
Net	**R0400**	431	4,926	547	2,335	976	11,542	(228)	29	20,558
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**	941	2,377	264	1,905	542	13,755	996	(505)	20,276
Other expenses	**R1200**									
Total expenses	**R1300**									20,276

S.05.02.01 Premiums, Claims and Expenses by Country (€'000)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life					Total Top 5 and home
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		DK	FR	DE	IT	GB	
		C0080						C0140
Premiums written								
Gross - Direct Business	**R0110**	59,267	14,379	13,074	6,372	65,155	123,258	281,505
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance	**R0130**							
Reinsurers' share	**R0140**	63,057	12,424	1,911	5,659	56,239	106,530	245,820
Net	**R0200**	(3,790)	1,955	11,163	712	8,916	16,729	35,685
Premiums earned								
Gross - Direct Business	**R0210**	65,758	12,431	12,797	6,045	58,306	113,826	269,164
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance	**R0230**							
Reinsurers' share	**R0240**	67,940	10,715	2,259	5,381	50,232	98,050	234,578
Net	**R0300**	(2,182)	1,716	10,538	664	8,074	15,776	34,586
Claims incurred								
Gross - Direct Business	**R0310**	38,415	7,147	8,070	(1,503)	26,577	78,842	157,549
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance	**R0330**							
Reinsurers' share	**R0340**	34,052	6,100	6,859	(1,404)	22,682	67,289	135,578
Net	**R0400**	4,363	1,047	1,212	(99)	3,895	11,553	21,971
Changes in other technical provisions								
Gross - Direct Business	**R0410**							
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance	**R0430**							
Reinsurers' share	**R0440**							
Net	**R0500**							
Expenses incurred	**R0550**	(742)	1,160	2,931	369	5,690	9,875	19,284
Other expenses	**R1200**							
Total expenses	**R1300**							19,284

S.17.01.02 Non-Life Technical Provisions (€'000)

		Direct business and accepted proportional reinsurance								
		Income protection 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	Miscellaneous financial loss	Total Non-Life obligation
		C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0130	C0180
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	356	2,256	269	-1,119	-8,375	11,386	-68,862	-57	-64,146
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	240	-5,076	-546	-1,487	-7,762	9,530	-47,261	-1,951	-54,313
Net Best Estimate of Premium Provisions	**R0150**	116	7,345	816	368	-613	1,865	-21,600	1,895	-9,808
Claims provisions										
Gross	**R0160**	4,593	104,731	11,677	15,370	10,658	234,334	14,171	725	396,259
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	3,950	90,232	10,201	13,184	9,583	209,109	12,096	679	349,034
Net Best Estimate of Claims Provisions	**R0250**	643	14,556	1,481	2,188	1,078	25,277	2,075	46	47,344
Total Best estimate - gross	**R0260**	4,949	106,987	11,946	14,250	2,282	245,721	-54,690	668	332,113
Total Best estimate - net	**R0270**	759	21,901	2,297	2,556	465	27,142	-19,525	1,941	37,536
Risk margin	**R0280**	60	657	65	976	394	2,177	1,913	26	6,268
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									
Technical provisions - total										
Technical provisions - total	**R0320**	5,009	107,644	12,011	15,226	2,676	247,898	-52,777	694	338,381
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	4,190	85,086	9,649	11,694	1,818	218,579	-35,165	-1,273	294,577
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	819	22,558	2,362	3,532	859	29,319	-17,612	1,967	43,803

S.19.01.21 Non-Life Insurance Claims Information (€'000)

Annex I

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	2

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		Development year													
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											11,141	R0100	11,141	11,141
N-9	R0160	595	2,404	4,600	3,580	3,784	3,491	2,851	0	1,226	879		R0160	879	23,409
N-8	R0170	226	4,034	4,218	2,392	2,040	865	0	1,118	578			R0170	578	15,472
N-7	R0180	681	2,299	2,530	3,767	4,785	0	5,680	4,577				R0180	4,577	24,319
N-6	R0190	19	1,986	1,918	704	46	1,462	2,000					R0190	2,000	8,135
N-5	R0200	14	3,577	2,442	75	2,928	2,775						R0200	2,775	11,812
N-4	R0210	3,071	5,346	54	4,032	2,511							R0210	2,511	15,015
N-3	R0220	2,645	11,990	16,248	9,296								R0220	9,296	40,180
N-2	R0230	4,300	13,365	14,506									R0230	14,506	32,170
N-1	R0240	7,761	15,802										R0240	15,802	23,564
N	R0250	5,386											R0250	5,386	5,386
													R0260	69,451	210,602

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year													
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											25,230	R0100	23,097
N-9	R0160	0	0	0	26,596	19,567	20,396	19,001	10,631	9,495	8,565		R0160	7,841
N-8	R0170	0	0	24,335	20,545	19,271	17,202	10,285	10,468	9,769			R0170	8,947
N-7	R0180	0	28,412	36,150	32,966	25,434	22,487	19,331	16,506				R0180	15,149
N-6	R0190	14,301	22,288	17,368	17,034	17,044	18,786	16,085					R0190	14,844
N-5	R0200	8,839	23,758	22,738	21,838	17,920	15,663						R0200	14,505
N-4	R0210	7,784	23,996	33,626	33,240	28,346							R0210	26,708
N-3	R0220	19,161	83,497	82,691	67,807								R0220	63,594
N-2	R0230	28,524	97,153	89,124									R0230	82,938
N-1	R0240	31,731	107,117										R0240	98,477
N	R0250	43,323											R0250	40,158
													R0260	396,259

S.23.01.01 Own Funds (€'000)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	97,252	97,252			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	0	0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	20,712	20,712			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	117,964	117,964	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390	0				

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400				0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	117,964	117,964	0	0	0
Total available own funds to meet the MCR	R0510	117,964	117,964	0	0	
Total eligible own funds to meet the SCR	R0540	117,964	117,964	0	0	0
Total eligible own funds to meet the MCR	R0550	117,964	117,964	0	0	
SCR	R0580	57776				
MCR	R0600	14444				
Ratio of Eligible own funds to SCR	R0620	2.04				
Ratio of Eligible own funds to MCR	R0640	8.17				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	117,964
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	97,252
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	20,712
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	29,303
Total Expected profits included in future premiums (EPIFP)	R0790	29,303

S.25.01.21 Solvency Capital Requirement – for Undertakings on Standard Formula (€'000)

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	28,452		
Counterparty default risk	**R0020**	10,957		
Life underwriting risk	**R0030**	0	None	
Health underwriting risk	**R0040**	479	None	
Non-life underwriting risk	**R0050**	30,170	None	
Diversification	**R0060**	(17,474)		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	52,585		

Calculation of Solvency Capital Requirement		C0100
Operational risk	**R0130**	13,444
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	(8,254)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	57,776
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	57,776
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment Portfolios	**R0430**	
Diversification effects due to RFF SCR aggregation for article 304	**R0440**	

Approach to tax rate		Yes/No
		C0109
Approach based on average tax rate	**R0590**	1

Calculation of loss absorbing capacity of deferred taxes		LAC DT
		C0130
LAC DT	**R0640**	(8,254)
LAC DT justified by reversion of deferred tax liabilities	**R0650**	0
LAC DT justified by reference to probable future taxable profit	**R0660**	0
LAC DT justified by carry back, current year	**R0670**	
LAC DT justified by carry back, future years	**R0680**	
Maximum LAC DT	**R0690**	

S.28.01.01 Minimum Capital Requirement – Only Life or Only Non-Life or Reinsurance Activity (€'000)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	10,266

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	759	1,423
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	21,901	8,308
Other motor insurance and proportional reinsurance	R0060	2,297	923
Marine, aviation and transport insurance and proportional reinsurance	R0070	2,556	5,447
Fire and other damage to property insurance and proportional reinsurance	R0080	465	2,868
General liability insurance and proportional reinsurance	R0090	27,142	19,339
Credit and suretyship insurance and proportional reinsurance	R0100	–	1,658
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,941	–
Non-proportional health reinsurance	R0140		
Non-proportional casualtyreinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

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

obligations

Overall MCR calculation

		C0070
Linear MCR SCR	R0300	10,266
MCR cap MCR floor	R0310	57,776
Combined MCR	R0320	25,999
Absolute floor of the MCR	R0330	14,444
	R0340	14,444
Minimum Capital Requirement	R0350	4,000
		C0070
	R0400	14,444