2021 Solvency and Financial Condition Report

Arch Insurance (EU) dac
5th April 2022

2021 Solvency and Financial Condition Report

Contents

Summary

Arch Insurance (EU) dac ("AIEU" or the "Company") is an Irish regulated insurance entity authorized 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.

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") Branches in both Italy and Denmark, and a 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 will make an application during 2022 for the approval of a Third Country branch. The TPR and ultimately the Third Country branch allow the Company to mitigate the impact of Brexit on its existing FOE operations in the UK.

During 2021 the Company wrote gross premium income of €268.6m (2020: €215.4m). During 2021 the Company reported a pre-tax profit of €7.5m (2020: pre-tax loss of €3.7m). The increase in pre-tax profit in 2021 relative to 2020 is due to an improvement in net underwriting result and an improvement in net investment return. Net underwriting result in 2021 was a profit of €2.2m (2020: loss of €1.9m). Net investment return in 2021 was a profit of €5.2m (2020: loss of €1.8m). The growth experienced in 2021 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 impact of the COVID-19 global pandemic has been an evolving situation since late 2019 with a significant number of cases globally. Measures taken to contain the virus have significantly affected economic activity. The pandemic increases the potential for losses for insurance companies arising from their investment portfolio and from their insurance liabilities. Throughout the pandemic, AIEU's operations have been resilient in all respects. The Company has been able to effectively respond to the pandemic while continuing to serve our customers without business interruption.

During 2020, the Company booked additional GAAP loss reserves related to potential claims from COVID-19, from the Company's portfolio of mortgage insurance and liability insurance business. These additional GAAP loss reserves were released in 2021, to reflect the minimal impact of COVID-19 to the business lines written by the Company.

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 ARL, the level of which was set at 85% as at 31 December 2021. ARL is a Bermuda domiciled company which is a wholly owned subsidiary of ACGL. ARL had $14.8 billion of capital, comprised of shareholders' equity as at 31 December 2021 (2020: $14.4 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; and
- 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) and periodic evaluation by Internal Audit (3rd line). 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; and
- 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 ongoing global pandemic has resulted in the Company's offices being primarily or completely closed for 2021, with all staff, with a few exceptions, working from home. The Company's information technology and systems performed in line with expectations per our business resiliency and business continuity planning with no adverse impact on either productivity or performance because of this transition to home working.

The Company's investment portfolio, which is primarily comprised of highly rated liquid fixed income securities, the majority of which are either government or supranational bonds, was not impacted by the emergence of the pandemic in terms of events such as valuation impairment default. Government bond valuations were however impacted by the macro-economic actions by a variety of governments, such as quantitative easing and interest rate policy, taken in response to the pandemic. The Company's investment manager's deployed strategies (such as country weighting and/or duration stance) responded well to those events. In addition, no reinsurance recoverability or impairment issues have arisen during 2021 and the overall credit quality of outstanding balances consistently remained above the Company's risk tolerance.

The Company's liquidity also remained strong throughout 2021 with no adverse impact resulting in delays in premium collections or claims settlements. Overall liquidity remained in line with the Company's liquidity risk tolerance limit.

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 Principles ("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' 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; and
- 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 2021 was 188% with Eligible Own Funds to meet the SCR of €96.9m and a Solvency Capital Requirement of €51.5m. 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 and 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

Insurance Supervisor
Central Bank of Ireland
PO Box 559
Dublin 1, Ireland

Arch Group Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM 12 Bermuda

A.1.3 External Auditor

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1, Ireland

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

Arch Financial Holdings Europe II Limited, a private company limited by shares and incorporated in Ireland, owns 100% of the equity share capital of the 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 2021 and year to 31 December 2020:

Gross Written Premiums	2021 €'000	2021 % of Total	2020 €'000	2020 % of Total
Gross written premiums - line of business				
Income protection	7,473	3%	5,393	3%
Motor vehicle liability	77,720	29%	76,765	36%
Other motor	8,636	3%	8,529	4%
Marine, aviation and transport	23,471	9%	16,291	8%
Fire and other damage to property	16,600	6%	14,597	7%
General liability	117,987	44%	82,076	38%
Credit and suretyship	13,003	5%	8,589	4%
Miscellaneous financial loss	3,696	1%	3,200	1%
Total	**268,586**	**100%**	**215,441**	**100%**
Gross written premiums - by geographic location of risk				
Ireland	86,602	32%	89,886	42%
Denmark	37,509	14%	27,632	13%
Italy	50,102	19%	33,122	15%
Other Europe	93,752	35%	64,800	30%
Other Non-Europe	621	0%	-	0%
Total	**268,586**	**100%**	**215,441**	**100%**

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

A.1.7 Significant Business or Other Events

The events related to the recent Russian invasion of Ukraine have resulted in economic, financial, sectoral, and other targeted sanctions issued by governments and regulatory bodies in the U.S., U.K., European Union and other countries. The Company is closely monitoring it's underwriting and investment portfolios considering these new sanctions, evaluate its related exposure, as well as the possible impact on the global economy and financial markets. While the impact on the business remains uncertain, the Company is actively monitoring holdings and valuation of its investments, incurred losses, and premium volume, all of which are potentially impacted by the increased volatility and uncertainty. Due to the recentness of these events, if is too early to fully estimate the effects of these matters on our prospective results of operations or financial condition. We have no direct investments in Russia nor Ukraine nor do we have direct exposures that are substantive. The actions outlined herein are being fully co-ordinated with the Company's ultimate Parent ACGL and its subsidiaries.

A.2 Underwriting Performance

Since the Company prepares its financial statements in accordance with Generally Accepted Accounting Principles ("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') 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 2021 and year ended 31 December 2020:

Underwriting Performance	2021 €'000	%	2020 €'000	%
Gross written premiums	268,586		215,441	
Net written premiums	228,327		189,881	
Net earned premiums	212,312		151,412	
Net claims incurred	(122,933)	57.9	(99,506)	65.7
Net acquisition expenses	(55,161)	26.0	(37,140)	24.5
Operating expenses	(17,619)	8.3	(14,699)	9.7
Net underwriting result before Intra-Group reinsurance	**16,599**	**92.2**	**67**	**100.0**
Intra-Group reinsurance [1]	(14,383)		(1,959)	
Underwriting income loss	**2,216**		**(1,892)**	
Net investment return	5,250		(1,758)	
Profit / (Loss) before taxation	7,465		(3,650)	
Tax on profit / (loss) on ordinary activities	(457)		(7)	
Profit / (Loss) after taxation	**7,008**		**(3,657)**	

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 2021 and year ended 2020:

Line of business	2021 €'000 Gross Written Premiums	2021 €'000 Underwriting Income (Loss)	2020 €'000 Gross Written Premiums	2020 €'000 Underwriting Income (Loss)
Income protection	7,473	913	5,393	(68)
Motor vehicle liability	77,720	553	76,765	70
Other motor	8,636	61	8,529	8
Marine, aviation and transport	23,471	873	16,291	(206)
Fire and other damage to property	16,600	1,229	14,597	(185)
General liability	117,987	(2,721)	82,076	(1,038)
Credit and suretyship	13,003	1,250	8,589	(476)
Miscellaneous financial loss	3,696	58	3,200	3
Total	**268,586**	**2,216**	**215,441**	**(1,892)**

During 2021 the Company wrote gross premium of €268.6m (2020: €215.4m). During 2021 the Company reported a pre-tax profit of €7.5m (2020: pre-tax loss of €3.7m). The increase in pre-tax profit in 2021 relative to 2020 is due to an improvement in net underwriting result and an improvement in net investment return. Net underwriting result in 2021 was a profit of €2.2m (2020: loss of €1.9m). Net investment return in 2021 was a profit of €5.2m (2020: loss of €1.8m). 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 57.9% in 2021 (2020: 65.7%). The acquisition cost ratio prior to intra-Group reinsurance (net acquisition costs divided by net earned premium) was 26.0% in 2021 (2020: 24.5%). The operating expense ratio prior to intra-Group reinsurance (operating expense divided by net earned premium) was 8.3% in 2021 (2020: 9.7%). Net operating expenses were €17.6m in 2021 (2020: €14.7m). Net underwriting result prior to intra-Group reinsurance in 2021 was a profit of €16.6m (2020: a profit of €0.1m).

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 Limited ("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 2021 was a profit of €2.2m (2020: loss of €1.9m).

During 2020, the Company booked additional GAAP loss reserves related to potential claims from COVID-19, from the Company's portfolio of mortgage insurance and liability insurance business. These additional GAAP loss reserves were released in 2021, to reflect the minimal impact of COVID-19 to the business lines written by the Company.

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 2021 and at year ended 31 December 2020.

Invested Assets	**2021 €'000**	**2021 % of Total**	**2020 €'000**	**2020 % of Total**
Bonds				
Government Bonds	50,861	38%	24,545	20%
Corporate Bonds	58,484	43%	67,466	55%
Asset Backed Securities	726	1%	679	1%
Subtotal	110,070	81%	92,690	76%
Short term investments				
Money Market Funds	13,076	10%	547	0%
Deposits at Banks	12,457	9%	29,485	24%
Subtotal	25,533	19%	30,031	24%
Total	**135,603**	**100%**	**122,721**	**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 2021 and year ended 31 December 2020.

Investment Return	**2021 €'000**	**2020 €'000**
Investment income		
Interest income	1,141	1,570
Investment return		
Foreign exchange gains / (losses) on investments	7,265	(5,849)
Unrealised gains / (losses) on investments	(3,108)	2,167
Realised gains / (losses) on investments	310	512
Total investment income and investment return	**5,608**	**(1,600)**
Investment expenses and charges	**(358)**	**(158)**
Net investment return	**5,250**	**(1,758)**

During 2021 the Company had net investment profit of €5.2m. Prior year net investment return was a loss of €1.8m. Hence, net investment return was €7.0m higher in 2021 than 2020 primarily due to higher foreign exchange gains which was partially offset by lower unrealized gains and realized gains (“FXGL, URGL and RGL”). FXGL, URGL and RGL for 2021 was a profit of €4.5m which is €7.6m higher than prior year FXGL, URGL and RGL for 2020 of a loss of €3.2m.

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 2021.

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 impact rated entity under the Central Bank of Ireland's PRISM rating framework and is subject to the CBI's Corporate Governance Requirements for Insurance Undertakings 2015 (the "Code").

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 2021 was as follows:

- Anthony Asquith — INED (Risk Committee Chair, Audit Committee member)
- Ian Britchfield — INED (Board Chair, Risk Committee member)
- Seamus Fearon — NED (Risk Committee member)
- Michael Hammer — NED
- 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 Code, 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; and
- 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, and
    - 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, and
    - 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 Code. 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 Code;
- 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; and
- 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, and
    - 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; and
- 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; and
- 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.6)
- 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 2021.

- H. Beau Franklin resigned as Director effective on 17th December 2021.
- Seamus Fearon was appointed as Director effective 17th December 2021.

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.

B.2.2 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;
- 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;
- 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; and
- 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.

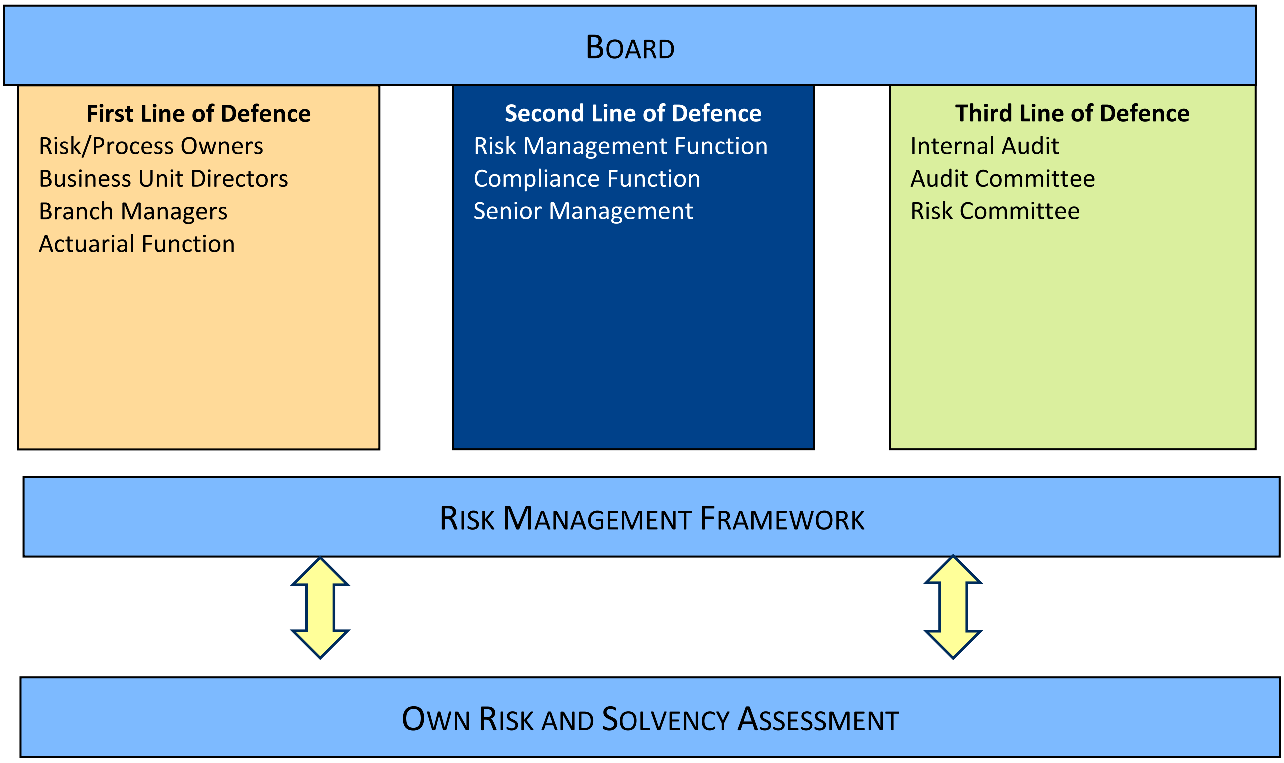
The following narrative provides an overview of the Risk Management Framework, which sets out the Company's methodology for identifying, measuring, managing and reporting on the key risks affecting the Company. It outlines the Company's approach to risk identification and assessment and provides an overview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

- Underwriting risk;
- Market risk;
- Counterparty credit risk; and
- 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; and
- 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; and
- 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 all the stakeholders**

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.

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 Charter ("Compliance Charter") and a Compliance Plan. Both have to be reviewed on an annual basis.
The Compliance Charter 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; and
- 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; and
- 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; and
- 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. 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 Charter 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 Arch Capital Services LLC ("ACS") Internal Audit services function ("IA") is to provide independent, objective assurance and consulting services designed to add value and improve ACGL and its subsidiaries' (including AIEU) operations. The Company has a Head of Internal Audit (PCF-13) who is employed by Arch Europe Insurance Services Ltd. ("AEIS"). As such, it is deemed by the Company that the internal audit function is effectively outsourced to ACS and AEIS.

IA governs itself by adherence to the mandatory elements of The Institute of Internal Auditors ("IIA") International Professional Practices Framework, including the core principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

An Annual Internal Audit Plan ("Audit Plan") is produced and submitted to the Company's Audit Committee prior to the start of the year to which the Audit Plan pertains. The Plan takes into consideration management's view of key and emerging risks, as well as IA's assessment of the Company's key and emerging risks and related controls and their linkage to historical and planned audits.

The CAE/ Head of IA also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. IA may perform advisory and related client service activities, the nature and scope of which will be agreed with management, provided IA does not assume management responsibility.

IA maintains a comprehensive Charter which outlines key IA practices.

B.5.1 Maintenance of Independence

The CAE/ Head of IA will 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/ Head of IA determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the 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; and
- 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.6 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; and
- Contribute to the effective implementation of the risk management system
- Provide an Actuarial Opinion on Technical Provisions;
- Provide Actuarial Report on Technical Provisions; and
- 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.7 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; and
- 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 functions (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	Accounting Services	Gibraltar
Third Party	Underwriting Delegated Authority	Ireland, UK, Italy, Denmark, France, Spain, Germany, Netherlands, Malta, Cyprus
Third Party	Claims Handling Services	Ireland, UK, Italy, Denmark, France, Spain, Germany, Netherlands, Malta, Cyprus, Belgium

B.8 Any other information

No other material information to report as of 31 December 2021.

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 2021.

Risk Category	Description	Allocated % of Undiversified SCR at 31/12/2021
Underwriting Risk	Risk of losses from business already written or planned to be written over the next year	33.0%
Market Risk	Risk of losses from market movements, including exchange rates and investment returns	40.3%
Credit Risk	Risk of losses from counterparty defaults, including reinsurers and other counterparties	10.9%
Operational Risk	Risk of operational losses	15.8%

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; and
- 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; and
- 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; and
- 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; and
- 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; and,
- 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; and
- 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 December 31, 2021, 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 2021, the expected profit in future premium is €16.3m. 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 2021:

Line of business	Expected Profit in Future Premium €'000
Income protection	1,159
Motor vehicle liability	1,048
Other motor	111
Marine, aviation and transport	1,248
Fire and other damage to property	2,959

General liability	2,587
Credit and suretyship	5,987
Miscellaneous financial loss	167
Total (profitable Lines of Business)	**15,266**

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.

A number of other risks are considered to be relevant for the Company, namely group risk, strategic risk, reputational risk and regulatory risk. These risks have not been quantified but are included within the Own Risk and Solvency Assessment.

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

During 2021 the COVID-19 pandemic continued to cause significant disruption in the global economy and resulted in the Company's offices being primarily or completely closed throughout 2021 with all staff, with a few exceptions, working from home. The Company's information technology and systems performed in line with expectations per our business resiliency and business continuity planning with no adverse impact on either productivity or performance because of this transition to home working.

The Company's investment portfolio, which is primarily comprised of highly rated liquid fixed income securities the majority of which are either government or supranational bonds, was not impacted by the emergence of the pandemic in terms of events such as valuation impairment default. Government bond valuations were however impacted by the macro-economic actions by a variety of governments, such as quantitative easing and interest rate policy, taken in response to the pandemic. The Company's investment manager's deployed strategies (such as country weighting and/or duration stance) responded well to those events. In addition, no reinsurance recoverability or impairments have arisen during 2021 and the overall credit quality of outstanding balances consistently remained above the Company's risk tolerance.

The Company's liquidity also remained strong throughout 2021 with no adverse impact resulting from delays in premium collections or accelerated claims settlements. Overall liquidity remained in line with the Company's liquidity risk tolerance limit.

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 2021 and as at 31 December 2020 under Solvency II and Irish GAAP.

Assets	Year ended 31/12/2021		Year ended 31/12/2020	
	Solvency II	Irish GAAP	Solvency II	Irish GAAP
	€'000	€'000	€'000	€'000
Deferred Tax Asset	75	696	0	209
Deferred Acquisition Costs	0	32,072	0	25,690
Investments	123,146	123,145	111,676	111,676
Cash and Cash Equivalents	12,457	12,457	11,045	11,045
Insurance and Intermediaries Receivable	8,326	70,996	3,439	49,303
Reinsurance Balances Receivable	20,383	20,383	36,636	22,517
Deposits to Cedants	7,771	7,771	8,001	8,001
Other Assets and non-insurance receivables	10,615	10,615	1,650	1,650
Reinsurer's Share of Technical Provisions	321,803	462,364	267,820	371,286
Total assets	**505,576**	**740,499**	**440,268**	**601,377**

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 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	10,348	7,335	3,012
Fire and other damage to property	8,299	(13,050)	1,487	(3,264)	(4,474)	1,211
General liability	210,594	25,960	2,689	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**	**9,425**	**7,351**	**373,136**	**322,803**	**50,333**

The following table sets out the Solvency II technical provisions as at 31 December 2020:

Solvency II Technical Provisions (€'000) as at 31 December 2020

Solvency II Line of Business	Claims Provisions	Premium Provisions	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance contracts	Net Technical Provisions
Income protection	5,608	(334)	103	5,377	4,097	1,280
Motor vehicle liability	53,007	15,275	916	69,198	62,533	6,665
Other motor	5,889	1,693	79	7,661	6,898	763
Marine, aviation and transport	5,165	(9,068)	659	(3,244)	(4,156)	912
Fire and other damage to property	5,992	(3,563)	670	3,098	2,132	966
General liability	175,911	27,866	1,890	205,668	177,526	28,143
Credit and suretyship	15,856	292	592	16,740	17,877	(1,137)
Miscellaneous financial loss	430	383	62	875	914	(39)
Total	**267,858**	**32,544**	**4,971**	**305,373**	**267,820**	**37,553**

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; and
- 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 2021 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 €440.4m to €506.5m, which is an increase of 15%:

As at 31 December 2021	Company Held €'000	Stress Case €'000	Variance €'000
Gross Technical Provisions	373,136	441,936	68,801
Net Technical Provisions	50,333	59,206	8,873

The above results of sensitivity testing should be considered in the context of the Company's solvency profile. As at December 31st 2021, the Company's SCR was €51.5m, against which it held eligible own funds to meet the SCR of €96.9m, equating to SCR coverage of 188%.

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"; and
- 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 2021 and as at 31 December 2020:

Technical Provisions Irish GAAP basis and Solvency II basis	Year ended 31/12/2021 Gross €'000	 Ceded €'000	 Net €'000	 Gross €'000	 Ceded €'000	Year ended 31/12/2020 Net €'000
Best Estimate Claims Provisions	356,360	308,287	48,073	267,858	234,761	33,097
Best Estimate Premium Provisions	9,425	14,516	(5,092)	32,544	33,059	(515)
Best Estimate Liability	**365,784**	**322,803**	**41,981**	**300,402**	**267,820**	**32,582**
Risk Margin	7,351		7,351	4,971		4,971
Technical Provisions	**373,136**	**322,803**	**50,333**	**305,373**	**267,820**	**37,553**
GAAP Reserves (Losses and ALAE)	**379,909**	**338,486**	**41,423**	**293,285**	**263,633**	**29,651**
Remove Margins	(38,429)	(35,150)	(3,280)	(38,085)	(34,955)	(3,130)
Allowance for ENID	4,796	4,234	561	3,783	3,370	412
Change of Expense Basis	9,160	-	9,160	5,722	-	5,722
Adjustment for Counterparty Default	-	(96)	96	-	(49)	49
Discounting Impact	925	813	112	3,153	2,761	392
Solvency II Claims Provisions	**356,360**	**308,287**	**48,073**	**267,858**	**234,761**	**33,097**
GAAP Reserves (Unearned Premium)	**142,242**	**123,879**	**18,363**	**123,160**	**107,652**	**15,508**
Remove Unearned Premium Reserve	(142,242)	(123,879)	(18,363)	(123,160)	(107,652)	(15,508)
Future Premium	(111,126)	(93,254)	(17,873)	(84,069)	(66,454)	(17,615)
Future Acquisition Costs	23,313	25,629	(2,316)	16,722	17,428	(706)
Future Losses and ALAE	88,889	77,649	11,240	87,064	75,528	11,536
Allowance for ENID	5,268	4,576	692	6,269	5,420	848
Change of Expense Basis	3,180	-	3,180	5,199	-	5,199
Adjustment for Counterparty Default	-	(22)	22	-	(20)	20
Discounting Impact	(99)	(63)	(36)	1,360	1,157	204
Solvency II Premium Provisions	**9,425**	**14,516**	**(5,092)**	**32,544**	**33,059**	**(515)**

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 2021 and as at 31 December 2020 under Solvency II and Irish GAAP.

Liabilities	Year ended 31/12/2021		Year ended 31/12/2020	
	Solvency II	Irish GAAP	Solvency II	Irish GAAP
	€'000	€'000	€'000	€'000
Deferred Tax Liability	0	0	159	0
Deferred Ceding Commission	467	40,412	0	33,297
Reinsurance payables	17,315	67,157	39,215	58,687
Insurance and intermediaries payables	4,986	4,986	2,837	2,837
Deposits from reinsurers	192	192	183	183
Other liabilities and non-insurance payables	12,585	13,052	4,388	4,388
Technical Provisions	373,136	522,151	305,373	416,444
Total liabilities	**408,681**	**647,950**	**352,155**	**515,836**

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 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/Group'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; and
- 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 2021.

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.
- Risk Management Function: Responsible for maintaining and developing the capital management policy and plan. Responsible for maintaining the SCR and MCR calculations.

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 2021.

In addition to the Company's capital management plan and policy, AIEU have in place a Recovery Plan and Policy. 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 2021.

E.1.2 Classification of Own Funds

The following table shows the Company's Own Funds by Tier as at 31 December 2021 and 31 December 2020:

Own Funds ***Tier***	***Composition***	**Year ended 31/12/2021 €'000**	**Year ended 31/12/2020 €'000**
Tier 1	Paid in Capital	97,252	97,252
Tier 1	Reconciliation Reserve	(432)	(9,139)
Tier 1 subtotal before Deduction		96,820	88,113
Tier 1 Deduction (Capital Contribution)		0	0
Tier 1 Total		96,820	88,113
Tier 2 Total		0	0
Tier 3 Total		0	0
Total eligible own funds to meet the SCR		**96,895**	**88,113**
Total eligible own funds to meet the MCR		**96,820**	**88,113**

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 31/12/2021 €'000**	**Year ended 31/12/2020 €'000**
Financial Statement Shareholders' Funds	**92,549**	**85,541**
Adjustments for Solvency II:		
Difference in valuation of net Technical Provisions	9,454	7,605
Balances / Receivables included in Technical Provisions	(12,828)	(12,273)
Removal of net Deferred Acquisition Costs	8,340	7,607
Adjustment to deferred tax net asset	(621)	(367)
Excess of Assets over Liabilities	**96,894**	**88,113**
Solvency II Non-Eligible Own Funds	-	-
Total eligible own funds to meet the SCR	**96,894**	**88,113**

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 risk sub-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 €3.7m also applied to derive the final MCR requirement.

The SCR is €51.5m as at 31 December 2021 and is €41.6m as at 31 December 2020. A breakdown of SCR by risk category is set out in the following table:

The MCR is €12.9m as at 31 December 2021 and is €10.4m as at 31 December 2020. The following table shows the inputs used to calculate the MCR:

Inputs for MCR	**Year ended 31/12/2021**		**Year ended 31/12/2020**	
	Net of Reinsurance Best Estimate	**Net of Reinsurance written premiums in last 12 months**	**Net of Reinsurance Best Estimate**	**Net of Reinsurance written premiums in last 12 months**
Line of Business	**€'000**	**€'000**	**€'000**	**€'000**
Income Protection	637	1,100	1,178	794
Motor Vehicle Liability	11,153	8,114	5,749	9,469
Other Motor	908	924	684	1,052
Marine, Aviation and Transport	1,891	3,630	253	2,379
Fire and Other Damage to Property	0	1,438	296	1,542
General Liability	32,636	16,779	26,252	11,336
Credit and Suretyship	0	1,561	0	1048
Miscellaneous financial loss	0	564	-	480
Linear MCR	8,641		6,599	
SCR	51,514		41,630	
Combined MCR	12,885		10,408	
Absolute Floor of the MCR	3,700		3,700	
Minimum Capital Requirement	**12,885**		**10,408**	

The Company's SCR and MCR increased during 2021. 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 2021 compared to 31 December 2020. Favourable investment return and positive 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 2021 relative to 31 December 2020, 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 188% and the ratio of eligible own funds to MCR is 751% as at 31 December 2021. The ratio of eligible own funds to SCR is 212% and the ratio of eligible own funds to MCR is 847% as at 31 December 2020.

SCR ratio and MCR ratio	**Year ended 31/12/2021 €'000**	**Year ended 31/12/2020 €'000**
Total eligible own funds to meet the SCR	96,895	88,113
Total eligible own funds to meet the MCR	96,820	88,113
SCR	51,466	41,630
MCR	12,867	10,408
Ratio of eligible own funds to SCR	**188%**	**212%**
Ratio of eligible own funds to MCR	**751%**	**847%**

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 Non-compliance with the MCR and non-compliance with the SCR

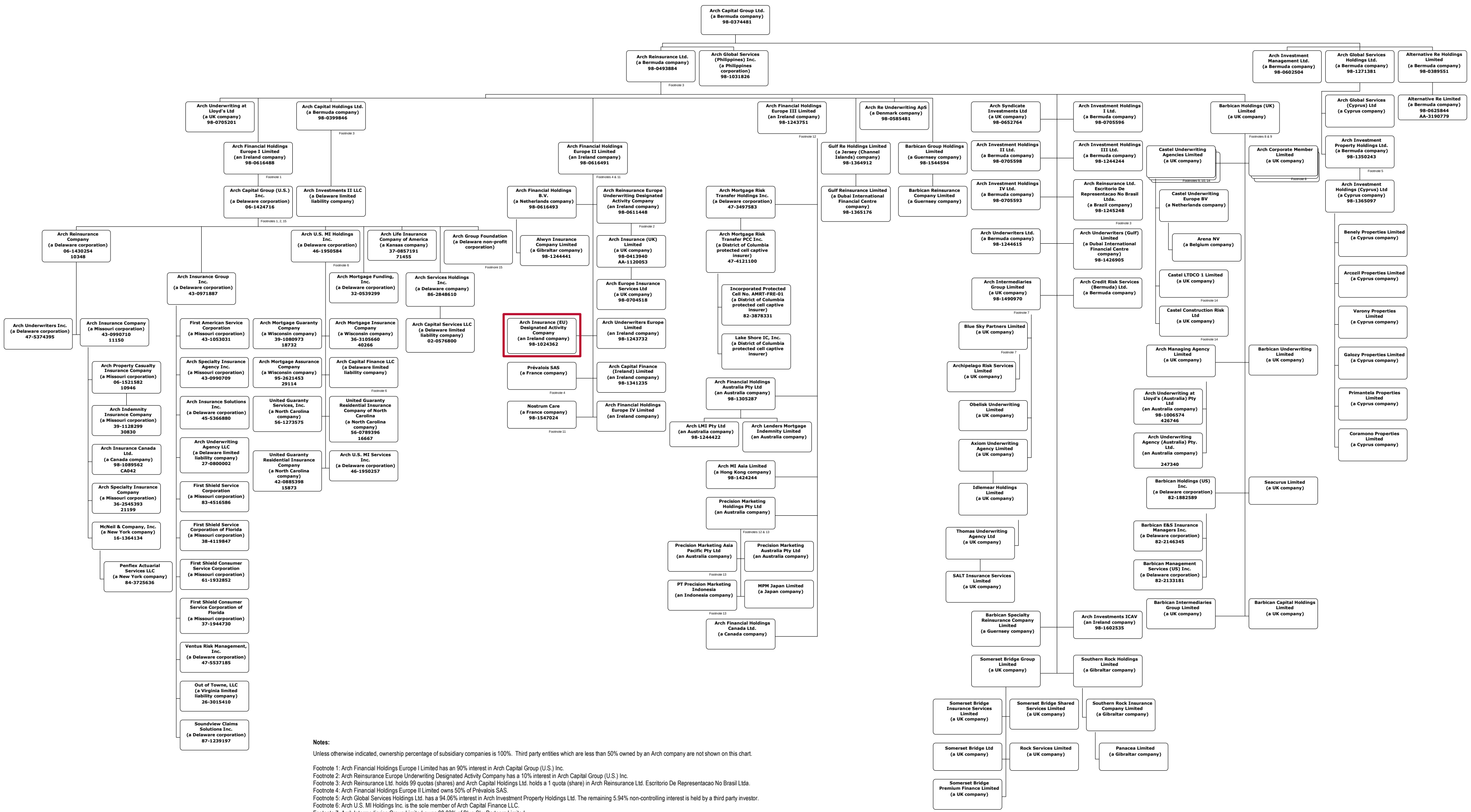
The Company complies with the Solvency Capital Requirement and Minimum Capital Requirement during 2021.

E.6 Any other information

No other material information to report as of 31 December 2021.

Appendix 1 – ACGL Organizational Chart

Date: 12/31/2021



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 5: Arch Global Services Holdings Ltd. has a 94.06% interest in Arch Investment Property Holdings Ltd. The remaining 5.94% non-controlling interest is held by a third party investor.
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: Barbican Holdings (UK) Limited owns 12 more corporate member companies which are presented here under one heading.
Footnote 9: Barbican 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 Castel LTDCO 1 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.

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**	75
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	15
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	123,146
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	110,070
Government Bonds	**R0140**	50,861
Corporate Bonds	**R0150**	58,484
Structured notes	**R0160**	0
Collateralised securities	**R0170**	726
Collective Investments Undertakings	**R0180**	13,076
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	322,803
Non-life and health similar to non-life	**R0280**	322,803
Non-life excluding health	**R0290**	318,869
Health similar to non-life	**R0300**	3,934
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	7,771
Insurance and intermediaries receivables	**R0360**	8,326
Reinsurance receivables	**R0370**	20,383
Receivables (trade, not insurance)	**R0380**	3
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	12,457
Any other assets, not elsewhere shown	**R0420**	10,597
Total assets	**R0500**	505,576

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	373,136
Technical provisions – non-life (excluding health)	R0520	368,475
TP calculated as a whole	R0530	0
Best Estimate	R0540	361,213
Risk margin	R0550	7,262
Technical provisions - health (similar to non-life)	R0560	4,661
TP calculated as a whole	R0570	0
Best Estimate	R0580	4,571
Risk margin	R0590	89
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	192
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	4,986
Reinsurance payables	R0830	17,315
Payables (trade, not insurance)	R0840	12,585
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	467
Total liabilities	R0900	408,681
Excess of assets over liabilities	R1000	96,895

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)								
		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
		C0020	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0120**	**C0200**
Premiums written										
Gross - Direct Business	**R0110**	7,473	77,720	8,636	23,471	16,600	117,987	13,003	3,697	268,586
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	6,371	69,577	7,731	20,211	14,792	101,208	11,443	3,142	234,476
Net	**R0200**	1,102	8,143	905	3,260	1,808	16,779	1,560	555	34,111
Premiums earned										
Gross - Direct Business	**R0210**	6,313	78,189	8,688	23,492	16,629	95,429	14,150	3,551	246,441
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	5,387	69,265	7,696	20,217	14,931	81,931	12,727	3,019	215,172
Net	**R0300**	926	8,924	992	3,276	1,698	13,498	1,423	533	31,268
Claims incurred										
Gross - Direct Business	**R0310**	1,677	52,082	5,787	11,475	7,924	62,476	2,123	1,776	145,319
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	1,410	45,661	5,073	9,809	6,871	54,723	1,892	1,509	126,948
Net	**R0400**	266	6,421	713	1,666	1,053	7,754	231	266	18,370
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**	(250)	2,042	227	745	(578)	8,506	170	212	11,074
Other expenses	**R1200**									0
Total expenses	**R1300**									11,074

S.05.02.01 Premiums, claims and expenses by country (€'000)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		DK	FR	DE	IT	GB	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	73,456	34,930	16,639	6,162	47,455	71,135	249,777
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**	66,310	30,088	14,211	5,504	40,865	61,271	218,248
Net	**R0200**	7,146	4,842	2,428	659	6,590	9,864	31,529
Premiums earned								
Gross - Direct Business	**R0210**	81,668	26,840	9,063	5,698	42,744	64,126	230,138
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**	72,538	23,171	7,708	5,098	36,904	55,437	200,855
Net	**R0300**	9,130	3,670	1,355	600	5,840	8,689	29,283
Claims incurred								
Gross - Direct Business	**R0310**	54,019	15,858	5,957	(1,697)	27,601	41,941	143,679
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**	47,462	13,801	5,072	(1,451)	24,020	36,500	125,405
Net	**R0400**	6,556	2,057	885	(246)	3,581	5,441	18,274
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**	343	1,852	2,136	188	2,369	3,482	10,369
Other expenses	**R1200**							0
Total expenses	**R1300**							10,369

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	-423	6,589	730	-3,745	-13,050	25,960	-6,703	66	9,425
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-184	8,568	954	-3,562	-11,678	20,497	-570	491	14,516
Net Best Estimate of Premium Provisions	R0150	-240	-1,979	-224	-183	-1,371	5,463	-6,132	-425	-5,092
Claims provisions										
Gross	R0160	4,995	91,305	10,143	12,971	8,299	210,594	17,742	311	356,360
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	4,118	78,173	9,011	10,898	7,204	183,421	15,200	262	308,287
Net Best Estimate of Claims Provisions	R0250	877	13,132	1,132	2,073	1,095	27,173	2,541	49	48,073
Total Best estimate - gross	R0260	4,571	97,894	10,874	9,226	-4,751	236,555	11,039	377	365,784
Total Best estimate - net	R0270	637	11,153	908	1,891	-277	32,636	-3,591	-376	42,981
Risk margin	R0280	89	935	90	1,122	1,487	2,689	892	46	7,351
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	4,661	98,829	10,963	10,348	-3,264	239,244	11,931	423	373,136
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	3,934	86,741	9,965	7,335	-4,474	203,919	14,630	753	322,803
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	726	12,088	998	3,013	1,211	35,325	-2,699	-330	50,333

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)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											6,839	R0100	6,839	6,839
N-9	R0160	1,718	4,136	5,173	5,044	3,322	3,103	3,727	2,402	0	2,464		R0160	2,464	31,089
N-8	R0170	595	2,404	4,600	3,580	3,784	3,491	2,851	0	1,226			R0170	1,226	22,530
N-7	R0180	226	4,034	4,218	2,392	2,040	865	0	1,118				R0180	1,118	14,894
N-6	R0190	681	2,299	2,530	3,767	4,785	0	5,680					R0190	5,680	19,743
N-5	R0200	19	1,986	1,918	704	46	1,462						R0200	1,462	6,135
N-4	R0210	14	3,577	2,442	75	2,928							R0210	2,928	9,037
N-3	R0220	3,071	5,346	54	4,032								R0220	4,032	12,504
N-2	R0230	2,645	11,990	16,248									R0230	16,248	30,884
N-1	R0240	4,300	13,365										R0240	13,365	17,665
N	R0250	7,761											R0250	7,761	7,761
												Total	R0260	63,124	179,079

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											23,420	R0100	23,468
N-9	R0160	0	0	0	0	28,893	23,539	21,987	19,586	10,990	11,200		R0160	11,224
N-8	R0170	0	0	0	26,596	19,567	20,396	19,001	10,631	9,495			R0170	9,515
N-7	R0180	0	0	24,335	20,545	19,271	17,202	10,285	10,468				R0180	10,490
N-6	R0190	0	28,412	36,150	32,966	25,434	22,487	19,331					R0190	19,370
N-5	R0200	14,301	22,288	17,368	17,034	17,044	18,786						R0200	18,823
N-4	R0210	8,839	23,758	22,738	21,838	17,920							R0210	17,954
N-3	R0220	7,784	23,996	33,626	33,240								R0220	33,295
N-2	R0230	19,161	83,497	82,691									R0230	83,022
N-1	R0240	28,524	97,153										R0240	97,406
N	R0250	31,731											R0250	31,792
												Total	R0260	356,360

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	(432)	(432)			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	75				75
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	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	96,895	96,820	0	0	75
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	96,895	96,820	0	0	75
Total available own funds to meet the MCR	R0510	96,820	96,820	0	0	
Total eligible own funds to meet the SCR	R0540	96,895	96,820	0	0	75
Total eligible own funds to meet the MCR	R0550	96,820	96,820	0	0	
SCR	R0580	51,541				
MCR	R0600	12,885				
Ratio of Eligible own funds to SCR	R0620	1.880				
Ratio of Eligible own funds to MCR	R0640	7.514				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	96,895	
Own shares (held directly and indirectly)	R0710	-	
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	97,327	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	(432)	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	15,266	
Total Expected profits included in future premiums (EPIFP)	R0790	15,266	

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	28,901		
Counterparty default risk	R0020	7,790		
Life underwriting risk	R0030	0	None	
Health underwriting risk	R0040	483	None	
Non-life underwriting risk	R0050	23,196	None	
Diversification	R0060	(14,855)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	45,514		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	11,293
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(5,266)
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	51,541
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	51,541
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	(5,266)
LAC DT justified by reversion of deferred tax liabilities	R0650	0
LAC DT justified by reference to probable future taxable profit	R0660	(5,266)
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	8,641

		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	637	1,100
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	11,153	8,114
Other motor insurance and proportional reinsurance	R0060	908	924
Marine, aviation and transport insurance and proportional reinsurance	R0070	1,891	3,630
Fire and other damage to property insurance and proportional reinsurance	R0080	0	1,438
General liability insurance and proportional reinsurance	R0090	32,636	16,779
Credit and suretyship insurance and proportional reinsurance	R0100	0	1,561
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	564
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	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 benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	8,641
SCR	R0310	51,541
MCR cap	R0320	23,193
MCR floor	R0330	12,885
Combined MCR	R0340	12,885
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	12,885