Solvency and Financial Condition Report

TRAVELERS INSURANCE DAC

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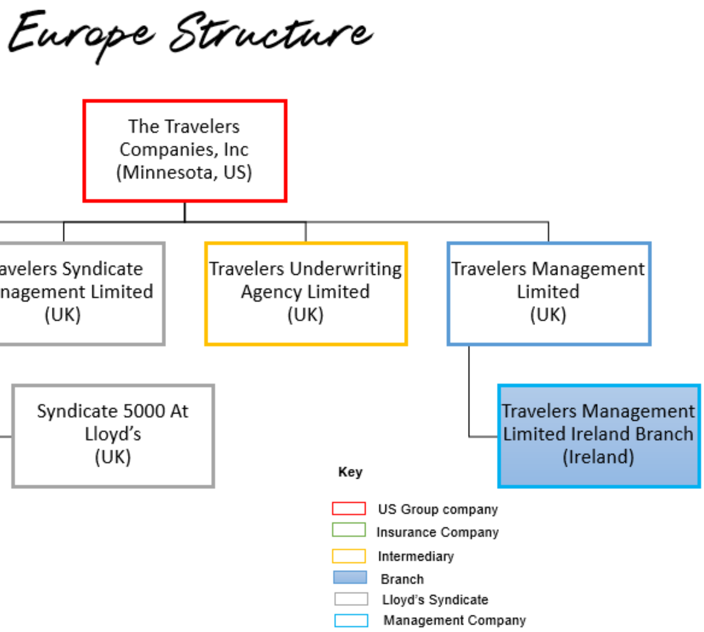
Travelers Insurance Designated Activity Company (the **Company** or **TIDAC**) is an Irish regulated entity authorised to carry out non-life insurance business. The ultimate parent company, The Travelers Companies, Inc. (**TRV** or **Travelers**), is a leading provider of property and liability insurance 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 2021 Travelers reported total assets of US$120.5 billion (2020: US$116.8 billion) and shareholders' equity of US$28.9 billion (2020: US$29.2 billion).

TIDAC is a wholly owned subsidiary of Travelers Insurance Company Limited (**TICL**). TICL, Travelers Syndicate Management Limited (**TSM**), Travelers Management Limited (**TML**) and Travelers Underwriting Agency Limited (**TUAL**), are all 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.

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 United Kingdom (UK) branch was authorised by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in the UK. As a consequence of the UK leaving the EU, the UK branch has subsequently been entered into the UK Temporary Permissions Regime (TPR) and will apply before expiry of the TPR for authorisation as a third country branch in the UK.

TIDAC started writing insurance business from 1 April 2019 Since 2019, the company has written 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 in Dublin.

As of 31 December 2020, TIDAC's UK branch has entered the UK Temporary Permissions Regime and has been operating in accordance with regulatory requirements since March 2019. TIDAC's third country branch application will be made by the end of 2022, with authorisation expected in 2023.

With effect from 1 April 2019 the Company entered 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 credit 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 an escrow account. The assets held within the escrow account can be released to TICL bi-annually once the assets within the account exceed the associated liabilities. The reinsurance arrangement remained in place throughout 2021.

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 EU.

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, public and private company Directors and Officers and large corporate insureds.

Performance

The Company prepares its financial statements in accordance with UK and Irish GAAP (FRS). The Company reported a profit after tax for the year of €2.9m (2020: €0.5m loss).

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 Board comprises six directors, two of whom are independent non-executive directors. The Board has two constitutional committees, the Audit Committee and the Risk & 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 eight 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 (**ERC**), the TIDAC Finance Committee, the European Underwriting Committee, and certain governance panels which have specific terms of reference. The ERC and European Underwriting Committee consists of members of management of 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 risk management. The "three lines of risk management" model aims to ensure that responsibilities for the risk strategy are operated effectively.

First Line of Risk Management – Business Management: Risk owners, embedded within business operations, make up the first line of risk management 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 Risk Management – Oversight: The second line of risk management 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 Risk Management – Assurance: The third line of risk management comprises internal audit, providing an independent and balanced view of the effectiveness of the first- and second-line functions. The third line of risk management 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 monitored 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 Company's 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.

In light of the COVID-19 pandemic, the Company performed a review of potential sources of exposure to first-party claims relating to business interruption to determine if there was a risk of loss, with reserves being adjusted accordingly. The Company has continued to monitor potential sources of exposure and adjusted reserves accordingly. There were no other changes to the measures used to assess material underwriting risk exposures during the period.

Market Risk is managed by employing a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. It invests wholly in high quality government and corporate fixed interest securities. COVID-19 caused significant uncertainty and volatility within investment markets in 2020. This uncertainty and volatility continued in 2021 as a result of emergence of new variants of COVID-19, ongoing government restrictions, inflationary increases, supply chain disruption and labour shortages. In line with previous years, the Company continued to invest wholly in high quality government and corporate bonds. These are considered as a single asset class and are managed together. The Company's investment strategy largely mitigated the impact of COVID-19 on the Company's Market Risk.

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's approach to Credit Risk largely mitigated the impact of COVID-19 on investment and reinsurance counterparty exposures.

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. The onset of the COVID-19 pandemic meant that all the Company's staff have, in the most part, been working from home for much of 2020 and 2021. The transition to working remotely was made seamlessly. Robust IT systems and enhanced levels of communication from management have ensured that there have been no failures of processes or controls as a result of operating remotely.

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

The Company has no material liquidity risk exposures.

Valuation for Solvency purposes

The valuation of assets and liabilities on a Solvency II and UK and Irish GAAP basis as at 31 December 2021 is summarised below.

	Solvency II	UK and Irish GAAP (FRS)	Difference
	€ 'm	**€ 'm**	**€ 'm**
Assets	439.3	591.0	(151.7)
Gross Technical Provisions	336.0	417.9	(81.9)
Other Liabilities	11.2	76.8	(65.6)
Excess of Assets over Liabilities	92.1	96.3	(4.2)

The valuation of assets and liabilities on a Solvency II and UK and Irish GAAP basis as at 31 December 2020 is summarised below.

	Solvency II	UK and Irish GAAP (FRS)	Difference
	€ 'm	**€ 'm**	**€ 'm**
Assets	310.6	414.5	(103.9)
Gross Technical Provisions	244.3	301.2	(56.9)
Other Liabilities	1.7	48.3	(46.6)
Excess of Assets over Liabilities	64.6	65.0	(0.4)

The excess of assets over liabilities is higher on an UK and 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 UK and Irish GAAP net reserve margin.

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 2021 was €59.2m (2020: €37.4m). 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.

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 and subsequently entered into TPR. TIDAC started writing insurance business from 1 April 2019. The Company writes 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.

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 EU.

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 provided 100% of its capital. In turn, TICL is the immediate parent undertaking of the Company and provided 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 and its UK Branch are members of a group based in the United Kingdom. The PRA is responsible for the prudential supervision of TICL and the TICL group. 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.

At the time of writing, there was no delegated act determining that the prudential regime of the United Kingdom was equivalent to the Solvency II Directive. In accordance with Regulation 248(3)(b)(v) of the Directive, as TIDAC is the only EEA insurance undertaking in the group, the CBI is a group supervisor under Solvency II Regulations.

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. The majority 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 the majority 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 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 2021, the Company wrote commercial lines insurance in the Republic of Ireland, and in the 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. This includes proportional reinsurance in non-EU locations accepted through the Company's participation in the International Network of Insurance (**INI**) network.

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, and business written in TICL's branch in Ireland prior to 1 April 2019. Approximately 67.2% (2020: 66.1%) of the Company's 2021 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, public and private company Directors and Officers and large corporate insureds.

Post Balance Sheet Events

The geopolitical conflict in Ukraine has arisen subsequent to the end of the year. The Company does not have material exposures to Russia and Ukraine and, as such, does not expect this conflict to have a material impact on its results.

Performance

The Company reported results in 2021 of a combined ratio of 88.5% (2020: 103.5%) and a profit for the year after tax of €2.9m (2020: €0.5m loss).

Gross written premiums (**GWP**) were €215.8m (2020: €152.5m). The two most material lines of business were Property and General Liability, which in 2021 respectively comprised 22.0% (2020: 21.0%) and 71.8% (2020: 72.0%) of GWP. The increase in GWP year on year is predominantly driven by growth in General Liability lines of business due to significant rate increases achieved on Financial Lines classes and an increase in opportunities within the UK Management Liability market.

The Company's net earned premiums (**NEP**) were €34.2m (2020: €24.0m). Claims incurred and operating expenses were €20.7m (2020: €18.0m) and €9.5m (2020: €7.1m) respectively, with a loss ratio of 60.6% (2020: 74.2%) and an expense ratio of 27.9% (2020: 29.3%) on an aggregate basis.

The 2020 loss ratio was adversely impacted by the COVID-19 pandemic. While the Company continues to monitor developments as a result of COVID-19, the rulings of the UK Supreme and Irish high courts early in 2021 were in line with the Company's expectations and consistent with its reserving assumptions. On this basis no additional reserving actions with respect to COVID-19 were taken in 2021, with a small release of pandemic related reserves on some lines of business.

The loss ratio improvement reflects favourable prior year development and a change in the mix of business through the growth of Financial Lines.

Material related party transactions

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 for the 2021-year end is Mazars. The contact details of Mazars are Harcourt Centre, Block 3, Harcourt Road, Dublin 2, Ireland.

A.2 Underwriting performance

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

	2021	2020	Change
	€'m / %	**€'m / %**	**€'m / %**
GWP	215.8	152.5	63.3
NWP	39.1	28.0	11.1
NEP	34.2	24.0	10.2
Incurred claims	(20.7)	(18.0)	(2.7)
Operating expenses	(9.5)	(7.1)	(2.4)
Underwriting Result	4.0	(1.1)	5.1
Loss Ratio	60.6%	74.2%	(13.6%)
Expense Ratio	27.9%	29.3%	(1.4%)
Combined Ratio	**88.5%**	**103.5%**	**(15.0%)**

In 2021 the Company reported an underwriting profit of €4.0m (2020: €1.1m loss) and an 88.5% (2020: 103.5%) combined ratio. GWP in Ireland represented 32.8% (2020: 33.9%) of the business written, with 67.2% (2020: 66.1%) being written through the Company's UK branch.

The two most material lines of business for the Company were General Liability and Property, representing 71.8% (2020: 72.0%) and 22.0% (2020: 21.0%) respectively of the total GWP. The General Liability combined ratio was 89.8% (2020: 104.0%), while the Property line of business had a combined ratio of 66.7% (2020:

109.3%). 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 Appendices to this report.

The Company's loss ratio in 2021 was 60.6% (2020: 74.2%). The 2020 loss ratio was adversely impacted by the COVID-19 pandemic. While the Company continues to monitor developments as a result of COVID-19, the rulings of the UK Supreme and Irish high courts early in 2021 were in line with the Company's expectations and consistent with its reserving assumptions. On this basis no additional reserving actions with respect to COVID-19 were taken in 2021, with small releases of pandemic related reserves on some lines of business.

The loss ratio improvement reflects favourable prior year development and a change in the mix of business through the growth of Financial Lines.

The expense ratio on UK and Irish GAAP (FRS) reporting basis was 27.9% (2020: 29.3%). The expense ratio benefited from the substantial growth in net earned premiums during the year.

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 a loss of €1.7m (2020: €0.4m loss). The composition of the investment return for the period to 31 December was as follows:

	2021	2020	Change
	€'m	€'m	€'m
Investment income	1.2	1.1	0.1
Realised investment gains	0.0	0.0	0.0
Realised investment losses	(0.6)	(1.2)	0.6
Unrealised investment losses	(2.2)	(0.2)	(2.0)
Investment expenses	(0.1)	(0.1)	0.0
Total investment return	**(1.7)**	**(0.4)**	**(1.3)**

Unrealised losses were driven by market expectations of increased interest rates in response to the threat of rising inflation, largely due to ongoing restrictions globally due to COVID-19, supply chain disruption and labour shortages.

Unrealised investment losses were reported directly in equity on a UK and 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 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 profit on a UK and Irish GAAP (FRS) basis of €1.2m (2020: €0.7m loss). Shareholder's funds increased from €65.0m in 2020 to €96.2m. The movement year on year is due to the issuance of 30 million €1 shares in 2021 to the Company's parent, resulting in a capital injection of €30.0m and the comprehensive profit of €1.2m mentioned above.

B. System of Governance

B.1 General information on the system of governance

B.1.1 Governance structure

Overall governance and oversight are provided by the Board, which comprises of six directors. Two of the directors are independent non-executive directors. Three directors are group non-executive directors (including the Chair) 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, being the Audit Committee and the Risk & Remuneration Committee. Each Board committee has two members who 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 & 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 of the senior managers who effectively run the Company. The Management Committee meets each month and meetings are 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 report to the Board which includes details of matters discussed by the Management Committee. The Management Committee considers the following matters on a regular 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 and Travelers Europe;

(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 Travelers Europe ERC, of which the Chief Risk Officer and Head of Compliance is a member, and meets on a quarterly basis. The Travelers Europe ERC consists of members of senior management from each of the Travelers European operations. The Company's CEO, Chief Risk Officer and Head of Compliance are members of the Executive Risk Committee. The Chief Risk Officer and Head of Compliance reports monthly to the Management Committee, quarterly to the Board Risk & Remuneration Committee and quarterly to the Board.

Customer challenge of high product risk insurance products is provided by the Product Oversight Group, chaired by the Chief Risk Officer and 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 Travelers Europe Underwriting Committee (**Underwriting Committee**), which meets monthly. The Travelers Europe Underwriting Committee consists of members of management from Travelers European operations. The Company's Head of Underwriting and Chief Risk Officer 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 Travelers 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 Risk & Remuneration Committee of the Board of Directors. This review will be facilitated by the Head of Human Resources and seeks the Risk & 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 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 2021 TICL provided a capital injection of €30.0m in return for the issuance of 30 million new €1 ordinary shares in order to support the Company's ongoing growth.

Under the Quota Share arrangement in place with TICL assets of €271.2m (2020: €187.2m) were held in an escrow account at the yearend. The year-end reinsurance recoverable balance under the arrangement was €244.3m (2020: €178.4m).

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 risk management. 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 of 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 risk management" 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 risk management 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 Risk Management – Business Management
Risk Owners, embedded within business operations, make up the first line of risk management 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 Risk Management – Oversight
The second line of risk management primarily comprises the risk management, actuarial and compliance functions. The second line of risk management provides independent assurance to the Board with regards to the adequacy and effectiveness of risk management.

The Third Line of Risk Management – Assurance
The third line of risk management comprises internal audit, also referred to as the Company's assurance function. The third line of risk management 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 and Head of Compliance, who is a member of the ERC and reports to the Board and the Risk & 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 risk management) frequently review the risks to which the Company is exposed with review and challenge by the Committees and the second line of risk management.

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 medium-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 medium-term business and capital strategies, and understand the capital resources required to support them.

The ORSA process is embedded in the first line of risk management, 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 Head of Compliance 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 policyholders.

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.3.3 Climate Related Financial Risks

Climate related financial risks are considered in the Risk Management Framework and ORSA process. Further details of The Travelers Companies Inc. Climate Change Strategy can be found at https://sustainability.travelers.com/drivers-of-sustained-value/climate-strategy/

B.4 Internal Control System

The internal control system is designed to help ensure 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 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 Board, Risk & Remuneration Committee 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 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 2021, the members of the Compliance Function were based in Dublin and London.

The Chief Risk Officer and 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 Board, with due attention given on Board and Risk & Remuneration Committee agendas.

The Compliance Function reports:

- Quarterly to the Board;
- Quarterly to the Risk & 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 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 Company's 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 Audit Committee and meets each year with the Audit Committee without executive management in attendance. 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 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 respective resolutions 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 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 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 Internal Audit Function reports:

- Quarterly to the Audit Committee (with summary to the Board); 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 has two outsourcing contracts categorised as critical or important operational functions or activities. The Company outsources operational functions or activities from TML and investment services from The Travelers Indemnity Company (TIC), as set out in the table below. The Company's service provider uses several sub-service providers to undertake operational functions or activities that can be considered critical or important as set out below, along with the jurisdiction of the sub-serviced activities.

Outsourced Provider	Function or activity	Jurisdiction of service provider
TML Ireland	Claim administration services	India
TML Ireland	Facilities management and services	UK
TML Ireland	IT support functions - provided through intragroup services agreement	USA
TML Ireland	IT infrastructure and security - provided through intragroup services agreement	USA
TML Ireland	Insurance policy administration services	India
TML Ireland	Offsite data storage - provided through intragroup services agreement	USA
TML Ireland	Payroll processing - provided through intragroup services agreement	USA
TIC	Investment management - 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 2021 comprised 75.5% (2020: 73.9%) 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, the Risk & Remuneration Committee 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 Delegated Underwriting Authorities &/or inadequate ongoing monitoring.

There were no changes to the measures used to assess material underwriting risk exposures during the period.

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 Director and Officer's coverage 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 2021 changes with respect to Irish personal injury awards following the Irish judicial review.

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 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 2021 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 2021 deteriorate by 5% the net impact on shareholders' funds post application of the Quota Share will be to reduce them by €3.4m (2020: €2.4m).

Should the loss ratio projected for the 2022 year deteriorate by 5 points, the impact on 2021 shareholders' funds pre -tax would be a deterioration of €2.0m (2020: €1.3m).

The above sensitivity analysis' result in capital surplus positions between €26.9m and €28.3m (2020: between €17.6m and €25.9m), and associated SCR coverage between 144% and 146% (2020: between 147% and 169%)

C.2 Market Risk

C.2.1 Material Risk Exposures

Market risk as at 31 December 2021 comprised 12.1% (2020: 9.5%) 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 2021 the Company had an investment portfolio comprised of government and corporate bonds with a market value of €145.6m (2020: €88.0m). 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 2021.

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.

COVID-19 and associated government lockdowns, along with inflation concerns, has caused significant uncertainty and volatility within investment markets since 2020. The Company's investment strategy largely mitigated the impact of COVID-19 on the Company's Market Risk. There were no changes during the year to the measures used to assess material market 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 2021 the market value of its holding in the European Investment Bank was €15.4m (2020: €15.7m) or 10.6% (2020: 17.9%) of its investment portfolio. The Company's single largest holding in a corporate bond was €7.0m (2020: €5.1m) or 4.8% (2020: 5.8%) of its investment portfolio.

As at 31 December 2021, the Company had a foreign currency exposure surplus to Sterling of €2.8m (2020: deficit of €2.9m), representing 3.1% (2020: 4.5%) of its own funds, and to US dollars a surplus of €2.7m (2020: €1.4m), representing 2.9% (2020: 2.2%) of its own funds.

C.2.3 Material Risk Mitigation

Management of the Company's investment portfolio is outsourced to TIC, an affiliated group company. The investment strategy is agreed annually by the Board and performance against this strategy is reviewed quarterly in meetings between the investment manager and the Finance Committee. The Company employs a thoughtful investment philosophy that focusses on appropriate risk-adjusted returns. It invests wholly 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.

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 2021, own funds would have reduced by €4.5m (2020: reduced by €2.1m).

The failure of its largest corporate investment counterparty as at 31 December 2021 would cost the Company €7.0m (2020: €5.1m), or approximately 7.6% (2020: 7.9%) of its own funds.

The impact of a 10% movement in the exchange rate for the largest currency exposure would reduce the Company's own funds by €0.2m (2020: €0.3m) as at 31 December 2021.

The above sensitivity analysis' result in capital surplus positions between €25.9m and €30.9m (2020: between €22.1m and €26.9m), and associated SCR coverage between 144% and 151% (2020: between 159% and 172%).

C.3 Credit Risk

C.3.1 Material Risk Exposures

Credit risk as at 31 December 2021 comprised 12.4% (2020: 16.6%) 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.

Since 2020, COVID-19 has caused significant uncertainty in the global economy resulting in the downgrading of some investment and reinsurer counterparty credit ratings. There were no material downgrades to credit ratings of the Company's investment and reinsurer counterparties. All counterparty credit ratings remained within the Company's risk appetite.

There were no changes to the Company's 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. At 31 December 2021 the market value of its holding in the European Investment Bank was €15.4m (2020: €15.7m) or 10.6% (2020: 17.9%) of its investment portfolio. The Company's single largest holding in a corporate bond was €7.0m (2020: €5.1m) or 4.8% (2020: 5.8%) of its investment portfolio.

The single biggest external reinsurer exposure as at 31 December 2021 was €1.5m (2020: €0.8m). The single biggest internal reinsurer exposure was to TICL under the Quota Share reinsurance arrangement at €244.0m (2020: €164.6m), representing 55.5% (2020: 53.0%) of the Company's assets. This has an associated escrow account arrangement. The balance of assets held within the escrow account as at 31 December 2021 was €271.8m (2020: €149.9m).

There was no material exposure to any individual policyholder or broker.

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 purchases reinsurance only from those reinsurers who meet the Travelers group reinsurance security standards. 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 an escrow account. The assets held within the escrow account cannot be released to TICL until the assets within the account exceed the associated liabilities after 31 December 2021, and on a bi-annual basis following that date.

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 2021 would reduce own funds by €7.4m (2020: €5.9m), representing approximately 8.1% (2020: 9.1%) of its own funds.

The above sensitivity analysis would result in a capital surplus position of €25.5m (2020: €21.3m), and associated SCR coverage of 143% (2020: 157%).

Due to the existence of risk mitigation by way of the escrow 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 form is €8.0m (2020: €7.8m).

C.5 Operational Risk

C.5.1 Material Risk Exposures

Operational Risk is 16.7% (2020: 19.3%) of the Company's final SCR as at 31 December 2021.

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.
- **Infrastructure, Security and Change:** Risk from systems or transformation initiatives, or disruption of business, including from cyber-attacks.

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:

- Delegated Underwriting
- Recovery Counterparty Credit Risk
- Business Disruption from a third Party

These tests are facilitated by the Risk Management Function and are 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
Technology	• Documented controls and procedures
	• 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 Chief Risk Officer and 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.

The onset of the COVID-19 pandemic meant that all the Company's staff have been mostly working from home since March 2020. The transition to working remotely was made seamlessly. Robust IT systems and enhanced levels of communication from management have ensured that there have been no failures of processes or controls as a result of this.

There were no other changes to the material operational 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.

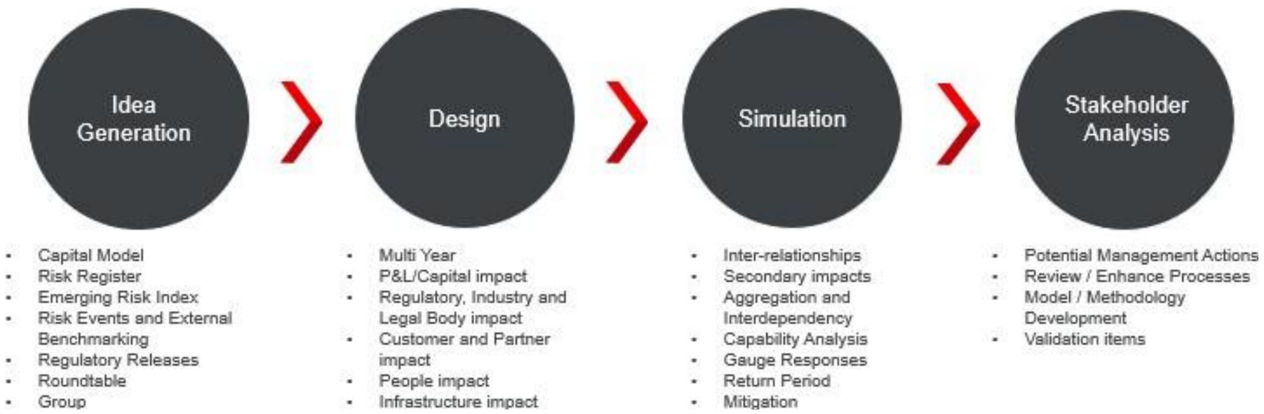


Figure A: Overview of the Stress and Scenario Methodology

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 five 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);
IV. Stressing of capital modelling parameters; and
V. Stressing risk register inherent risks and external benchmarking.

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 and Irish GAAP (FRS) basis as at 31 December 2021 were as set out below:

31 December 2021	Solvency II basis	UK and Irish GAAP (FRS) basis	Difference
	€'m	€'m	€'m
Investments	145.6	144.7	0.9
Reinsurance recoverables	258.2	339.8	(81.6)
Insurance and intermediaries receivables	6.8	67.1	(60.3)
Reinsurance receivables	0.2	0.2	-
Receivables (trade, not insurance)		-	-
Cash and cash equivalents	27.5	27.5	-
Accrued interest	-	0.9	(0.9)
Deferred acquisition costs	-	10.5	(10.5)
Deferred tax assets	1.0	0.3	0.7
Total Assets	**439.3**	**591.0**	**(151.7)**

The Company's assets on a Solvency II and UK and Irish GAAP (FRS) basis as at 31 December 2020 were as set out below:

31 December 2020	Solvency II basis	UK and Irish GAAP (FRS) basis	Difference
	€'m	€'m	€'m
Investments	88.0	87.5	0.5
Reinsurance recoverables	192.1	244.9	(52.8)
Insurance and intermediaries receivables	4.2	47.1	(42.9)
Reinsurance receivables	0.5	0.5	-
Receivables (trade, not insurance)	1.4	1.4	-
Cash and cash equivalents	24.2	24.2	-
Accrued interest	-	0.7	(0.7)
Deferred acquisition costs	-	7.7	(7.7)
Deferred tax assets	0.1	0.5	(0.4)
Total Assets	**310.5**	**414.5**	**(104.0)**

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 and 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 and 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 and 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 and Irish GAAP (FRS) basis these cash outflows are presented separately as liabilities. In addition, the UK and Irish GAAP (FRS) reserves are not discounted, and UK and 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 and associated balances that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other insurance premiums receivable and associated balances are reported as a component of technical provisions. This explains the difference in valuation to the UK and Irish GAAP (FRS) basis. Insurance premium receivables and associated balances 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 and 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 and Irish GAAP (FRS) reporting.

Accrued Interest

Accrued interest is valued at book value for both Solvency II and UK and 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 and 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.

Deferred tax asset

The deferred tax asset relates to carry forward tax losses and is valued using an estimate of future profits by financial year and then applying the latest tax rate which might reasonably be expected to apply when the timing differences reverse. There are no unprovided deferred tax assets or liabilities.

The valuation method for deferred tax balances is the same under FRS and Solvency II. The difference in the valuation between Solvency II and UK and Irish GAAP relates to the application of deferred tax to valuation differences that apply between net assets on a UK and Irish GAAP and a Solvency II basis. The recoverability of the deferred tax asset depends on the availability of future profits. Projected profits over the three-year business planning cycle has been used as the basis for determining the recoverability of this asset.

D.2 Technical Provisions

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

	2021	2020
	€ 'm	€ 'm
Best estimate	328.3	240.5
Risk margin	7.7	3.8
Total gross technical provisions	**336.0**	**244.3**

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 86% (2020: 86%) of the total best estimate as follows:

General Liability	2021	2020
	€ 'm	€'m
Best estimate	282.0	207.5
Risk margin	6.4	3.3
Total gross technical provisions	**288.4**	**210.8**

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 runoff to expiry of the underlying insurance liabilities. The Company uses 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, the Company uses assumptions as to binding date, together with data from the latest business plan. For reinsurance the Company assumes 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 the Company uses 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 2021 were €336.0m (2020: €244.3m). On a UK and Irish GAAP (FRS) basis gross technical provisions were €418.0m (2020: €301.2m). A reconciliation of the UK and Irish GAAP (FRS) reserves to the Solvency II reserves on a gross and net basis, itemising the key items in reconciliation, for 2021 and 2020 is set out below:

As at 31 December 2021	Gross	RI	Net
	€'m	€'m	€'m
UK and Irish GAAP (FRS) reserves	418.0	339.7	78.3
Removal of margin	(7.5)	(6.0)	(1.5)
Removal of UPR reserve	(113.7)	(92.5)	(21.2)
Future Premium	(77.6)	(63.1)	(14.5)
Claims on unearned/un-incepted business	77.3	62.7	14.6
Commissions on un-incepted business	(4.8)	(3.8)	(1.0)
Risk Margin	7.7	-	7.7
Additional expenses	23.8	10.7	13.1
Reinsurance bad debt	-	-	-
Events not in data	12.8	10.4	2.4
Solvency II Technical Provisions	**336.0**	**258.2**	**77.9**

As at 31 December 2020	Gross	RI	Net
	€'m	€'m	€'m
UK and Irish GAAP (FRS) reserves	301.2	245.0	56.2
Removal of margin	(7.4)	(5.9)	(1.5)
Removal of UPR reserve	(82.3)	(66.7)	(15.6)
Future Premium	(51.9)	(40.9)	(11.0)
Claims on unearned/un-incepted business	53.0	42.9	10.1
Commissions on un-incepted business	2.3	1.9	0.4
Risk Margin	3.8	-	3.8
Additional expenses	16.6	8.6	8.0
Reinsurance bad debt	-	-	-
Events not in data	9.0	7.3	1.7
Solvency II Technical Provisions	**244.3**	**192.2**	**52.1**

On a Solvency II basis reserves are carried on a best estimate basis, so any reserve margin held under UK and 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 and 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 2021 were €258.1m (2020: €192.2m). 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 2021 and 2020 on a Solvency II and UK and Irish GAAP (FRS) basis were as follows:

31 December 2021	Solvency II basis	UK and Irish GAAP (FRS) Basis	Difference
	€'m	€'m	€'m
Insurance and intermediaries payables	-	9.2	(9.2)
Reinsurance payables	-	47.8	(47.8)
Payables (trade, not insurance)	11.2	11.3	(0.1)
Any other liabilities, not elsewhere shown	-	8.5	(8.5)
Total Other Liabilities	**11.2**	**76.8**	**(65.6)**

31 December 2020	Solvency II basis	UK and Irish GAAP (FRS) Basis	Difference
	€'m	€'m	€'m
Insurance and intermediaries payables	0.6	8.0	(7.4)
Reinsurance payables	-	32.9	(32.9)
Payables (trade, not insurance)	1.1	1.2	(0.1)
Any other liabilities, not elsewhere shown	-	6.2	(6.2)
Total Other Liabilities	**1.7**	**48.3**	**(46.6)**

The amounts disclosed as any other liabilities, not elsewhere shown, can be further broken down as follows:

31 December 2021	Solvency II basis	UK and Irish GAAP (FRS) basis	Difference
	€'m	€'m	€'m
Reinsurers' share of deferred acquisition costs	-	8.5	(8.5)
Total	**-**	**8.5**	**(8.5)**

31 December 2020	Solvency II basis	UK and Irish GAAP (FRS) basis	Difference
	€'m	€'m	€'m
Reinsurers' share of deferred acquisition costs	-	6.2	(6.2)
Total	**-**	**6.2**	**(6.2)**

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 and 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 and 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;
- To comply with its regulatory capital requirements; and
- To maintain financial strength ratings of AM Best A++ (Superior) and S&P AA.

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. During 2021 TICL provided a capital injection of €30.0m in return for the issuance of 30 million new €1 ordinary shares in order to support the Company's ongoing growth. There are no anticipated dividends over the foreseeable future. The Basic Own Funds by type and tier as at 31 December 2021 and 2020 were:

31 December 2021	Tier 1	Tier 2	Tier 3	Total
	€'m	€'m	€'m	€'m
Share capital	65.0	-	-	65.0
Share premium	1.4	-	-	1.4
Deferred tax asset	-	-	1.0	1.0
Reconciliation reserve	(5.3)	-	-	(5.3)
Other own fund items	30.0	-	-	30.0
Total Basic Own Funds	**91.1**	**-**	**1.0**	**92.1**

31 December 2020	Tier 1	Tier 2	Tier 3	Total
	€'m	€'m	€'m	€'m
Share capital	35.0	-	-	35.0
Share premium	1.4	-	-	1.4
Deferred tax asset	-	-	0.1	0.1
Reconciliation reserve	(1.9)	-	-	(1.9)
Other own fund items	30.0	-	-	30.0
Total Basic Own Funds	**64.5**	-	**0.1**	**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 and Irish GAAP (FRS) financial statements is set out below:

	31 December 2021	31 December 2020
	€'m	**€'m**
Equity on a UK and Irish GAAP basis	96.3	65.0
Equity on a Solvency II basis	92.1	64.6
Difference	**4.2**	**0.4**

Shareholders' funds on a UK and 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 2021	31 December 2020
	€'m	**€'m**
Equity per UK and Irish GAAP (FRS)	**96.3**	**65.0**
Reserve margin release	1.5	1.5
Risk margin	(7.7)	(3.8)
Discounting	1.0	(0.4)
Events not in data	(2.4)	(1.7)
Additional expenses	(3.3)	(1.7)
Reinsurance bad debt	-	-
Profit recognised on unearned premiums	6.1	6.1
Deferred tax on UK GAAP to Solvency II adjustments	0.6	(0.4)
Excess of assets over liabilities in Solvency II	**92.1**	**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 SCR and MCR. The Company does not use any Undertaking Specific Parameters. The amount of the Company's MCR and SCR as at 31 December 2021 were €14.8m (2020: €9.3m) and €59.2m (2020: €37.4m) respectively. The SCR by risk module as at 31 December 2021 and 2020 was as set out below:

SCR Component	31 December 2021	31 December 2020
	€'m	**€'m**
Non-Life Underwriting	43.1	25.8
Market Risk	6.9	3.3
Counterparty Default Risk	7.1	5.8
Undiversified Basic SCR	**57.1**	**34.9**
Diversification credit	(7.8)	(4.7)
Basic SCR	**49.3**	**30.2**
Operational risk	9.9	7.2
Solvency Capital Requirement	**59.2**	**37.4**

The Company has not been required to use any Undertaking Specific Parameters or to make any capital add-on by the supervisory authority. 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 2021 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 2021 the MCR has been set at €14.8m (2020: €9.3m).

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 2021 and 2020 was as set out below:

31 December 2021	MCR	SCR
	€'m	**€'m**
Capital Requirement	14.8	59.2
Eligible Own Funds	91.1	92.1
Surplus	76.3	32.9
Coverage	**615%**	**155%**

31 December 2020	MCR	SCR
	€'m	**€'m**
Capital Requirement	9.3	37.4
Eligible Own Funds	64.5	64.6
Surplus	55.2	27.2
Coverage	**690%**	**173%**

The reduction in the Company's SCR coverage ratio during the year is due to the growth of the Company.

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 2021
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	953
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)	145,638
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*	145,638
R0140	*Government Bonds*	30,402
R0150	*Corporate Bonds*	115,236
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:	258,186
R0280	*Non-life and health similar to non-life*	258,186
R0290	*Non-life excluding health*	258,186
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	6,753
R0370	Reinsurance receivables	240
R0380	Receivables (trade, not insurance)	
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	27,528
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	439,298

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	335,996
R0520	*Technical provisions - non-life (excluding health)*	335,996
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	328,336
R0550	*Risk margin*	7,660
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	0
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	11,226
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**	347,222
R1000	**Excess of assets over liabilities**	92,076

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				6,284	3,306	1,957	46,533	152,196	1,396			159					211,831
R0120	Gross - Proportional reinsurance accepted				39	15	0	2,367	1,548	0			0					3,969
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				5,095	2,658	1,582	41,846	124,042	1,396			127					176,746
R0200	Net				1,228	663	375	7,054	29,702	0			32					39,054
	Premiums earned																	
R0210	Gross - Direct Business				6,195	3,332	1,732	38,974	133,827	1,246			47					185,353
R0220	Gross - Proportional reinsurance accepted				27	12	0	1,708	1,472	0			0					3,219
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				5,000	2,676	1,429	34,763	109,233	1,246			38					154,385
R0300	Net				1,222	668	303	5,919	26,066	0			9					34,187
	Claims incurred																	
R0310	Gross - Direct Business				8,470	1,338	705	8,177	82,309	217			12					101,228
R0320	Gross - Proportional reinsurance accepted				0	0	0	18	71	0			0					89
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				6,788	1,070	551	6,620	66,510	217			10					81,766
R0400	Net				1,682	268	154	1,575	15,870	0			2					19,551
	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					0
R0550	**Expenses incurred**				522	293	208	2,371	7,533	-125			5					10,807
R1200	**Other expenses**																	
R1300	**Total expenses**																	10,807

S.05.02.01
Premiums, claims and expenses by country

Non-life

		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	54,176	142,209					196,385
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	45,315	115,899					161,214
R0200	Net	8,861	26,310					35,171
	Premiums earned							
R0210	Gross - Direct Business	50,126	121,841					171,967
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	41,831	99,270					141,101
R0300	Net	8,295	22,571					30,866
	Claims incurred							
R0310	Gross - Direct Business	26,768	65,347					92,115
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	21,937	52,468					74,405
R0400	Net	4,831	12,879					17,710
	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**	5,126	4,677					9,803
R1200	**Other expenses**							
R1300	**Total expenses**							9,803

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					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				688	240	-178	8,921	18,308	97			-5					28,071
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				435	92	60	5,997	11,040	-586			26					17,064
R0150	**Net Best Estimate of Premium Provisions**				253	148	-238	2,924	7,268	683			-31					11,007
	Claims provisions																	
R0160	Gross				17,960	3,062	478	14,708	263,703	351			3					300,265
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				15,027	2,706	497	10,875	211,824	183			10					241,122
R0250	**Net Best Estimate of Claims Provisions**				2,933	356	-19	3,833	51,879	168			-7					59,143
R0260	**Total best estimate - gross**				18,648	3,302	300	23,629	282,011	448			-2					328,336
R0270	**Total best estimate - net**				3,186	504	-257	6,757	59,147	851			-38					70,150
R0280	**Risk margin**				347	54	38	736	6,388	93			4					7,660
	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**				18,995	3,356	338	24,365	288,399	541			2					335,996
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				15,462	2,798	557	16,872	222,864	-403			36					258,186
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				3,533	558	-219	7,493	65,535	944			-34					77,810

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											2,331	2,331	2,331
R0160	2012	4,509	3,607	3,386	2,119	2,338	1,872	825	1,232	669	564		564	21,121
R0170	2013	2,459	3,059	2,215	2,450	3,076	2,857	1,199	1,114	807			807	19,236
R0180	2014	3,493	2,071	2,607	1,899	1,562	2,825	1,900	886				886	17,243
R0190	2015	6,597	1,607	1,785	1,761	1,759	1,602	659					659	15,770
R0200	2016	5,022	2,439	2,970	2,600	2,188	2,466						2,466	17,685
R0210	2017	5,477	5,627	3,606	1,761	2,172							2,172	18,643
R0220	2018	10,356	19,412	1,446	1,487								1,487	32,701
R0230	2019	5,974	3,386	2,546									2,546	11,906
R0240	2020	6,298	5,480										5,480	11,778
R0250	2021	3,707											3,707	3,707
R0260												Total	23,107	172,121

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											61,219	61,529
R0160	2012	0	0	0	0	8,157	7,279	6,470	3,072	2,823	2,605		2,618
R0170	2013	0	0	0	13,323	10,708	5,781	3,526	3,241	5,092			5,117
R0180	2014	0	0	12,168	10,523	6,835	4,300	4,863	4,193				4,211
R0190	2015	0	15,616	12,293	8,422	5,222	4,040	4,294					4,314
R0200	2016	14,795	17,382	13,093	10,774	9,210	6,567						6,596
R0210	2017	15,913	14,395	10,689	8,030	7,684							7,719
R0220	2018	28,230	11,372	10,054	7,803								7,841
R0230	2019	23,829	29,331	27,223									27,021
R0240	2020	78,720	70,979										69,788
R0250	2021	105,496											103,511
R0260												Total	300,265

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)	65,000	65,000		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	-5,266	-5,266			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	953				953
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**	92,076	91,123	0	0	953
	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	92,076	91,123	0	0	953
R0510	Total available own funds to meet the MCR	91,123	91,123	0	0	
R0540	Total eligible own funds to meet the SCR	92,076	91,123	0	0	953
R0550	Total eligible own funds to meet the MCR	91,123	91,123	0	0	
R0580	**SCR**	59,238				
R0600	**MCR**	14,810				
R0620	**Ratio of Eligible own funds to SCR**	155.43%				
R0640	**Ratio of Eligible own funds to MCR**	615.30%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	92,076
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	97,342
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	-5,266
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	8,008
R0790	**Total Expected profits included in future premiums (EPIFP)**	8,008

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	6,943		
R0020	Counterparty default risk	7,091		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	43,134		
R0060	Diversification	-7,780		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	49,388		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	9,850
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
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**	59,238
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	59,238
	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	Not applicable

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
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

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
R0010	MCR_{NL} Result	11,828

		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	3,186	1,228
R0060	Other motor insurance and proportional reinsurance	504	663
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	375
R0080	Fire and other damage to property insurance and proportional reinsurance	6,757	7,054
R0090	General liability insurance and proportional reinsurance	59,147	29,702
R0100	Credit and suretyship insurance and proportional reinsurance	851	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	32
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	

		C0040
	Linear formula component for life insurance and reinsurance obligations	
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		

		C0070
	Overall MCR calculation	
R0300	Linear MCR	11,828
R0310	SCR	59,238
R0320	MCR cap	26,657
R0330	MCR floor	14,810
R0340	Combined MCR	14,810
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	14,810