Solvency and Financial Condition Report

TRAVELERS INSURANCE DAC

Table of Contents

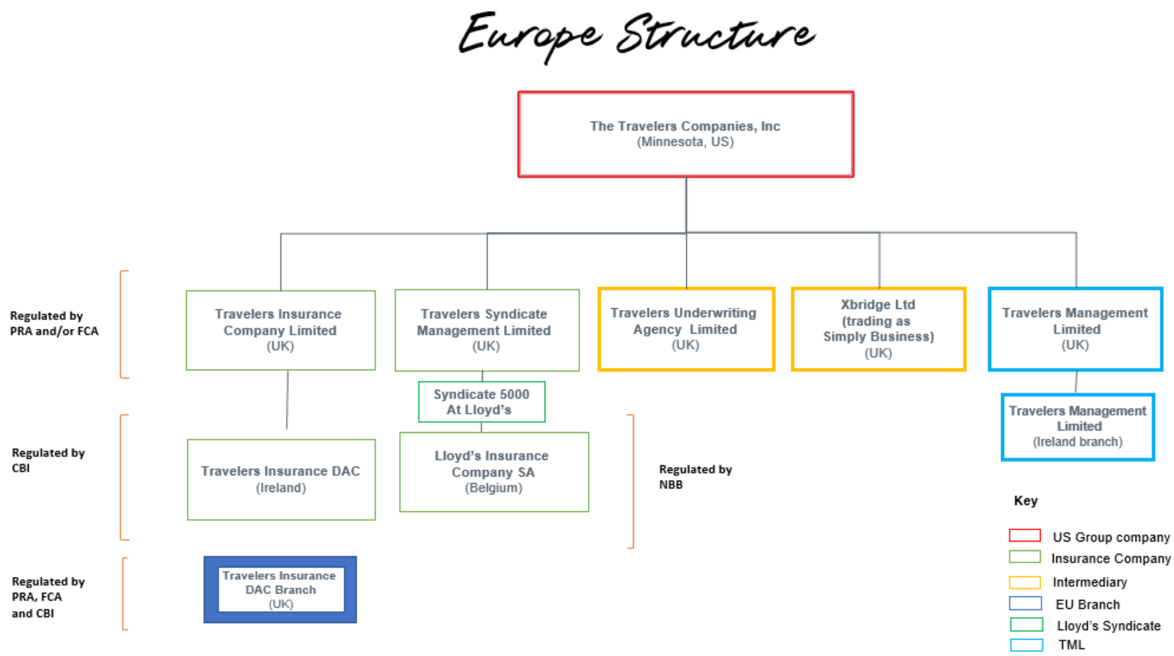
Contents

Executive Summary

Business and Performance

Travelers Insurance Designated Activity Company (the **Company** or **TIDAC**) is an Irish regulated entity authorised to carry out non-life insurance business. The ultimate parent company, The Travelers Companies, Inc. (**TRV** or **Travelers**), is a leading provider of property and liability insurance based in the United States. The group has more than 30,000 employees and over 150 years' experience in the insurance industry. Travelers is traded on the New York Stock Exchange as "TRV" and is one of the 30 select companies that comprise the Dow Jones Industrial Average. As at 31 December 2019 Travelers reported total assets of US$110.1 billion (2018: US$104.2 billion) and shareholders' equity of US$25.9 billion (2018: US$22.9 billion).

TIDAC is a wholly owned subsidiary of Travelers Insurance Company Limited (**TICL**) alongside its affiliated companies in Europe, Travelers Syndicate Management Limited (**TSM**) and Travelers Management Limited (**TML**). TICL and TSM are both wholly owned subsidiaries of TRV). TRV is the ultimate holding company of the Travelers group.



Travelers' European based operations offer our customers a wide range of general insurance products through the Company, TSM and TICL. The scope of this Solvency and Financial Condition Report (**SFCR**) is Travelers Insurance DAC. Business written by the Company only will be relevant to this document.

The Company was incorporated in Ireland as XYZ Designated Activity Company on 6 February 2018. It changed its name to Travelers Insurance Designated Activity Company on 4 December 2018. During 2018 the

Company did not transact any insurance business, and as such no prior year comparatives have been presented within this SFCR.

On 28 January 2019 the Company received authorisation from the Central Bank of Ireland to carry on insurance business in respect of certain non-life insurance classes, and on 28 February 2019, its UK branch was authorised by the Prudential Regulation Authority (**PRA**) and Financial Conduct Authority (**FCA**) in the UK. TIDAC started writing insurance business from 30 March 2019. In 2019 the Company wrote commercial lines insurance in Ireland and, through its branch in London, throughout the UK. UK-based clients with European Economic Area (**EEA**) exposures are covered under policies issued by the TIDAC UK branch, and policies covering EEA customers' risks in the EEA without any UK nexus are issued by TIDAC.

With the effect from 1 April 2019 the Company put in place a reinsurance arrangement with its immediate parent undertaking, TICL, in the form of an 80% Whole Account Quota Share (**Quota Share**) reinsurance arrangement. In addition, to reduce the risk associated with the material exposure to TICL under the Quota Share arrangement, the net premiums paid by the Company to TICL are held within a collateral account categorised as a ring-fenced fund. The assets held within the collateral account cannot be released to TICL until the assets within the account exceed the associated liabilities on the second anniversary of any given accident year commencing from 31 December 2019.

The principal activity of TIDAC is the transaction of non-life commercial insurance business. Travelers established TIDAC to continue to develop its general insurance business in Ireland and elsewhere in the EEA following the UK's withdrawal from the EEA.

On 1 October 2019, by way of an insurance business transfer under Part VII of the UK Financial Services and Markets Act 2000, TICL transferred to TIDAC the historical reserves and unearned exposures from its Irish branch. TICL also effected a Part VII insurance business transfer of the liabilities and reserves of its branches in the Netherlands, France and Germany. These portfolios have been in run off since 2001. The portfolio's transferred under the Part VII were ceded to TICL under the Quota Share reinsurance arrangement mentioned above.

The Company is a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, property owners, solicitors, financial institutions, and large corporate insureds.

Performance

The Company prepares its financial statements in accordance with UK & Irish GAAP (FRS). The Company reported a profit for the year of €0.2m.

System of Governance

The Company understands the importance of effective corporate governance, together with a system of internal control that provides relevant information to the Board of Directors.

The Company's Board comprises five directors, two of whom are independent non-executive directors. The Board has two constitutional committees, the Audit Committee and the Risk and Remuneration Committee, the members of both of which are the independent non-executive Board directors. The Board and each Committee have clear Terms of Reference. Executive management is undertaken by the Management Committee, comprising the nine senior managers who effectively run the Company. The Management Committee reports to the Board on a quarterly basis.

Governance over other aspects of the Company's activities is within the scope of the European Executive Risk Committee, the Finance Committee, the European Underwriting Committee, and certain governance panels which have specific terms of reference. The European Executive Risk Committee and European Underwriting Committee consists of members of management TRV's European operations. Each Committee and Panel is governed by its own terms of reference. The Company ensures that all persons who effectively run the Company, or hold key functions, are fit and proper to undertake their roles. The Company assesses the fitness and propriety of persons performing key functions on an ongoing basis. In addition, Travelers has an annual performance assessment process which measures performance against minimum competencies required for all staff, including those persons effectively running the Company.

The Company's remuneration policy reflects the Company's commitment to achieve a consistent remuneration process and to promote effective risk management.

The Company's risk strategy is articulated in a risk management framework, as well as a number of policies, frameworks and processes, which operate across the three lines of defence. The "three lines of defence" model aims to ensure that responsibilities for the risk strategy are operated effectively.

First Line of Defence – Business Management. Risk owners, embedded within business operations, make up the first line of defence and are responsible for the day to day management of risk on a continuous basis, as well as delivering this strategy and optimising performance according to a pre-agreed risk appetite.

Second Line of Defence – Oversight. The second line of defence primarily comprises the Risk Management, Actuarial and Compliance functions, which provide independent assurance to the Board with regard to the adequacy and effectiveness of risk management practices.

Third line of defence – Assurance. The third line of defence comprises internal audit, providing an independent and balanced view of the effectiveness of the first and second line functions. The third line of defence has direct access to the Board and is independent of management.

The internal control system is designed to ensure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting and compliance with rules, regulations and policies. The tone for the control environment is set by the Company's parent, the Board of Directors and the Management Committee, all of whom are committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong processes exist for risk identification, risk measurement and risk monitoring, and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policies and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

Risk Profile

Underwriting Risk is the major risk to which the Company is exposed and is the major driver of its capital requirements. Underwriting risk is managed by the European Underwriting Committee, comprising senior underwriting staff as well as members of the European Actuarial, Reinsurance, Legal, Compliance and Claims Functions. The Committee ensures adherence to the Board determined appetite in terms of product, line of business, geographical exposure, line sizes and rating adequacy. The underwriting strategy is in line with the Travelers European strategy, and includes limits on the Company's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified portfolio with no excessive exposure in any one industry, line of business or geographical region.

Market Risk is managed by a conservative investment risk appetite, and an investment strategy that is limited to high quality government and corporate fixed interest securities.

Credit Risk is managed through the thoughtful analysis and selection of individual counterparties and the use of limits and managed exposures to individual counterparties.

The Company has no material liquidity risk exposures.

Following year end, a global pandemic was declared due to the spread of a coronavirus (**COVID-19**). COVID-19 has already caused significant investment market uncertainty and volatility, supply chain interruptions and is expected to significantly disrupt the global economy. By the date of this report the Company had not identified any significant change to its risk profile but continues to monitor developments as a result of COVID-19.

Valuation for Solvency purposes

The valuation of assets and liabilities on a Solvency II and UK & Irish GAAP basis as at 31 December 2019 is summarised below.

	Solvency II	UK & Irish GAAP (FRS)	Difference
	€ 'm	€ 'm	€ 'm
Assets	240.1	328.9	(88.8)
Gross Technical Provisions	172.9	218.0	(45.1)
Other Liabilities	2.7	42.0	(39.3)
Excess of Assets over Liabilities	64.6	65.8	(1.2)

The excess of assets over liabilities is higher on an UK & Irish GAAP (FRS) basis than under Solvency II. This difference largely reflects the fact that the Solvency II risk margin is in excess of the net reserve margin on a statutory basis.

Capital Management

The Company uses the Solvency II Standard Formula to calculate its regulatory Solvency Capital Requirement (**SCR**). The Company does not use any undertaking specific parameters. The amount of the Company's SCR as at 31 December 2019 was €26.3 m. The Company was in compliance with its regulatory capital requirements throughout the year and through to the date of this report.

A. Business and Performance

A.1 Business

Name and legal form of the undertaking

Travelers Insurance Designated Activity Company is a company limited by shares and is incorporated in Ireland. Its registered office address is Third Floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2.

The Company was incorporated in Ireland as XYZ Designated Activity Company on 6 February 2018. It changed its name to Travelers Insurance Designated Activity Company on 4 December 2018. During 2018 the Company did not transact any insurance business.

On 28 January 2019 the Company received authorisation from the Central Bank of Ireland to carry on insurance business in respect of certain non-life insurance classes, and on 28 February 2019, its UK branch was authorised by the PRA and FCA in the UK. TIDAC started writing insurance business from 30 March 2019. In 2019 the Company wrote commercial lines insurance in Ireland and, through its branch in London, throughout the UK. UK-based clients with EEA exposures are covered under policies issued by the TIDAC UK branch, and policies covering EEA customers' risks in the EEA without any UK nexus are issued by TIDAC in Dublin.

With the effect from 1 April 2019 the Company put in place a reinsurance arrangement with its immediate parent undertaking, TICL, in the form of an 80% Whole Account Quota Share (Quota Share) reinsurance arrangement. In addition, to reduce the risk associated with the material exposure to TICL under the Quota Share arrangement, the net premiums paid by the Company to TICL are held within a collateral account categorised as a ring-fenced fund. The assets held within the collateral account cannot be released to TICL until the assets within the account exceed the associated liabilities on the second anniversary of any given accident year commencing from 31 December 2019.

The principal activity of TIDAC is the transaction of non-life commercial insurance business. Travelers established TIDAC to continue to develop its general insurance business in Ireland and elsewhere in the EEA following the UK's withdrawal from the EEA.

On 1 October 2019, by way of an insurance business transfer under Part VII of the UK Financial Services and Markets Act 2000, TICL transferred to TIDAC the historical reserves and unearned exposures from its Irish branch. TICL also effected a Part VII insurance business transfer of the liabilities and reserves of its branches in the Netherlands, France and Germany. These portfolios have been in run off since 2001. The portfolio's transferred under the Part VII transfer were ceded to TICL under the Quota Share reinsurance arrangement mentioned above.

Organisational group structure

TRV is a holding company principally engaged, through its subsidiaries, in providing a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. TRV is incorporated as a general business corporation under the laws of the state of Minnesota and is one of the oldest insurance organizations in the United States, dating back to 1853. The principal executive offices of TRV are located at 485 Lexington Avenue, New York, New York 10017. TRV also maintains executive offices in Hartford, Connecticut, and St. Paul, Minnesota.

TRV is the immediate and ultimate parent undertaking and controlling party of TICL and provides 100% of its capital. In turn, TICL is the immediate parent undertaking of the Company and provides 100% of its capital.

TRV is also the immediate and ultimate parent undertaking of TSM, which manages Travelers Syndicate 5000 at Lloyd's, and TML, which provides operational support to the Travelers European operations. TSM's capital is provided by two corporate capital providers, F&G UK Underwriters Limited and Aprilgrange Limited. TRV is the immediate and ultimate parent undertaking and controlling party of both capital providers.

Travelers Underwriting Agency Limited (**TUAL**) is an authorised intermediary based in the UK. TRV is the ultimate parent undertaking of TUAL which, as an intermediary, has no regulatory capital requirements.

Together TICL, TUAL, TML, TSM and the Company make up Travelers Europe.

Name and contact details of the supervisory authority responsible for the financial supervision of the undertaking and the group

The Central Bank of Ireland (**CBI**) is responsible for the prudential and conduct supervision of the Company. The CBI can be contacted at PO Box 559, New Wrapping Street, North Wall Quay, Dublin 1.

The Company is a member of a group based in the United Kingdom, which is an equivalent country for Solvency II group supervision.[1] The PRA is responsible for the prudential supervision of TICL. The PRA can be contacted at Bank of England, Threadneedle St, London, ECR2 8AH, United Kingdom. The FCA is responsible for the conduct regulation of TICL and the Company's UK Branch. The FCA can be contacted at 12 Endeavour Square, London, E20 1JN, United Kingdom.

On 31 December 2015, TICL received a direction given by the PRA under section 138A of the Financial Services and Markets Act 2000, which took effect on 1 January 2016 and which ends on the earlier of: (i) the date the relevant rule is revoked or no longer applies to the firm (in whole or in part); or (ii) 31 December 2018. The direction modifies Rules 20.1 and 20.2 (Group Supervision) of the PRA Rulebook and requires that TICL provides the PRA with certain information. This direction was extended by consent on 4 December 2018 and is now valid until 1 October 2021 unless revoked or any conditions in the modification cease to be fulfilled.

The State of Connecticut Insurance Department (**Connecticut Insurance Department**) is the designated group-wide supervisory authority for The Travelers Companies, Inc. pursuant to the Connecticut Insurance Holding Company System Regulatory Act. The Connecticut Insurance Department can be contacted at 153 Market St, Hartford, CT 06103, USA.

Given the amount of business TRV conducts outside of the United States, the Connecticut Insurance Department hosts and leads a supervisory college of Travelers and coordinates the participation of insurance supervisors from the jurisdictions where the group has insurance operations, including the PRA and CBI. Approximately 96% of TRV's consolidated group assets and statutory capital and surplus are held by U.S. domiciled insurance companies. The Connecticut Insurance Department directly regulates approximately 98% of the total U.S. domiciled insurer assets of TRV. As part of its group-wide regulatory requirements, the Connecticut Insurance Department monitors the group's financial results and conducts financial analysis at both the group and legal entity level. Additionally, the Connecticut Insurance Department conducts financial examinations of the insurance subsidiaries over which it has direct regulatory authority. The Connecticut Insurance Department receives annual Holding Company filings at the group level with extensive disclosure of Travelers group and subsidiary activities, and governance, including notice or approval of transactions with affiliates, depending on the materiality of such transactions. As part of the Connecticut Insurance Department's requirements pertaining to enterprise risk management, the Department requires the annual

[1] The continuance of this position after 31 December 2020 is unclear.

filing of a group ORSA and conducts an analysis of the ORSA, including discussions with the group's management.

Material lines of business and geographical area

In 2019, the Company wrote commercial lines insurance in the Republic of Ireland, and in the United Kingdom (**UK**) through its branch located in London. The Company also covered risks located outside of Ireland and the UK, on a freedom of services basis (in the EEA), generally in support of its Irish and UK based insureds. Following completion of the Part VII transfer from TICL to TIDAC on 1 October 2019, the Company also holds liabilities relating to insurance written in TICL branches in the Netherlands, France and Germany that have been in run-off since 2001. Approximately 63.2% of the Company's 2019 gross premiums were written in the UK.

The Company is a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, property owners, solicitors, financial institutions and large corporate insureds.

Post Balance Sheet Events

Following year end, a global pandemic was declared due to the spread of a coronavirus (**COVID-19**). COVID-19 has already caused significant investment market uncertainty and volatility, supply chain interruptions and is expected to significantly disrupt the global economy. We currently do not expect that insured losses related to COVID-19 will have a material impact on the Company's financial condition and due to the nature of our investment portfolio, we believe we are well placed to withstand investment market volatility. However, the length and depth of the disruption to the economy is a concern and we will be monitoring developments closely. Economic downturns and financial disruptions in the past have resulted in, among other things, decreased business volumes, reduced valuations on the investment portfolio and heightened credit risk which can impact both the Company's investment portfolio and its insurance operations. In addition, declines in interest rates may lead to declines in fixed income yields, which would adversely impact the Company's net investment income from future investment activity, including re-investments. Also, the Company is subject to the risk of court cases and legislative or regulatory action interpreting or mandating coverage for business interruption claims which insurance policies do not currently cover. Our focus is the well-being of our staff and our ability to continue to provide service to our insureds. The Company is taking appropriate actions to safeguard employees and ensure it can continue to serve its insureds.

Performance

The Company reported results in 2019 of a combined ratio of 102.4% and a profit for the year after tax of €0.2m.

Gross written premiums (**GWP**) were €103.0 million. The two most material lines of business were Property and General Liability, which respectively comprised 22.6% and 69.5% of GWP in 2019. The Company's net earned premiums (**NEP**) were €7.4 million for 2019. Claims incurred and operating expenses were €3.9 million and €3.7 million respectively, with a loss ratio of 52.5% and an expense ratio of 49.8% on an aggregate basis.

Material related party transactions

During the year TICL provided a capital injection of €30.3m, which was inclusive of share premium of €1.4 million, in return for the issuance of 29 million new €1 ordinary shares. In addition, the Company received further capital contributions totalling €30.0m from TICL to support its regulatory capital requirements resulting from the Part VII transfer and a change of business plan.

During the year, the Company also put in place a reinsurance arrangement with TICL in the form of an 80% Whole Account Quota Share. In addition, a modest amount of reinsurance has been provided by an affiliated group undertaking in the United States.

All expenses and salary costs continue to be borne in the first instance by the group's UK management services company, TML, and some services are provided by affiliated group companies in the US to TML for the benefit of the Company pursuant to an intercompany services agreement. Investment management is outsourced to The Travelers Indemnity Company, an affiliated group company.

No distribution has been made to the shareholder during the year or is proposed as at the year end.

External auditor
The Company's external auditor is KPMG. The contact details of KPMG are 1 Harbourmaster Place, IFSC, Dublin 1.

A.2 Underwriting performance

The Company's results for the year on a UK & Irish GAAP (FRS) reporting basis were as follows:

	2019
	€'m
GWP	103.0
NWP	19.3
NEP	7.4
Incurred claims	(4.2)
Operating expenses	(3.3)
Underwriting Result	0.1
Loss Ratio	56.4%
Expense Ratio	45.4%
Combined Ratio	**101.8%**

The Company reported a €0.1m underwriting profit in 2019 and a 101.8% combined ratio. GWP in Ireland represented 36.8% of the business written, with 63.2% being written through the Company's UK branch.

The two most material lines of business for the Company were General Liability and Property, representing 69.5% and 22.6% respectively of the total GWP. The General Liability combined ratio was 102.1%, while the Property line of business performed better with a combined ratio of 97.4%. Further information on underwriting performance by material line of business and material geographical areas over the reporting period can be found at Form S.05.01.02 and Form S.05.02.01 respectively within the quantitative returns in the Appendix to this report.

The expense ratio on UK & Irish GAAP (FRS) reporting basis was 45.4%, reflecting the start-up nature of the Company within the year as a result of the commencement of trading on 30 March 2019 and the completion of the Part VII transfer on 1 October 2019.

A.3 Investment performance

During the year the Company invested wholly in high quality government and corporate bonds. These are considered as a single asset class and are managed together. The total investment return for the year was €0.2m. The composition of the investment return for the period to 31 December was as follows:

	2019
	€'m
Investment income	0.8
Realised investment gains	0.0
Realised investment losses	(0.4)
Unrealised investment losses	(0.6)
Investment expenses	0.0
Total investment return	**(0.2)**

Realised investment losses arose as bonds bought above par value have subsequently matured. The portfolio also showed unrealised losses during 2019 as market expectations of interest rate movements changed.

Unrealised investment losses were reported directly in equity on a UK & Irish GAAP (FRS) basis. No investments in securitisations were made in the period. The investment portfolio does not include any shares in any other Travelers group entity. Management of the investment portfolio is outsourced to an affiliated group undertaking, The Travelers Indemnity Company. The investment portfolio is managed in accordance with the investment guidelines set out in the Company's Investment and Market Risk Policy, which is approved by the Company's Board. Investment reviews with the investment manager are conducted quarterly by the Finance Committee.

A.4 Performance of other activities

The Company did not have any material other income or expenses outside of its regular trading activities.

A.5 Any other information

During the year the Company produced a total comprehensive loss on a UK & Irish GAAP (FRS) basis of €0.6m. Shareholder's funds increased from the €6.1m established when setting up the Company in 2018 to €65.8m. The increase was driven by a capital injection of €30.3m, which was inclusive of share premium of €1.4 million, in return for the issuance of 29 million new €1 ordinary shares. In addition, the Company received capital contributions totalling €30.0m. Own Funds on a Solvency II basis as at 31 December 2019 were €64.6m. The Company's capital position on a Solvency II basis is discussed further in Section E of this report.

B. System of Governance

B.1 General information on the system of governance

B.1.1 Governance structure

Overall governance and oversight is provided by the Company's Board, which comprises of five directors. Two of the directors are independent non-executive directors. Two directors are non-executive (including the Chairman) and the remaining director is an executive director.

The responsibilities of the Board are set out in the "Matters Reserved for the Board" document and fall within the following headings:

- Strategy and Management
- Structure and capital
- Financial reporting and controls
- Oversight of Control Functions
- Contracts and Transactions
- Borrowings
- Board membership and other appointments
- Remuneration
- Delegation of Authority
- Corporate governance matters

The Board has two constitutional committees: the Audit Committee and the Risk and Remuneration Committee. Each Board committee has two members, and the committee members are the independent non-executive directors.

The Board Audit Committee has the following broad responsibilities:

- Review, discuss, and challenge where necessary, with management and the external auditors, the annual financial statements before submission to the Board.
- Review actuarial and any internal or external auditor's reports on the Company's reserve position.
- Consider and recommend the appointment of the external auditors.
- In consultation with the external auditors, management and the internal auditors, review the integrity of the Company's financial reporting processes, as well as any audit problems or other difficulties encountered by the external auditors in the course of the audit process and management's responses to such matters.
- Review the reports submitted and evaluate the adequacy of the work performed and the annual plan proposed by internal audit.
- Review and discuss periodically, with relevant legal counsel, any legal matter that could have a significant impact on the Company's financial statements.
- Consider the Company's procedures for handling allegations from whistleblowers.

Receive external auditors' management letters, internal audit reports, reports from regulators or any other relevant source regarding weaknesses in internal procedures and controls and ensure that management addresses any issues that arise.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of risk:

- Oversee the Company's enterprise risk management programme and ensure the establishment and maintenance of appropriate systems, procedures and controls, including the Company's risk appetite and strategy and the carrying out of the Own Risk and Solvency Assessments at appropriate times.
- Review the policies and procedures of the Company and review specific operational segments of the Company that may be posing unusual or significant risks that could have a material impact on the risk profile of the Company.
- Monitor that all issues identified in the Risk Register, or through other reports, are being addressed.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of remuneration:

- Review and approve the Company's general compensation philosophy and objectives, and recommend to the Board the approval of Company compensation and benefit programmes determined by the Committee to be appropriate.
- Ensure that appropriate policies and procedures are in place to ensure that compensation plans are properly administered by the responsible individuals and management committees in accordance with the terms of the plans.
- Review the Company's regulatory compliance with respect to compensation matters, including ensuring that the Company's compensation philosophy, objectives and procedures are consistent with applicable regulatory aims concerning the avoidance or minimisation of undue risk and inappropriate staff behaviours.

At an executive level, the Company is managed by a Management Committee, comprising nine senior managers who effectively run the Company. These are: Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Head of HR, Head of Actuarial Function, Head of Compliance, Head of Claims, Head of Underwriting and Branch Manager. The Management Committee meets each month for approximately two hours and is chaired by the CEO. The Management Committee reports on a quarterly basis to the Board. In addition, the CEO is also a member of the Board and presents a CEO's report to the Board which includes details of matters discussed by the Management Committee. The Management Committee considers the following matters on a regular and continuous basis:

(i) ongoing management and review of progress against the Company's strategy as approved by the Board;

(ii) monitoring of the Company's trading results and financial position;

(iii) review of the Company's operations and functions;

(iv) review of the talent within the Company;

(v) management of special projects; and,

(vi) reporting to the Company's parent company.

Governance over the Company's financial risks is provided by the Finance Committee, chaired by the Chief Financial Officer, which meets on a quarterly basis. The Chief Financial Officer reports monthly to the Management Committee on financial performance and risks, and quarterly to the Board Audit Committee and the Board.

Governance over the Company's risk management is provided by the European Executive Risk Committee (**ERC**), of which the Chief Risk Officer is a member, and meets on a quarterly basis. The European Executive Risk Committee consists of members of senior management from of the Travelers European operations. The Company's CEO, Chief Risk Officer and the Head of Compliance are members of the Executive Risk

Committee. The Chief Risk Officer and the Head of Compliance reports monthly to the Management Committee and quarterly to the Board Risk and Remuneration Committee and to the Board.

Customer challenge of high product risk insurance products is provided by the Product Oversight Group, chaired by the Head of Compliance and which meets on an ad hoc basis, but at least once per quarter.

The Head of Actuarial Function reports monthly to the Management Committee and quarterly to the Board.

Governance over underwriting matters is provided by the European Underwriting Committee (**Underwriting Committee**), chaired by TSM's Chief Underwriting Officers, which meets monthly. The European Underwriting Committee consists of members of management from Travelers European operations. The Company's Head of Underwriting and Head of Compliance are members of the Underwriting Committee. Underwriting performance is reported monthly to the Management Committee and quarterly to the Board. The governance structure includes various committees and panels relating to specific activities.

Decisions relating to reinsurance activities are made by the Travelers Reinsurance Purchasing Panel which reports into the Underwriting Committee. Decisions relating to reserving are considered by the Finance Committee. The interrelationship of various committees and panels is set out on a governance structure chart. This system of governance is subject to regular internal review by the ERC.

B.1.2 Remuneration Policy

The Company has adopted the European Remuneration Policy (**Remuneration Policy**). The purpose of the Remuneration Policy is to define the minimum standards, and roles and responsibilities, relating to remuneration of employees within the Company. The policy reflects the Company's commitment to achieve a consistent remuneration process and to promote effective risk management. The Remuneration Policy states that the Company is committed to measuring both the actual performance and the underlying level of risk assumed to achieve that performance. As to risk mitigation, all planned individual compensation actions, including fixed and variable elements will be reviewed in a robust and disciplined manner internally at several layers of management, in addition to a review with the Company's Risk and Remuneration Committee of the Board of Directors. This review will be facilitated by the Head of Human Resources and seeks the Risk and Remuneration Committee's ratification of compensation for senior managers.

In addition, compensation of each employee is reviewed by their line manager, functional manager, CEO and the Head of HR, and the equivalent functional roles within the Company's parent company.

Compensation for more senior staff is delivered through a combination of base salary and incentive compensation, consisting of an annual cash bonus and stock-based, long-term incentive awards, all of which are performance based.

Base salary. Base salaries are reviewed annually, and adjustments are made from time to time as management deems appropriate to recognise performance, changes in duties and/or changes in the competitive marketplace. Base salary will comprise a significant proportion of total compensation.

Performance-Based Annual Cash Bonus. Annual bonuses are always discretionary and are based upon the individual performance of each employee as well as that of the Company and The Travelers Companies, Inc. as a whole. The following factors are used to determine the appropriate annual cash bonus that should be paid to an employee:

- the performance of the employee;
- compensation market practices as reflected by external vendor compensation surveys;
- performance of the Company relative to financial measures set in the business plan, prior year's performance and the performance of industry peers; and
- performance of The Travelers Companies, Inc. relative to financial objectives.

Additional qualitative factors are also considered, such as:

- the effective management of risk; and
- the demonstration of individual or leadership competence, teamwork and innovation.

Performance-based long term incentives. Certain employees are eligible for long-term incentives in the form of The Travelers Companies, Inc. stock awards. Eligibility is determined by job criteria, while award decisions are made with consideration of individual performance. These performance-based awards are designed to ensure individuals have a continuing stake in the long-term success of The Travelers Companies, Inc., and the Company.

As employees acquire increasing responsibility more of their compensation is variable and tied to The Travelers Companies, Inc's performance. Higher levels of management will receive proportionally more of their award in the form of stock options and performance shares, in alignment with the impact they have on the direction of the Company which can inevitably impact The Travelers Companies Inc. stock price. Lower levels of management and individual contributors will receive most of their entire award in the form of restricted stock units.

B.1.3 Supplementary Pension Scheme or early retirement scheme for members of the administrative, management or supervisory body and other key function holders

The Company's remuneration policy does not include any supplementary pension or early retirement scheme for members of the Board or key function holders.

Details of the remuneration of the members of the Company's Board is disclosed in the Company's report and accounts, in accordance with the requirements of the applicable law and accounting standards (UK & Ireland Generally Accepted Accounting Practice) including FRS102, the financial reporting standards applicable in the United Kingdom and the Republic of Ireland.

All executive directors and senior managers participate in the Company's group personal pension plan. The Company contributes additional amounts under a matching scheme depending on the individual's own contributions.

B.1.4 Material Transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

During the year the shareholder provided a capital injection of €30.3m, inclusive of share premium of €1.4m, in return for the issuance of 29 million new €1 ordinary shares. In addition, the Company received capital contributions totalling €30m from its shareholder to further support its regulatory capital requirements.

B.2 Fit and proper requirements

The Company has a Fit and Proper Policy. The purpose of the Fit and Proper Policy is to:

(i) identify the key functions that are important to the sound and prudent management of the business, and

(ii) set out the policies and procedures for the fit and proper assessment of the individuals that perform key functions, including every person in respect of whom an application for regulatory approval is made.

Fitness and propriety checks are made before an individual is appointed to a key function and periodically thereafter. The Company needs to ensure that key function holders are fit for their roles by having appropriate qualifications and experience, and proper by having a good reputation and appropriate integrity. These checks include the following:

(i) At least two interviews conducted by the hiring manager and at least one other permanent member of staff.

(ii) Background check process which will include, as a minimum:
   a. Criminal records check;
   b. Credit check;
   c. Verification of previous employment for the last seven years (unless the individual has been continuously employed by a Travelers group company during this period);
   d. Verification of educational and professional qualifications; and,
   e. Reasonable steps to obtain appropriate references from the person's current and previous employers.

The Company will assess the fitness and propriety of persons performing key functions on an on-going basis. The frequency of this assessment will be at least every three years, and sooner if a specific issue arises. Annually, the European General Counsel will ask each person performing a key function to certify that there have been no changes to their criminal record status or credit status since the date of the last background check or annual certification, as applicable.

The Company has an annual performance assessment process which sets out the minimum competencies required for those persons effectively running the Company. These minimum competencies against which performance is measured include Performance Management of others, Employee Engagement, Customer Outcomes, Governance, Compliance, and acting with integrity, due care, skill and diligence. The fitness and propriety assessment forms part of the individual's appraisal/performance review and involves consideration of the following:

- the person's role and responsibilities by reference to their job description (and, for approved persons only, the approved person competency set and scope of responsibilities document (as applicable));
- whether the individual has attended the necessary training (including risk and compliance training) in order to remain competent and capable to perform the role;
- the individual's business conduct; and
- whether the person has performed his or her key function in accordance with the relevant conduct standards (which apply to that individual).

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

B.3.1 Risk management system

The risk strategy is articulated in an overarching Risk Management Framework (**RMF**) as well as a number of policies, frameworks and processes which operate across the three lines of defence. The Company's RMF assists Risk and Control Owners to identify, assess and manage significant, or potentially significant, internal and external risks to achieving the Company's plans and objectives, which includes maintaining targeted capital levels.

Risk management has a fundamental role in both the business planning process and the monitoring progress against those plans. The Company's business planning process turns the strategy into a set of objectives and targets that are articulated and cascaded across the Company. Development of these plans and objectives/targets considers the risks to which the Company is exposed.

To manage risk across the business, the Company has adopted the "three lines of defence" model and has established four key control functions that operate per the requirements of the Solvency II Directive (Actuarial, Risk, Compliance and Internal Audit). These functions work across all of the three lines of defence to help manage the range of risks to which the Company is exposed. These key functions are responsible for providing oversight of, and challenge to, the business and to provide assurance to the Board in relation to the Company's internal control framework.

Responsibilities in the risk strategy are summarised as:

The First Line of Defence – Business Management
Risk Owners, embedded within business operations, make up the first line of defence and are responsible for the day to day management of risk on a continuous basis, as well as delivering the strategy and optimising performance according to pre-agreed risk appetite.

The Second Line of Defence – Oversight
The second line of defence primarily comprises the risk management, actuarial and compliance functions. The second line of defence provides independent assurance to the Board with regards to the adequacy and effectiveness of risk management.

The Third Line of Defence – Assurance
The third line of defence comprises internal audit, also referred to as the Company's assurance function. The third line of defence provides an independent and balanced view of the effectiveness of the first and second line functions, has direct access to the Board, and is independent of management.

The Company's RMF links to the Company's parent's identification of significant risks. The RMF is implemented by the risk management function which monitors and reviews the risk profile and the effectiveness of risk management activities on a continuous basis. The Risk Management Function is led by the Chief Risk Officer, who is a member of the ERC and reports to the Company's Board and the Risk and Remuneration Committee.

Key risk management information, linked to the risk strategy, including specific risk appetite metrics and risk assessments, are employed across the entirety of the business to measure and monitor the level of risk taking actually occurring, and to provide a view of the Company's progress against its business plans. The Risk Management Function facilitates production and provides oversight of this key risk management information, through the risk register, which enables the Company effectively to identify, assess, measure and monitor individual and aggregated risks frequently. Risk register metrics and assessments also provide appropriate inputs into capital modelling and forecasting processes (e.g. the ORSA, and other internal requirements). The risk register and associated reporting is integrated in to the organisational structure as Risk and Control Owners (the majority of who are in the first line of defence) frequently review the risks to which the Company is exposed with review and challenge by the Committees and the second line of defence.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA process is an ongoing and forward-looking process of the Company's reflection and assessment of its own risks to ensure it holds enough capital for current and future solvency needs as well as assessment of non-solvency risks.

The Company's ORSA process has the following objectives:

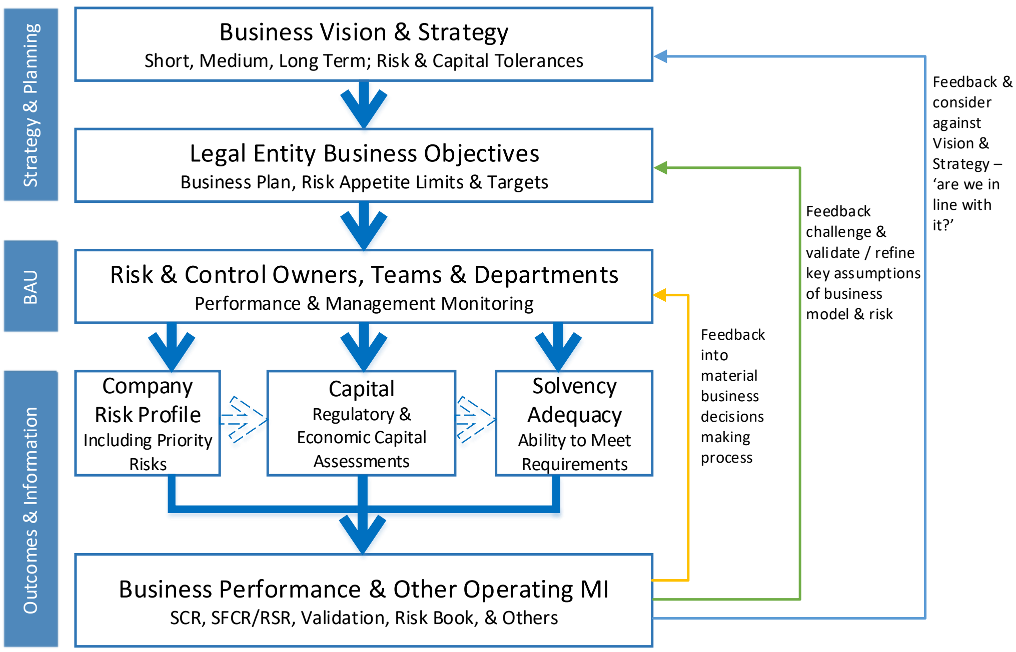
- To develop and embed an ongoing process enabling the assessment of the Company's own solvency needs that takes into account its specific risk profile, approved risk appetite limits, and its short and long term business and capital strategies.
- To provide sufficient information that enables management to:
    - Ensure continuous compliance with regulatory capital requirements relating to Solvency Capital Requirements (SCR), Minimum Capital Requirements (MCR), and technical provisions.
    - Test, validate and challenge its short and long term business and capital strategies, and understand the capital resources required to support them.

The ORSA process is embedded in the first line of defence, and focuses on the Company's business model, the portfolio of its products and customers, its risk profile, its plans over the short to medium term, and capital management. The outputs of the ORSA process are documented in the annual ORSA report.

In the ORSA report, the Company describes its risks, the capital it requires against these risks and the risk management work that assures policyholder benefits. Its production is governed by the Travelers Europe ORSA Policy (**ORSA Policy**) which is owned by the Chief Risk Officer and reviewed at least annually by the Board and the ERC. The ORSA report is reviewed and approved by the Board and is expected to be submitted at least annually to the CBI to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributes to securing an appropriate degree of protection for policy-holders.

In order to achieve the Company's ORSA objectives and fulfil its obligations, the ORSA requires adequate and robust processes to assess, monitor and measure risks, including non-quantifiable risks such as reputational, strategic, and group risks alongside overall solvency needs. This is primarily achieved through the RMF which provides a structured process across the business that links business planning, monitoring and assessment of the risks and capital profile which facilitates the incorporation of insights and findings into business planning.

The high-level principles are presented below.



The ORSA considers both the regulatory and economic capital position of the Company. The regulatory capital position is calculated using the Standard Formula which is calibrated to a 1 in 200 risk of ruin on a one-year basis. Annually the Company assesses the appropriateness of the Standard Formula as the basis for calculating its regulatory capital requirement and documents this assessment within its ORSA. This assessment is performed by comparing the results under the Standard Formula to the results derived when using the Company's own capital model. For economic capital purposes the Company targets holding sufficient capital that over the three-year planning time horizon it holds sufficient capital to maintain its AM Best "A ++ (Superior)" rating. As set out in the ORSA, the Company uses its own capital model and assessment of its risk profile to determine its economic capital requirement.

The ORSA process is facilitated by the Company's Risk Management and Capital Modelling Functions in line with their requirements as documented in the RMF. These functions utilise the Company's risk register and internal model to assist management to identify, measure and monitor risks to the business plan and solvency.

B.4 Internal Control System

The internal control system is designed to help assure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting, strong financial and operating controls and compliance with laws, regulations and policies.

The tone for the control environment is set by the Company's parent, the Company's Board of Directors and the Management Committee who are committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong processes exist for risk identification, risk measurement and risk monitoring and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policy and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

B.4.1 Delegation of Responsibilities

The Company maintains a record of names and reporting lines, as well as responsibilities, of key function holders.

B.4.2 Compliance Function

Responsibilities of the Compliance Function are set out in the Compliance Charter and annual Compliance Plan, both of which are approved by the Company's Board and ERC on an annual basis. In addition, various internal control policies identify roles and responsibilities allocated to the Compliance Function. The Compliance Function is responsible for assisting the business in discharging its regulatory obligations. This involves helping the business in identifying, managing, monitoring and resolving compliance risks and issues, assisting with the implementation of controls around regulatory risk, encouraging the right culture across all levels of the firm and providing the Board and senior management with assurance that key regulatory risks are being appropriately managed. In particular, the Compliance Function will monitor how the business has discharged its regulatory obligations using a combination of thematic reviews and continuous monitoring and reporting, as set out in the annual Compliance Plan.

The escalation procedure for a possible non-compliant issue is via the Compliance Report to the Management Committee, the ERC and the Company's Board, or through more immediate escalation to the individual Board member or relevant key function if a matter is material and requires more urgent action. In the unlikely event that appropriate remedial action is not taken following escalation of a material issue, the Compliance Function will notify the appropriate regulatory authorities of the matter. During 2019, the members of the

Compliance Function were based in Dublin and London.

The Head of Compliance monitors the team's resources on a continuous basis throughout the year. Their objective is to ensure that the available resources are sufficient to complete the annual Compliance Plan within the stated timeframe and to provide the expected level of assurance.

Compliance is owned by the Company's Board, with due attention given on Board and Risk and Remuneration Committee agendas.

The Compliance Function reports:

- Quarterly to the Board;
- Quarterly to the Risk and Remuneration Committee;
- Quarterly to the European Executive Risk Committee;
- Monthly to the European Underwriting Committee (on complaints);
- As required to the European Product Oversight Group;
- Following completion of a Compliance Review, Specific Project or Continuous Monitoring to Board members, senior management and all stakeholders, and
- Monthly to Management Committee: (i) by means of the Compliance dashboard; and (ii) monthly tracker of progress on reviews.

B.5 Internal Audit Function

The Travelers Europe legal entities have a discrete internal audit local function based in London which reports into the Head of Internal Audit in the United States. The Group Head of Internal Audit has a direct reporting line to the Chairman of the Group Audit Committee, and meets each year with the Group Audit Committee without executive management in attendance.

Each Business Unit and function within the Company is subject to internal audit review on a two to three year cycle. An audit plan is prepared each year and approved by the Company's Audit Committee and Board. Reports are issued following each audit and circulated to senior management, both locally and within the Group in the United States. The resolution of issues identified are tracked to ensure they are addressed on a timely basis.

The audit plan considers the materiality of each area, the results of prior years' audits and to the quantum of change being experienced across each area of the business. The current year's plan is therefore determined on a risk-based selection of areas to be addressed. The plan is sufficiently flexible to be changed mid-year if new circumstances arise. Any proposed changes in scope are agreed by the Company's Audit Committee and Board before being implemented.

Internal Audit evaluates the adequacy and effectiveness of the internal controls in each area it audits and structures its work around four key risk management objectives, namely:

- Financial statement integrity
- Operational effectiveness
- Compliance with local laws and regulations
- System and data integrity

The London based Internal Audit Function is managed by the Company's designated Head of Internal Audit, who is an employee of TML, but has a direct reporting line to the Group's Head of Internal Audit based in Hartford, United States. The Head of Internal Audit has no other role within the Company and has no additional responsibilities. The Company's Head of Internal Audit also has a reporting line to the Chairman of the Company's Audit Committee and meets each year with the Company's Audit Committee without executive management in attendance.

The Internal Audit Function reports:

- Quarterly to the Board;
- Quarterly to the Audit Committee; and,
- Quarterly to the European Executive Risk Committee.

B.6 Actuarial Function

Article 48 of the Solvency II Directive requires the Company to have an actuarial function and for that function to report to the Board formally on technical provisions, reinsurance arrangements and underwriting policy. The Company utilises Travelers Europe's in-house team of actuaries to perform this role. The Actuarial Function is also engaged in pricing, reserving and management information related activities. The department is structured in line with the functions the team needs to perform and has a separate pricing and reserving team. This reduces the potential to create a conflict of interest.

The Head of Actuarial Function has a reporting matrix to the CEO of the Company to ensure that the Actuarial Function is not unduly influenced by the Underwriting Function.

The Actuarial Function Reports and the Opinions on Underwriting Policy and the Reinsurance Arrangements are produced annually and presented to the Board by the Head of Actuarial Function, having first been reviewed by the ERC. The Board exercises appropriate additional oversight over the reserving process by receiving quarterly reports from the Company's actuarial team which are presented by the Head of Actuarial Function. Detailed review of the quarterly reserve reports is delegated to the Finance Committee and on an annual basis the Audit Committee meets with the Head of Actuarial Function and the External Auditors to receive reserve reports and to discuss reserving issues. Controls over the Board and Company's senior management having an undue influence on the activities of the Actuarial Function arise from the maintenance of professional standards of conduct by the in-house actuarial team, oversight from external auditors and peer reviews by other actuaries within the wider Travelers organisation.

B.7 Outsourcing

The Outsourcing Policy sets out the minimum standards, and roles and responsibilities, relating to the outsourcing of a process, a service or an activity by or on behalf of the Company, and ensures compliance by the Company with all applicable regulations when entering into outsourcing arrangements.

The Policy applies to all types of outsourcing arrangements entered into by the Company, including intra-group outsourcing, where another company within the Travelers group performs a function on behalf of the Company.

The Company is committed to complying fully with all applicable regulatory requirements and guidelines relating to the outsourcing of a function, including the requirements of Solvency II and the requirements of the CBI. In particular, the Outsourcing Policy provides that the Company will:

- Ensure that each outsourcing arrangement that it enters into is conducted in a sound and prudent manner;
- Ensure that the outsourcing of a function does not impair the ability of the supervisory authorities to monitor the Company's compliance with its obligations;
- Monitor the compliance by the Company's employees with the Outsourcing Policy;
- Conduct each outsourcing arrangement that it enters into with appropriate care and diligence;
- Consider the interests and fair treatment of customers when assessing the outsourcing of a function;
- Consider how its customers might be impacted by the outsourcing of a function;

- Establish and maintain an effective system of governance that provides for the sound and prudent management of its business in respect of outsourcing arrangements; and,
- Include in its system of governance a process for monitoring and reviewing the quality of an outsourced function.

The Company will undertake due diligence to assess whether a proposed service provider is suitable to carry out an outsourced function, which shall include an assessment of:

- Its financial and technical ability;
- Its capacity to perform the outsourcing;
- Its risk management and control framework;
- Whether there are any actual or potential conflicts of interest; and,
- Whether it has adequate systems and procedures in place to manage the risks posed by financial crime.

The Company will enter into a written agreement with the service provider allocating the respective rights and obligations, and will establish and maintain effective systems and controls to supervise and monitor the performance of an outsourced function.

The European Outsourcing Policy and Outsourcing Process has been approved by the ERC.

The Company uses several service providers to undertake operational functions or activities that can be considered critical or important, as set out in the table below.

Function or activity	Jurisdiction of service provider
Claim administration services	India
Facilities management and services	UK
IT support functions - provided through intragroup services agreement	USA
IT infrastructure and security - provided through intragroup services agreement	USA
Insurance policy administration services	India
Investment management - provided through intragroup services agreement	USA
Offsite data storage - provided through intragroup services agreement	USA
Payroll processing - provided through intragroup services agreement	USA

B.8 Any other information

This system of governance is considered by the Board, the Management Committee and the ERC to be appropriate for the nature, scale and complexity of the Company's business.

C. Risk Profile

C.1 Underwriting Risk

Underwriting risk as at 31 December 2019 comprised 71.4% of the undiversified basic SCR.

C.1.1 Material Risk Exposures

The Company has an Insurance Risk Policy (which covers underwriting risk) which is reviewed and approved annually by the ERC and the Board. Underwriting risk includes the following exposures:

- **Claims**: Inadequate management of claims and inconsistent or inappropriate case reserving.
- **Large Loss Frequency and Severity**: Potential for the frequency and severity of claims payments to be different to that anticipated when pricing risks.
- **Portfolio Aggregation**: Inadequate or ineffective supervision of aggregate exposure, or over reliance on methods of aggregation. Failure to accumulate insurance exposures in an accurate and timely manner, or within established appropriate risk appetite levels.
- **Pricing and Selection**: Inadequate pricing or selection of risks that fails to appropriately assess the underlying risk exposures.
- **Reinsurance:** Failure to utilise reinsurance effectively as a tool to protect capital and profits and meet risk appetite guidelines.
- **Reserving**: Uncertainty as to the timing or amount of claims cash flows. Eventual claim payments are different to the reserves estimated for those liabilities.
- **Underwriting portfolio management:** Failure to predict the effect of industry, economic or market trends on individual classes of business profitability, leading to an inappropriate underwriting strategy.
- **Delegated Underwriting:** Deficient due diligence in the selection process for DUAs &/or inadequate ongoing monitoring.

Given this is the Company's first year of trading, there were no changes to the material underwriting risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.1.2 Material Risk Concentrations

Geographically the major risk concentrations are to Ireland and the UK and by peril the largest exposure is to a large windstorm event with consequent storm surge. The underwriting portfolio with the largest exposure concentration is the professional indemnity coverage provided to UK solicitors within the General Liability line of business.

Whilst reserve risk diversifies across lines of business, it is dominated by our long-tail classes and is exposed to systemic risks such as claims inflation, legal rulings or changes in settlements such as the Ogden discount rate change or Book of Quantum.

We do not anticipate any significant changes to our material risk concentration during the business planning time period.

C.1.3 Material Risk Mitigation

The Underwriting Committee oversees the management of underwriting risk and in particular ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes, and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks, together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one industry, line of business or geographical region. The Underwriting Committee meets monthly and addresses new product ideas, emerging claims issues, product and line of business profitability issues, as well as monitoring the overall portfolio performance.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, limits and aggregate caps. The Company uses sophisticated modelling tools to monitor and manage the concentration of exposure from weather events and to ensure they remain within the Board's risk appetite. Authority limits are accorded to individual underwriters based on their experience. The Company also makes use of reinsurance to mitigate the risk of incurring significant losses linked to any one risk or any one event, principally risk excess of loss and property catastrophe reinsurance. Where an individual exposure is in excess of Company's appetite additional facultative reinsurance is also considered.

On a monthly basis, performance reviews are conducted to monitor premium production, business mix, rating adequacy and claims activity relative to targets set out in the Company's annual business plan. On an annual basis each portfolio is subjected to a detailed review to identify actions to be taken to improve performance where necessary and opportunities to further develop the portfolio.

The Finance Committee oversees the management of reserving risk. Travelers Europe's in-house Actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters and claims handlers. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development patterns are all instrumental in mitigating reserving risk. The aim of the quarterly reserving analysis is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Finance Committee performs a comprehensive review of the projections, both gross and net of reinsurance and following this review makes recommendations to the Company's Board of Directors of the appropriate claims provisions to be established. In arriving at the level of claims provisions carried a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

C.1.4 Risk Sensitivity and Sensitivity Analysis

The major underwriting risk sensitivities are to the adequacy of reserves established at 31 December 2019 and to the projected loss ratio at which business will be written in the next twelve months. Should the net reserves established at 31 December 2019 deteriorate by 5% the net impact on shareholders' funds post application of the Quota Share will be to reduce them by €1.7m.

Should the loss ratio projected for the 2020 year deteriorate by 5 points, the impact on 2019 shareholders' funds post tax would be a deterioration of €1.0m.

The above sensitivity analysis' result in capital surplus positions between €36.6m and €37.3, and associated SCR coverage between 239% and 242%

C.2 Market Risk

C.2.1 Material Risk Exposures

Market risk as at 31 December 2019 comprised 15.1% of the undiversified basic SCR.

The Company's material market risk exposures are to interest rate risk and asset price risk on its fixed income investment portfolio and foreign currency risk through having unmatched foreign currency assets and liabilities.

As at 31 December 2019 the Company had an investment portfolio comprised of government and corporate bonds with a market value of €81.3m. All investments are high quality, highly liquid and traded on a recognised investment exchange and as such comply with the prudent person principle embedded in the Solvency II directive. The Company does not use derivatives other than to mitigate risk and has not utilised derivatives during 2019.

The Company's only foreign currency exposures are to Sterling, through its branch in the UK, and to the US dollar through business written denominated in US dollars and through transactions with affiliated group companies based in the United States. Given this is the Company's first year of trading, there were no changes to the material market risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.2.2 Material Risk Concentrations

The Company's most material investment exposure is to the bonds of the European Investment Bank. At 31 December 2019 the market value of its holding in the European Investment Bank was €15.8m or 19.4% of its investment portfolio. The Company's single largest holding in a corporate bond was €6.1m or 7.5% of its investment portfolio.

The Company had foreign currency exposure to Sterling of (€3.3m), representing 5.0% of its own funds, and to US dollars (€1.2m), representing 1.9% of its own funds, as at 31 December 2019.

C.2.3 Material Risk Mitigation

Management of the Company's investment portfolio is outsourced to an affiliated group company, The Travelers Indemnity Company. The investment strategy is agreed annually by the Company's Board and performance against this strategy is reviewed quarterly in meetings between the investment manager and the Finance Committee. The Company has a conservative investment risk appetite and invests only in high quality government and corporate fixed interest securities. Limits are in place to manage exposures to particular industries and individual counterparties. The term of the invested assets purchased are set to approximate the duration of the underlying insurance liabilities.

The Company aims to match foreign currency assets and liabilities by currency, with any surplus being held in Euro. Any foreign currency surpluses or deficiencies are actively managed, on at least a quarterly basis, by selling or buying currency assets to resolve the situation.

The Finance Committee monitors market risk and foreign currency exposures and adherence to the Company's risk appetite.

C.2.4 Risk Sensitivity

The major market risk sensitivities are to a significant change in interest rate expectations, the financial impairment of an individual investment counterparty or a significant movement in foreign currency rates.

C.2.5 Sensitivity Analysis

The investment portfolio typically has a relatively short duration approximating the term of the insurance liabilities. If interest rates had risen by 100 basis points as at 31 December 2019, own funds would have fallen by €2.2m.

The failure of its largest corporate investment counterparty as at 31 December 2019 would cost the Company €6.1m, or approximately 9.4% of its own funds.

The impact of a 10% movement in the exchange rate for the largest currency exposure would impact the Company's own funds by €0.3m as at 31 December 2019.

The above sensitivity analysis' result in capital surplus positions between €32.2m and €38.0, and associated SCR coverage between 222% and 244%.

C.3 Credit Risk

C.3.1 Material Risk Exposures

Credit risk as at 31 December 2019 comprised 13.5% of the undiversified basic SCR.

The Company's material credit risk exposures are to investment counterparties, through its fixed income investment portfolio, and to reinsurers, brokers and policyholders through its insurance underwriting activities.

Given this is the Company's first year of trading, there were no changes to the material credit risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.3.2 Material Risk Concentrations

The Company's biggest investment counterparty is the European Investment Bank, to whom the exposure at 31 December 2019 was €15.8m or 19.4% of its investment portfolio. The single biggest corporate bond exposure at 31 December 2019 was €6.1m or 7.5% of the value of the investment portfolio in 2019.

The single biggest external reinsurer exposure as at 31 December 2019 was €8.8m. The single biggest internal reinsurer exposure was to TICL under the Quota Share reinsurance arrangement at €123.1m, representing 51.3% of the Company's assets. This has an associated collateral account arrangement classified as a ring-fenced fund. The balance of assets held within the collateral account as at 31 December 2019 was €131.2m.

There was no material exposure to any individual policyholder.

C.3.3 Material Risk Mitigation

Credit exposures are managed through the thoughtful analysis and selection of individual counterparties and the use of limits to manage exposures to individual counterparties.

Investment analysts within the Company's group provide reports on industry sectors and individual investment counterparties. The Company invests only in high quality and highly liquid assets that are traded on recognised investment exchanges and are rated "A-" or higher with Standard & Poor's.

The Company aligns its approach to that of its parents reinsurance policy, which is to purchase reinsurance only from those reinsurers who meet the Company's parents security standards. Reinsurance is placed through the Company's parent, and reinsurance counterparties are subject to a rigorous internal assessment process by reviewing ratings provided by rating agencies and other publicly available information. The Company utilises resources from the Travelers group in managing this risk.

In addition, the Company has an 80% Quota Share arrangement in place with TICL, its immediate parent. The net premiums paid by the Company to TICL are held within a collateral account categorised as a ring-fenced fund. The assets held within the collateral account cannot be released to TICL until the assets within the account exceed the associated liabilities on the second anniversary of any given accident year commencing from 31 December 2019.

Proactive credit control procedures are in place to limit outstanding balances owed by reinsurers, brokers and policyholders.

The Finance Committee monitors credit risk and the Company's adherence to its appetite for credit risk.

C.3.4 Risk Sensitivity

The key risk sensitivities for credit risk are to the failure of an individual counterparty, or to a market wide event, such as an economic recession or large insured Catastrophe loss, that impairs the financial security of a number of counterparties at the same time.

C.3.5 Sensitivity Analysis

Failure of the largest corporate bond counterparty and external reinsurer counterparty at the same time as at 31 December 2019 would reduce own funds by €14.9m, representing approximately 23.0% of its own funds.

The above sensitivity analysis would result in a capital surplus position of €23.4m, and associated SCR coverage of 189.0%.

Due to the existence of risk mitigation by way of the collateral account, a sensitivity analysis to the failure of TICL as a reinsurer under the Quota Share reinsurance arrangement has not been performed.

C.4 Liquidity Risk

C.4.1 Material Risk Exposures

The Company has no material liquidity exposures. The Company has no external debt, it is well capitalised, and it has a highly liquid investment portfolio whose duration is set to match the duration of its insurance liabilities. It also has the support of financially strong immediate and ultimate parent companies.

There were no changes to the material liquidity risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.4.2 Material Risk Concentrations

The Company has no material liquidity risk concentrations.

C.4.3 Material Risk Mitigation

The Company has a highly liquid investment portfolio and a strong capital position. Cash-flow forecasts are prepared on a weekly basis and a buffer of liquidity retained to manage unexpected cash requirements. The Finance Committee oversees the management of liquidity risk.

C.4.4 Risk Sensitivity

The Company has no particular sensitivities to liquidity risk.

C.4.5 Expected Profit in Future Premiums

The expected profit in future premiums reported in the S.23.01 is €5.5m.

C.5 Operational Risk

C.5.1 Material Risk Exposures

Operational Risk is 19.4% of the Company's final SCR as at 31 December 2019.

The Company has an Operational Risk Policy which is reviewed and approved annually by the ERC and the Board. The operational risk profile includes risks from processes, people, systems and external events. Six categories have been identified by the Board as being the most material operational risk areas and defined in the Company's risk register:

- **Compliance, Legal and Third Parties:** Unintentional or negligent failure of professional, regulatory or legal obligations, including contractual disputes raised by, or against, business partners.
- **Conduct:** Failure to pay due regard to the interests of customers and treat them fairly.
- **Data Management and Reporting:** Flaws relating to capture, maintenance/storage, transmission or reporting of information.
- **Employee and Employment Practices:** Acts inconsistent with HR, employment, or health and safety legislation/policy.
- **Financial Crime:** Unlawful acts attempted for financial gain.
- **IT Infrastructure, Security and Change:** Risk from systems or transformation initiatives, or disruption of business.

Operational risks are reviewed quarterly and linked to the ORSA through performance of the Risk and Control Self-Assessment (**RCSA**) process facilitated by the Risk Management Function.

Qualitative risk concentration and sensitivity tests linked to the operational risk profile were analysed in the ORSA some of which were:

- Cyber-attack and data breaches
- Business Continuity / Disaster Recovery
- Financial Crime

These tests are facilitated by the Risk Management Function linked to emerging risks and they provide early warning to the Board and senior management of extreme, but plausible, events that could impact the business and enables the Company to formulate plans to manage the business in the event of such extreme shock.

Other key operational risks with the corresponding mitigating actions are summarised in the table below:

Process Risks	Mitigating Activities / Tools
Business Operation and Process Failures	• Documented controls and procedures
	• Statistical reporting
	• Business Continuity arrangements
Governance Failures	• Documented controls and procedures
	• Corporate Governance Structure
Health & Safety Procedural Failures	• Documented controls and procedures
	• Review and enhancement of risk control activities
Change Management Failures	• Periodic review of projects and activities
	• Compliance with Travelers Group Change Management Processes and Procedures

People Risks	Mitigating Activities / Tools
Fraud	• Documented controls and procedures
	• Anti-fraud administration procedures
	• Authorisation limits and segregation of duties
	• Employee screening
Human Resources	• Documented controls and procedures
	• HR Policies and monitoring
	• Training programme for Management and Staff
Finance and Accounting Errors	• Documented controls and procedures
	• Accounting Policy
	• Authority Limits
	• Oversight by Internal Audit
Compliance and Legal	• Documented controls and procedures
	• Compliance Plan
	• Risk Committee oversight and reporting
	• Approval limits
	• Contracts approval procedure

Systems Risks	Mitigating Activities / Tools
	• Documented controls and procedures

Systems Risks	Mitigating Activities / Tools
Technology	• Fall-back suppliers/Service Providers for persistent failed delivery
	• Disaster Review/Recovery Processes
Systems and information Security	• Information Security policies and monitoring
	• Business Continuity Plan

External Risks	Mitigating Activities / Tools
External Party-induced BCP Failure	• Systems Security Checks
	• Rigorous Business Continuity/Disaster Recovery Plan
	• Office Premises Security Checks
Failure of Outsourcing Arrangements	• Service-level agreements
	• Outsourcing approval and monitoring procedures
Loss of key distribution relationships	• Proactive management of Third-party relationship issues
	• Proactive sourcing of alternative distribution relationships
Changes in Regulatory Framework	• Legal and Compliance monitoring procedures
	• Regular review of regulatory environment

In addition, regular risk monitoring and reporting using the risk register provides management and the Board with ongoing assurance that established operational controls to manage these operational risks are functioning properly. Recommendations and actions arising from this review are documented in the risk register and tracked to facilitate a discussion about the plan, its risks, and potential management actions to enhance the Company's resilience and deliver the plan's objectives.

Through the Head of Compliance's attendance at the ERC there is challenge over whether regulatory elements are considered appropriately within these risks. Similarly, notable regulatory developments and breaches are disseminated through Compliance reporting linked to the RMF.

There were no changes to the material risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.5.2 Material Risk Concentrations.

The Company has no particular operational risk concentrations.

C.5.3 Material Risk Mitigation

See table above.

C.5.4 Sensitivity Analysis

The Company does not perform any sensitivity analysis in respect of operational risk.

C.6 Other material risks

None

C.7 Any other information

None

Stress and Scenario Testing

Stress and scenario testing are facilitated at least annually by the Risk Management Function and contemplates risks to which the business may become exposed to in the future. Stress and scenario testing involve projection of the plan, under extreme but plausible risk conditions, to identify potential management actions and inform the business strategy. Investigation of different scenarios identifies how perceived risks are likely to impact the strategy and supports proactive risk management.

Stress and scenario testing identifies how, with the business model under stress, policyholder security is assured and encourages continuous improvement, to evolve financial and operational resilience, in view of emerging risks. Analysis of external and internal events to develop/inform scenarios for analysis are identified by the Risk and Control Owners, Management Committee, ERC, Board and Risk Management Function amongst others.

Stress testing is used to evaluate the potential forward-looking effects of a set of specified changes in risk factors, corresponding to an exceptional but plausible targeted event. It is used to test business capability against challenging industry or macroeconomic events, or during periods of expansion/growth when innovation leads to new products for which limited, or no historical experience is available.

Scenario testing is typically used to assess (forward-looking) the simultaneous impact of a set of events. Stress and scenario analysis maintains a close relationship with the capital model. Well-functioning scenario analysis requires a robust model and methodology to perform the analysis, at the same time, the results of Stress and Scenario testing can inform refinements to the model and/or stress and scenario methodology.

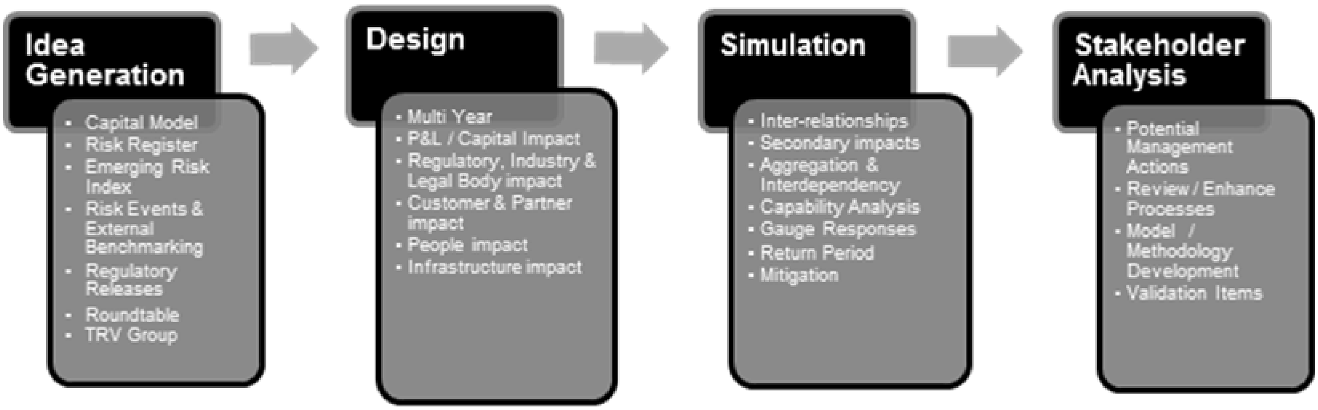


Figure A: Overview of the Stress and Scenario Methodology

Specific objectives relating to stress and scenario testing are to:

- explore the potential causes of total business model failure i.e., reverse stress testing;
- further understand the types of scenario and the extent of stress required to result in a breach of capital requirements;
- awareness of the impact on capital requirements and the position against risk tolerance and/or appetite under various stressed conditions;
- understand the impact on the ability to meet key targets under various stressed conditions; and
- analyse ORSA outputs, particularly in relation to the capital and solvency position under stressed conditions.

The Risk Management Function facilitates Stress and Scenario testing and challenges potential management actions in response to these tests so that they are realistic, credible, consistent with regulatory expectations, and achievable; and consider triggers for potential activity.

Overview of the Methodology

Stress and scenario testing is made up of four main components:

I. Scenarios where Risk Appetite is exceeded;
II. Scenarios where capital limits (risk tolerance) is exceeded;
III. Reverse Scenarios that cause business failure (reverse stress tests); and
IV. Stressing of capital modelling parameters.

Appetite and Capital Scenario Analysis

The Risk Strategy defines the Risk Appetite and reflects the level and nature of risks that the Board considers acceptable for it to seek, accept or transfer in pursuit of strategic objectives. The Risk Appetite sets specific thresholds that are in the Company's tolerance level and this is monitored on an ongoing basis. The list of stress and scenario tests are reviewed frequently to identify new scenarios or stresses required and how to recalculate historic scenarios. This considers any new information that may have come to light through internal or external sources as presented in Figure A above.

The factors that drive the biggest losses are selected and scenarios are developed that target key controls, or that could cause material loss (for example, underwriting risks are most damaging when reinsurance protection is invalidated through operational risks or due to a large number of sideways risks leading to net retentions).

Once scenarios have been generated to consider each top risk category, the Risk Management Function, and specialist risk owners, identify which risks could have a common cause or are likely to occur simultaneously in order to develop an aggregate view.

Generally, stress and scenario tests are accumulated until the overall capital figure or the local appetite is exceeded. The combination of events required to exceed this capital figure is seen as a good test of suitability of the capital amount and modelling.

<u>Quantitative Assessment</u>

- Review the average drivers of capital loss that would take the Company below its Economic Capital Requirement (**ECR**); or cause a one notch downgrade on standalone basis or erode all capital.
- Rank the largest drivers of capital erosion and report on the correlation between these to sense check whether events could occur that accumulate these losses.
- Attach a likelihood to some of the scenario tests.

<u>Qualitative Assessment</u>

Continually progress thinking on risks to capital, considering emerging risks and inherent risk scenarios, for example: Tests on Group/Operational risks; Pension fund liabilities/assets where appropriate; and Invalidation of reinsurance assets.

D. Valuation for Solvency Purposes

D.1 Assets

The Company's assets on a Solvency II and UK & Irish GAAP (FRS) basis as at 31 December 2019 were as set out below:

31 December 2019	Solvency II basis	UK & Irish GAAP (FRS) basis	Difference
	€'m	*€'m*	*€'m*
Investments	81.2	80.7	0.5
Reinsurance recoverables	137.6	180.8	(43.2)
Insurance and intermediaries receivables	2.9	43.0	(40.1)
Reinsurance receivables	3.9	3.9	-
Receivables (trade, not insurance)	2.7	2.7	-
Cash and cash equivalents	11.8	11.8	-
Accrued interest	-	0.5	(0.5)
Deferred acquisition costs	-	5.5	(5.5)
Total Assets	**240.1**	**328.9**	**(88.8)**

The Company's assets are recognised and valued using the following principles:

Investments
The Company classifies its investments as "available for sale" and carries those investments at fair value, with unrealised gains and losses being reported through Other Comprehensive Income on a UK & Irish GAAP (FRS) basis. Fair value for securities quoted in active markets is the bid price exclusive of transaction costs. For assets where no active market exists, fair value is determined by referring to quoted prices in active markets for similar assets. The difference in the Solvency II valuation basis compared to UK & Irish GAAP (FRS) is that on a Solvency II basis the value of investments includes accrued interest.

Reinsurance recoverables
Reinsurance recoverables on a Solvency II basis relate to all expected future cash inflows and outflows from reinsurers in respect of contracts bound as at the balance sheet date. These cash-flows are discounted to have them valued on an economic basis. The major difference between the UK & Irish GAAP (FRS) and Solvency II basis valuation is that on a Solvency II basis the reinsurance recoverables are stated net of cash outflows in respect of premiums or reinstatement premiums. On an UK & Irish GAAP (FRS) basis these cash outflows are presented separately as liabilities. In addition, the UK & Irish GAAP (FRS) reserves are not discounted, and UK & Irish GAAP (FRS) includes an unearned premium reserve for that period of a reinsurance contract's term that is unexpired as at the balance sheet date. Solvency II does not recognise the concept of unearned premium, but instead recognises expected reinsurance cash inflows and outflows up until the expiry of the underlying reinsurance contract. These cash-flows are discounted.

Insurance and intermediaries receivables
On a Solvency II basis, only insurance premiums that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other insurance premiums receivable are reported as a component of technical provisions. This explains the difference in valuation to the UK & Irish GAAP (FRS) basis. Insurance premium receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

Reinsurance receivables/Receivables (trade, not insurance)
There is no difference in the valuation of reinsurance receivables or receivables (trade, not insurance) on an UK & Irish GAAP (FRS) and Solvency II basis. Reinsurance receivables and receivables (trade, not insurance) are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

Cash and cash equivalents
All cash balances are held in accounts which are not subject to any time restriction and can be withdrawn without penalties. Cash is held at book value as a proxy for market value and a consistent valuation basis is used for Solvency II and UK & Irish GAAP (FRS) reporting.

Accrued Interest
Accrued interest is valued at book value for both Solvency II and UK & Irish GAAP (FRS) purposes. As all amounts accrued fall due for payment within six months this is deemed a reasonable proxy for market value. For Solvency II purposes accrued interest is classified as part of Investments.

Deferred acquisition costs
Deferred acquisition costs relate to that element of broker commissions that on a UK & Irish GAAP (FRS) basis are earned subsequent to the balance sheet date. The concept of deferred acquisition costs does not exist on a Solvency II basis.

D.2 Technical Provisions

Gross technical provisions as at 31 December were as set out below:

	2019
	€ ’m
Best estimate	169.2
Risk margin	3.7
Total gross technical provisions	**172.9**

Technical provisions by Solvency II class of business are reported in the accompanying quantitative template at S.17.01.02. The most material class is General Liability which comprises 87% of the total best estimate as follows:

General Liability	**2019**
	€’m
Best estimate	147.1
Risk margin	3.2
Total gross technical provisions	**150.3**

The gross technical provisions best estimate represents the Company's best estimate of the ultimate cost of settling claims that will arise from all contracts written as at the balance sheet date, including those that are bound but not yet incepted.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date and the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled, there is considerable uncertainty of forecasting those claims that will arise on exposures written that extend beyond the balance sheet date. As a consequence of these uncertainties the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions. In overview, claims provisions are determined based upon prior claims experience, knowledge of market conditions and trends, and the terms and conditions of the underlying policies of insurance.

A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of provision to carry. These methods include the following:

- Chain ladder development of paid and incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier years;
- Estimates based upon the projection of claims' numbers and average costs;
- Expected loss ratios; and,
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each country, product, line of business and accident year. Gross and ceded data is projected separately. Large claims are identified and reserved for separately. Where possible, the Company adopts multiple techniques to estimate the required level of provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class under consideration. These cash-flows are then discounted using the relevant EIOPA yield curves. The data is then aggregated to Solvency II class of business for reporting purposes.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk. The level of uncertainty is also influenced by a number of factors such as claims cost inflation, judicial trends and legislative changes. As a consequence of this uncertainty the eventual cost of settling outstanding claims can vary substantially from the initial estimates. It is not unlikely that the ultimate cost is greater, or lower, than the initial reserves by 5%.

The risk margin is an addition to the best estimate liabilities. The risk margin is an estimate of the cost of providing the capital necessary to support the run off to expiry of the underlying insurance liabilities. We use the full calculation as the basis for calculating the risk margin. This involves taking the Standard Formula SCR and projecting it:

- For 30 years into the future;
- Restricted to the policies legally obliged on the balance sheet date;
- Assuming market risk is nil;
- Using the gross and ceded, premium, claims and expense cashflows from the technical provisions; and,
- Making various expert judgments used in respect of the risk prevailing at each future projection point.

To allow for business that is contractually bound but not incepted at the balance sheet date we use assumptions as to binding date, together with data from the latest business plan. For reinsurance we assume a future management action will be to purchase reinsurance cover, similar to the protection offered by current reinsurance treaties, to provide ongoing protection for any unexpired gross exposures. An additional expense provision is calculated to cover the cost of administering the policies and settling the claims in respect of unearned premiums and bound but not incepted policies. For Events Not in Data we use an assumption-based approach which has been benchmarked against the market.

This calculation approach is applied to all Solvency II classes. On a Solvency II basis gross technical provisions as at 31 December 2019 were €172.9m. On a UK & Irish GAAP (FRS) basis gross technical provisions were €218m. A reconciliation of the UK & Irish GAAP (FRS) reserves to the Solvency II reserves on a gross and net basis, itemising the key items in reconciliation, for 2019 is set out below:

As at 31 December 2019	Gross	RI	Net
	€'m	€'m	€'m
UK & Irish GAAP (FRS) reserves	218.0	178.3	39.7
Removal of margin	(5.3)	(4.3)	(1.1)
Removal of UPR reserve	(61.2)	(49.7)	(11.5)
Future Premium	(43.4)	(31.1)	(12.3)
Claims on unearned/un-incepted business	38.5	31.5	7.0
Commissions on un-incepted business	1.0	0.8	0.2
Risk Margin	3.7	0.0	3.7
Additional expenses	13.6	5.9	7.7
Reinsurance bad debt	0.0	(0.3)	0.3
Events not in data	8.0	6.5	1.6
Solvency II Technical Provisions	**172.9**	**137.6**	**35.3**

On a Solvency II basis reserves are carried on a best estimate basis so any reserve margin held under UK & Irish GAAP (FRS) is released. Solvency II does not recognise the concept of earned premium and earned reserves. Instead reserves are established based on all contracts written at the balance sheet date, including those where the Company is contractually bound but the contract has not yet incepted. In this way, the unearned premium reserve held on a UK & Irish GAAP (FRS) basis is released and replaced by future cash outflows in respect of claims for all contracts to which the Company is contractually bound at the balance sheet date. Solvency II technical provisions also include the premium cash inflows in respect of these contracts.

On a Solvency II basis the Company is required to carry a reserve for Events Not in Data (**ENIDS**). In addition, the Company provides for the additional expenses that will be incurred in servicing all contracts to which the Company is contractually bound at the balance sheet date to their expiry. Then to put the provisions held onto an economic basis, a risk margin is added to reflect the margin a willing buyer on an arms-length basis would require in assuming these liabilities, and the reserves are discounted to reflect the time value of money.

The Company has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC, nor has it used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC, nor the transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC, nor the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance recoverables as at 31 December 2019 were €137.6m. Reinsurance recoverables relate to current and expected claims recoveries from reinsurers in respect of all contracts written, including those bound but not incepted, at the balance sheet date, offset by payments due to reinsurers re premiums and reinstatement premiums.

D.3 Other Liabilities

The Company's other liabilities as at 31 December 2019 on a Solvency II and UK & Irish GAAP (FRS) basis were as follows**:**

31 December 2019	Solvency II basis	UK & Irish GAAP (FRS) Basis	Difference
	€'m	€'m	€'m
Insurance and intermediaries payables	0.1	7.1	(7.0)
Reinsurance payables	-	27.9	(27.9)
Payables (trade, not insurance)	2.6	2.6	-
Any other liabilities, not elsewhere shown	-	4.4	(4.4)
Total Other Liabilities	**2.7**	**42.0**	**(39.3)**

The amounts disclosed as Any Other Liabilities, Not Elsewhere Shown, can be further broken down as follows:

31 December 2019	Solvency II basis	UK & Irish GAAP (FRS) basis	Difference
	€'m	€'m	€'m
Reinsurers' share of deferred acquisition costs	0.0	4.4	(4.4)
Total	**0.0**	**4.4**	**(4.4)**

The Company's other liabilities are recognised and valued using the following principles:

Insurance and Intermediaries payables
On a Solvency II basis amounts payable to intermediaries that are not overdue are classified within technical provisions.

Reinsurance payables
On a Solvency II basis cash outflows to reinsurers are a component of reinsurance technical provisions. The only element reported as a liability on the balance sheet is the amount outstanding past credit terms, if any.

Payables (trade, not insurance)
Payables comprise amounts payable to other group entities and corporation tax payable. There is no difference in the valuation of payables (trade, not insurance) on a UK & Irish GAAP (FRS) and Solvency II basis. They are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be paid within six months.

Reinsurers' share of deferred acquisition costs
The reinsurer's share of deferred acquisition costs under UK& Irish GAAP (FRS) relates to that element of commissions receivable from reinsurers that falls to be earned after the balance sheet date. Deferred acquisition costs as a principle does not exist under Solvency II.

D.4 Alternative methods for valuation

None

D.5 Any Other information

None

E. Capital Management

E.1 Own Funds

The Company's primary objectives when managing its capital position are as follows:

- To protect its ability to continue as a going concern and thus to protect its policyholders;
- To enable an appropriate return to the group's shareholders by allocating appropriate amounts of capital to its products commensurate with the risks taken, and measuring the return on this capital; and,
- To comply with its regulatory capital requirements.

The Company's Capital Management Policy is owned by the Finance Committee and is approved by the Board on an annual basis. The Company's position relative to its regulatory capital requirements and its internal targets is monitored on a quarterly basis by the Finance Committee and reported to the Board.

The Company uses a three-year business plan time horizon and ensures it has enough capital to meet its reasonably anticipated needs through this period. There have been no material changes to the Company's objectives and approach in this area during the year.

The Company's Own Funds are comprised principally of Tier 1 capital, which in turn is composed of share capital, share premium and a reconciliation reserve. There are no anticipated dividends over the foreseeable future. The Basic Own Funds by type and tier as at 31 December 2019 were:

31 December 2019	Tier 1	Tier 2	Tier 3	Total
	€'m	€'m	€'m	€'m
Share capital	35.0	-	-	35.0
Share premium	1.4	-	-	1.4
Reconciliation reserve	(1.8)	-	-	(1.8)
Other own fund items	30.0	-	-	30.0
Total Basic Own Funds	**64.6**	**-**	**-**	**64.6**

There is no restriction in the amount of Own Funds in either tier that is eligible to meet the Company's SCR. All Tier 1 Own Funds are eligible to cover the Company's MCR.

A comparison of the excess of assets over liabilities as calculated for Solvency II purposes and equity as shown in the Company's UK & Irish GAAP (FRS) financial statements is set out below:

	31 December 2019
	€'m
Equity on a UK & Irish GAAP basis	65.8
Equity on a Solvency II basis	64.6
Difference	**1.2**

Shareholders' funds on a UK & Irish GAAP (FRS) basis are higher than the excess of assets over liabilities on a Solvency II basis. This difference largely reflects the fact that the Solvency II risk margin held is in excess of the net reserve margin held on a Statutory basis.

	31 December 2019
	€'m
Equity per UK & Irish GAAP (FRS)	**65.8**
Reserve margin release	1.1
Risk margin	(3.7)
Events not in data	(1.6)
Additional expenses	(1.0)
Reinsurance bad debt	(0.3)
Profit recognised on unearned premiums	4.3
Excess of assets over liabilities in Solvency II	**64.6**

No Own Funds item is subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive. The Company has no ancillary own funds and there are no items deducted from Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company uses the Standard Formula to calculate its Solvency Capital Requirement (**SCR**) and Minimum Capital Requirement (**MCR**). The Company does not use any Undertaking Specific Parameters. The amount of the Company's MCR and SCR as at 31 December 2019 were €6.6m and €26.3m respectively. The SCR by risk module as at 31 December 2019 was as set out below:

SCR Component	**31 December 2019**
	€'m
Non-Life Underwriting	18.0
Market Risk	3.8
Counterparty Default Risk	3.3
Undiversified Basic SCR	**25.1**
Diversification credit	3.9
Basic SCR	**21.2**
Operational risk	5.1
Solvency Capital Requirement	**26.3**

The Company has not been required to use any Undertaking Specific Parameters or to make any capital add-on by the supervisory authority. Capital injections and contributions of €60.3m were made to the Company in 2019 as part of the establishment and authorisation of its non-life insurance business. In calculating the SCR using the Standard Formula, the Company used simplified calculations for the Non-Life Underwriting risk, Market risk and Counterparty Default Risk modules, and within Market risk for the Spread risk and Interest Rate risk sub-modules.

The MCR is calculated by reference to the net technical provisions by class as at 31 December 2019 and by the net written premiums by class written over the last twelve months. The result of the calculation is then subject to a floor and a cap of 25% and 45% of the SCR respectively. As at 31 December 2019 the MCR has been set at €6.6m.

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

The Company holds no equities and as such does not use the equity risk sub-module of the standard formula.

E.4 Differences between the Standard Formula and any Internal Models Used

Not Applicable

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

The Company has remained in compliance with the MCR and SCR throughout the year and through the period since the end of the financial year. The Company's position relative to its capital requirements as at 31 December 2019 was as set out below:

31 December 2019	MCR	SCR
	€'m	**€'m**
Capital Requirement	6.6	26.3
Eligible Own Funds	64.6	64.6
Surplus	58.0	38.3
Coverage	981%	245%

E.6 Any other information

None

Appendix A: Quantitative Reporting Templates

General information

Undertaking name	Travelers Insurance Designated Activity Company
Undertaking identification code	54930061WB0LWBC0QW96
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	IE
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	81,274
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	81,274
R0140	*Government Bonds*	22,014
R0150	*Corporate Bonds*	59,260
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	137,590
R0280	*Non-life and health similar to non-life*	137,590
R0290	*Non-life excluding health*	137,590
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,910
R0370	Reinsurance receivables	3,932
R0380	Receivables (trade, not insurance)	2,657
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	11,785
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	240,148

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	172,878
R0520	*Technical provisions - non-life (excluding health)*	172,878
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	169,182
R0550	*Risk margin*	3,696
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	131
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	2,562
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	175,571
R1000	**Excess of assets over liabilities**	64,577

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				5,129	2,809	80	22,331	70,786	118								101,253
R0120	Gross - Proportional reinsurance accepted				13	7	0	879	802	0								1,701
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				4,219	2,253	79	19,255	57,719	118								83,643
R0200	Net				923	563	1	3,955	13,869	0								19,311
	Premiums earned																	
R0210	Gross - Direct Business				2,259	1,236	45	9,303	26,026	60								38,929
R0220	Gross - Proportional reinsurance accepted				6	3	0	398	378	0								785
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				1,859	991	44	8,111	21,288	60								32,353
R0300	Net				406	248	1	1,590	5,116	0								7,361
	Claims incurred																	
R0310	Gross - Direct Business				840	607	32	2,094	15,838	0								19,411
R0320	Gross - Proportional reinsurance accepted				0	0	0	162	0	0								162
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				663	479	32	1,843	12,689	0								15,706
R0400	Net				177	128	0	413	3,149	0								3,867
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0	0	0	0	0								0
R0550	**Expenses incurred**				289	179	-1	1,137	2,075	-12								3,667
R1200	**Other expenses**																	
R1300	**Total expenses**																	3,667

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GB					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	37,740	63,513					101,253
R0120	Gross - Proportional reinsurance accepted	175	1,526					1,701
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	30,964	52,679					83,643
R0200	Net	6,951	12,360					19,311
	Premiums earned							
R0210	Gross - Direct Business	16,981	21,948					38,929
R0220	Gross - Proportional reinsurance accepted	96	689					785
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	13,967	18,386					32,353
R0300	Net	3,110	4,251					7,361
	Claims incurred							
R0310	Gross - Direct Business	6,450	12,361					18,811
R0320	Gross - Proportional reinsurance accepted	0	162					162
R0330	Gross - Non-proportional reinsurance accepted	0	0					0
R0340	Reinsurers' share	5,124	10,102					15,226
R0400	Net	1,326	2,421					3,747
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0					0
R0550	**Expenses incurred**	1,836	1,795					3,631
R1200	**Other expenses**							
R1300	**Total expenses**							3,631

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0	0	0	0	0								0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				996	131	7	4,666	12,714	12								18,526
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				915	42	2	3,095	6,532	15								10,601
R0150	**Net Best Estimate of Premium Provisions**				81	89	5	1,571	6,182	-3								7,925
	Claims provisions																	
R0160	Gross				10,731	1,738	20	3,788	134,374	5								150,656
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				8,879	1,686	18	2,536	113,884	-15								126,988
R0250	**Net Best Estimate of Claims Provisions**				1,852	52	2	1,252	20,490	20								23,668
R0260	**Total best estimate - gross**				11,727	1,869	27	8,454	147,088	17								169,182
R0270	**Total best estimate - net**				1,933	141	7	2,823	26,672	17								31,593
R0280	**Risk margin**				290	32	0	212	3,159	3								3,696
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				12,017	1,901	27	8,666	150,247	20								172,878
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				9,794	1,728	20	5,631	120,416	0								137,589
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				2,223	173	7	3,035	29,831	20								35,289

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											568	568	568
R0160	2010	31,387	21,493	12,439	10,177	6,866	4,701	4,229	2,661	777	360		363	95,090
R0170	2011	15,032	7,777	6,987	5,322	4,272	4,757	1,155	1,095	725			725	47,122
R0180	2012	4,509	3,607	3,386	2,119	2,338	1,872	825	1,232				1,233	19,888
R0190	2013	2,459	3,059	2,215	2,450	3,076	2,857	1,200					1,198	17,316
R0200	2014	3,493	2,071	2,607	1,899	1,562	2,825						2,825	14,457
R0210	2015	6,597	1,607	1,785	1,761	1,759							1,759	13,509
R0220	2016	5,022	2,439	2,970	2,599								2,600	13,030
R0230	2017	5,477	5,627	3,605									3,605	14,709
R0240	2018	10,356	19,412										19,412	29,768
R0250	2019	5,974											5,974	5,974
R0260												Total	40,262	271,431

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											66,997	67,394
R0160	2010	0	0	0	0	0	0	7,348	5,718	2,792	2,277		2,292
R0170	2011	0	0	0	0	0	7,718	7,605	7,787	8,045			8,080
R0180	2012	0	0	0	0	8,157	7,279	6,470	3,072				3,089
R0190	2013	0	0	0	13,323	10,708	5,781	3,526					3,546
R0200	2014	0	0	12,168	10,523	6,835	4,300						4,323
R0210	2015	0	15,616	12,293	8,422	5,222							5,255
R0220	2016	14,795	17,382	13,093	10,774								10,844
R0230	2017	15,913	14,395	10,689									10,759
R0240	2018	28,230	11,372										11,448
R0250	2019	23,781											23,625
R0260												Total	150,655

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	35,000	35,000		0	
R0030	Share premium account related to ordinary share capital	1,389	1,389		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-1,811	-1,811			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	30,000	30,000	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	64,578	64,578	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	64,578	64,578	0	0	0
R0510	Total available own funds to meet the MCR	64,578	64,578	0	0	
R0540	Total eligible own funds to meet the SCR	64,578	64,578	0	0	0
R0550	Total eligible own funds to meet the MCR	64,578	64,578	0	0	
R0580	**SCR**	26,323				
R0600	**MCR**	6,581				
R0620	**Ratio of Eligible own funds to SCR**	245.32%				
R0640	**Ratio of Eligible own funds to MCR**	981.29%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	64,578				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	66,389				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	-1,811				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	5,487				
R0790	**Total Expected profits included in future premiums (EPIFP)**	5,487				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,751		
R0020	Counterparty default risk	3,360		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	18,038		
R0060	Diversification	-3,901		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	21,248		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	5,075
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	26,323
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	26,323
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	5,434

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	1,933	923
R0060	Other motor insurance and proportional reinsurance	141	563
R0070	Marine, aviation and transport insurance and proportional reinsurance	7	1
R0080	Fire and other damage to property insurance and proportional reinsurance	2,823	3,955
R0090	General liability insurance and proportional reinsurance	26,672	13,869
R0100	Credit and suretyship insurance and proportional reinsurance	17	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	5,434
R0310	SCR	26,323
R0320	MCR cap	11,846
R0330	MCR floor	6,581
R0340	Combined MCR	6,581
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	6,581