Benteler Reinsurance Company DAC

Solvency and Financial Condition Report

For Financial Year Ended 31 December 2021 (the “reporting period”)

Approved by the Board on 8 March 2022

Contents

Executive Summary

Section A: Business and Performance

Section B: System of governance

Section C: Risk Profile

Section D: Valuation of Technical Provisions

Section E: Capital Management

Appendix I: Quantitative Reporting Templates

Executive Summary

This report refers to the business of Benteler Reinsurance Company DAC ("the Company"), an authorised reinsurer supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, systems of governance, risk profile and valuation for solvency purposes and capital management for the reporting period ended 31 December 2021.

The purpose of this report is to satisfy the public disclosure requirements under the European Union (Insurance & Reinsurance) Regulations 2015 including the applicable European Commission Delegated Regulations and European Commission Implementing Regulations.

Benteler Reinsurance Company DAC is a captive reinsurance company which is domiciled in Ireland and forms part of the Benteler Group. Its principal activity is to provide reinsurance of liability & product recall, property damage business interruption, credit and goods in transit business to Benteler International AG group. The Benteler International AG group mainly supplies car parts to international car manufacturers.

The primary strategic objective and purpose of the Company is to support the risk management and risk transfer programs of the Benteler Group and its subsidiaries. As a captive reinsurance company, it is an efficient mechanism for the Benteler Group to retain risk which they can afford to retain due to the size of their balance sheet and levels of sustainable profitability. In addition, the Company has played an important role in managing the insurance market's perception of the Benteler Group and its exposures. The very establishment of a captive sends a strong message to the insurance market that the Benteler Group:

- has analysed its exposures and determined what level of risk it is prepared to retain;
- is prepared to commit its own capital to support that retention of risk;
- has taken a long-term decision to retain risk and may have a growing appetite for risk retention.

These factors lead insurers to understand that there will be competition for premium not just from their competitors but also from within the Benteler organisation in the form of the captive. The Company will not simply provide reinsurance coverage to the Benteler Group; the intention is that its presence will complement the Group's risk management framework and strategy. With its only customer being the Benteler Group, the Company is in a strong position to adapt and grow as its customer needs to grow.

A profit before tax of €3.185m (2020: €3.665m) was recorded for the period. Retrocession cover continued in place to mitigate the risk of exposure to higher value liability claim events.

There have been no material changes to the Company's business and performance, system of governance and risk profile over the reporting period.

The Company has calculated its own solvency needs through an assessment of its risks, business plans and financial and capital projections over the next three years. The results of this exercise are used to better inform decision making within the Company.

As at 31 December 2021, the Company had basic own funds of €28.941m (2020: €24.282m) available to meet its Solvency Capital Requirement ('SCR') of €15.233m (2020: €14.442m). The resultant 190% (2020: 168%) solvency coverage is in line with the Company's risk appetite. The Minimum Capital Requirement was also satisfactorily met at the period-end. There were no instances of non-compliance with the capital requirements during the period.

Where there is limited detail provided in a particular section, a proportionate approach has been taken due to the nature, scale and complexity of the Company.

Section A: Business and Performance

A.1 Business

The name and legal form of the Company is Benteler Reinsurance Company Designated Activity Company. The Company's business is the provision of reinsurance coverage to the insurers of its group parent company, Benteler International AG.

The Company holds a Certificate of Authorisation from the Central Bank of Ireland to carry out the business of reinsurance (Ref. No.: C40456) pursuant to the European Union (Insurance and Reinsurance) Regulations 2015 (SI 485). Its registered office and place of business is 13 Fitzwilliam Street Upper, Dublin 2.

The Insurance Supervision Division of the Central Bank of Ireland may be contacted at:

General Insurance Supervision
New Wapping Street,
North Wall Quay, Dublin 1.
Telephone: +353 1 224 6000.

The name and contact details of the Company's external auditors are:

Mazars Chartered Accountants and Statutory Audit Firm
Harcourt Centre, Block 3,
Harcourt Road, Dublin 2.
Telephone +353 1 449 6468

Following a reorganisation at Group level during the reporting period, ownership of the Company was transferred from Benteler Business Services GmbH to the Benteler Group's ultimate holding company, Benteler International Aktiengesellschaft ('BIAG'), incorporated in Austria. BRC is the only (re)insurance company within the Benteler Group and has no branches.

The principal activity of the Company is the provision of reinsurance coverage to the insurers of its group parent company, Benteler International AG. The Company's material geographical areas where it carries out its business are Europe, North America and South America. The coverages provided are categorised under the following lines of business:

- Marine Transit & Storage
- Property & Business Interruption
- Liability
- Credit

The policy for the excess of loss retrocession purchased as a risk mitigant on the liability line of business, was renewed for the year end 31 December 2021, and was aligned with the Company's financial period. This risk mitigation limits the Company's net claims exposure to €10m in excess of €10m each and every claim and in the annual aggregate.

The Company has had no significant business or other events that have occurred over the reporting period that have had a material impact on the Company.

A.2 Underwriting Performance

The underwriting performance of the Company was a profit of €3.757m over the reporting period, compared to a profit of €4.114m in the previous reporting period. As all lines of business are considered material, an analysis of the performance is summarised as follows:

2021 €' 000					
Line of Business	**Total**	**Liability**	**Property**	**Marine**	**Credit**
Premium written & earned:					
- Gross	**6,673**	2,996	3,422	255	-
- Reinsurers' share	**(1,100)**	(1,100)	-	-	-
- Net	**5,573**	1,896	3,422	255	-
Claims incurred, gross & net of reinsurance	**(1,478)**	(1,392)	(120)	(372)	406
Commissions	**(339)**	(223)	(86)	(30)	-
Underwriting Income	**3,756**	**281**	**3,216**	**(147)**	**406**

2020 €' 000					
Line of Business	**Total**	**Liability**	**Property**	**Marine**	**Credit**
Premium written & earned:					
- Gross	**5,062**	2,619	2,274	238	(69)
- Reinsurers' share	**(550)**	(550)	-	-	-
- Net	**4,512**	2,069	2,274	238	(69)
Claims incurred, gross & net of reinsurance	**(99)**	1,192	(368)	(436)	(487)
Commissions	**(299)**	(127)	(172)	(7)	7
Underwriting Income	**4,114**	**3,134**	**1,734**	**(205)**	**(549)**

Excluding some prior year adjustments totalling €321k, written premiums increased by 25% on the 2020 level. This increase was driven primarily by the property line where the year on year increase was attributable to (i) the significantly hardening property insurance market which led to increased premium rates for the worldwide Group insurance program as per January 2021, and (ii) the increase of sums insured in some countries. The year's claims activity was benign, with a resultant loss ratio of 22%. As noted in Section A1, the Company renewed its retrocession cover to the end of December 2021. Since AxaXL became the new leader of the worldwide liability program effective 1 January 2021, they declined to renew the existing retrocession agreement for 2021. Due to the hard commercial insurance market, it was difficult to obtain renewal quotes but an offer was agreed with Swiss Re. The increase in premium - €1.1m v €550k in 2020 - was anticipated as the previous premium level had been obtained under entirely different market conditions. However, the price was accepted by the Board to ensure protection of liability exposures remained in place.

A.3 Investment Performance

The Company maintains its investments with EU regulated credit institutions in cash equivalents and short and medium-term deposits (no longer than 3 years). It also participates in a cash pool arrangement with the Company's ultimate holding company, Benteler International AG. The return earned over the reporting period was €11k, which was wholly yielded from fixed deposits held (2020: €22k). The reduced interest earned was on account of fewer fixed deposits held during 2021 compared to last period. No interest accrues from the cash pool as within Benteler Group, positive balances attract 0% interest, which is unchanged from last period.

No gains or losses were recognised directly in equity.

The Company had no investments in securitisation, during the reporting period or previous reporting period.

A.4 Performance of Other Activities

The Company does not carry out any other activities other than the reinsurance business described in A.1 above and has not entered into any leasing agreements.

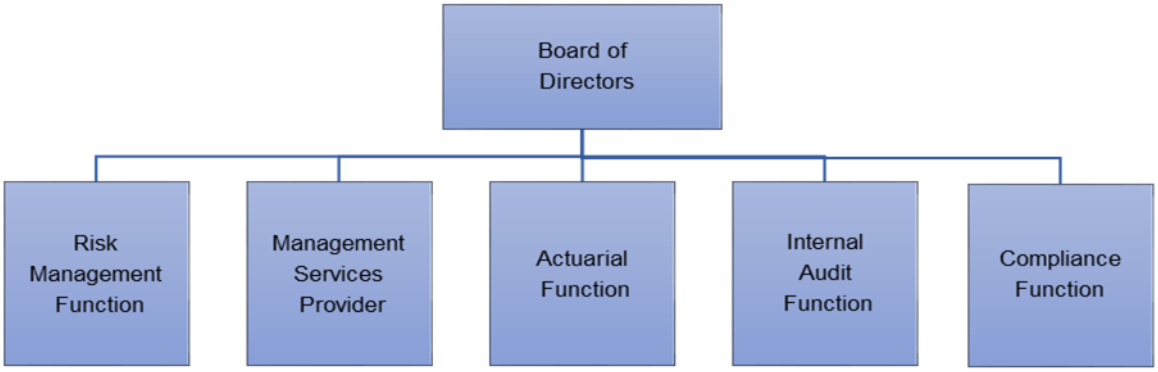
A.5 Any Other Information

There are no other material matters to disclose regarding the business and performance of the Company during the reporting period.

Section B: System of governance

B.1 General Information on the System of Governance

The organisational structure of the Company is as follows:



The Board is the focal point of the corporate governance regime. It is ultimately accountable and responsible for the performance and conduct of the Company. As a captive reinsurance entity, the Company has no direct employees. Therefore, to ensure that the Company satisfies all regulatory and statutory requirements related to its operations, it has appointed four key function holders (Compliance, Internal Audit, Risk Management and Actuarial) and a Management Services Provider to ensure adherence to these obligations. Function holders report to the Board directly. In reporting to the Board, the holders of the above positions ensure that they provide information which is timely, accurate and sufficiently detailed so as to enable the Board to make informed decisions and discharge its duties appropriately.

The Company's Board has ultimate responsibility for the oversight of the business and sets its strategy and risk appetite. The Company is committed to high standards of corporate governance. The Company takes a risk-based approach to the system of governance taking into consideration the nature, scale and complexity of its business.

A suite of policy documentation and checklists supports the corporate governance regime of the business ensuring robust procedures and a strong internal control environment at all times. All policies are reviewed by the Board on an annual basis.

The key responsibilities of the Board are to:

a) Ensure the appropriate knowledge, skills, experience and commitment exists within the Board to oversee the Company effectively and provide for the effective, prudent and efficient administration of the activities of the Company;

b) Set out the corporate governance principles, responsibilities, and commitments appropriate to the Company and ensure they are communicated throughout the Company;

c) Establish policies and strategies to ensure compliance with principles, responsibilities, and commitments and to establish procedures for monitoring and evaluating the progress towards them;

d) Approve and oversee the management of all renewal processes, including signing off on outwards reinsurance as necessary;
e) Satisfy itself that the Company is organised in a way that promotes the effective and prudent management of the undertaking and the Board's oversight of that management;
f) Distinguish between the responsibilities, decision-making, interaction and cooperation of the Board, Chairman and other senior management. The undertaking must have a clear division of responsibilities that will ensure a balance of power and authority, so that no one individual has unfettered powers of decision without adequate consultation;
g) Collectively ensure that the Company complies with all relevant laws, regulations and any established codes of conduct. The Board must identify a Head of Compliance whose function is to monitor compliance with all of the relevant legislation and required standards of business conduct and who reports to the Board at regular intervals to enable the Board to ensure compliance;
h) Ensure an open and transparent communication with the Central Bank of Ireland ('CBI').

Board of Directors

The Board shall be comprised of only those persons with sufficient knowledge of the Company's business and the environment in which it operates so as to properly contribute to the effective running of the Company and the achievement of its objectives.

The Board members must have:

- The necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out their duties;
- A full understanding of the nature of the Company's business, material activities and related risks;
- A full understanding of their individual direct and indirect responsibilities and collective responsibilities; and
- An understanding of the Company's financial statements and key performance drivers.

The Board has four directors who have been selected to ensure that the Company is being run by individuals of appropriate expertise and integrity and who meet the criteria set out above:

Mr Ruediger Lohoff, Non-Executive Director and Chairman (German)
Mr Martin Hake-Bobka, Non-Executive Director (German) – appointed 31 August 2021.
Mr Ronan Ryan, Non-Executive Director (Irish)
Mr Manfred Swysen, Non-Executive Director (Swiss)

The Board meet formally at least twice annually and there is additional interaction between members of the Board throughout each reporting period. Given the size, nature and complexity of the Company, the establishment of Board sub-committees has not been necessary.

The directors also undertake completion of an annual Board performance questionnaire. The

results of the questionnaire are tabled at the annual Q1 Board meeting for discussion and consideration.

Remuneration

Due to the scale, nature and complexity of the Company, with no full-time employees, the Company has not required the establishment of a remuneration policy. Directors who are not employees of the Company but who are employed by another group company or by a service provider company, receive no remuneration for the performance of their duties as directors. Non-Executive directors receive remuneration based on Irish market standard rates. Directors are entitled to the reimbursement of normal business expenses associated with their travel to the Company's main place of business for the purpose of discharging their duties as directors.

Changes and Material Transactions

No material changes in the system of governance have taken place over the reporting period.

As a captive reinsurance company, it is common to have material transactions with its shareholder. The Company participates in a cash pool arrangement with Group Treasury. The amount of the cash pool at the end of the reporting period is €3.437m (2020: €3.566m) The rate at 31 December 2021 was 0.00% (2020: 0.00%). The Company may request repayment of the cash pool, in whole or in part, on demand without qualification. The balance, all interest accrued thereon and all other outstanding amounts shall become immediately due and payable to the Company if the borrower defaults in its obligations, becomes insolvent or goes into liquidation.

The Company has also provided reinsurance to several insurance companies covering the Benteler Group and its subsidiaries.

B.2 Fit and Proper Requirements

The Company acknowledges its responsibilities with respect to ensuring the fitness and probity of those individuals carrying out controlled functions on its behalf. The relevant Pre-approval Controlled Functions (PCF) applicable to the Company have been identified and the individuals being proposed for a PCF role will be subject to the appropriate level of due diligence in order for the Company to confirm that they are:

(a) competent and capable;
(b) honest, ethical and act with integrity; and
(c) financially sound.

As part of its Corporate Governance regime the Company has adopted a policy which sets out the minimum operational standards, roles and responsibilities pertaining to Fitness & Probity. All persons proposed for a PCF role must complete an Individual Questionnaire (IQ) providing

details on their:

- experience
- qualifications
- reputation and character
- other responsibilities
- shareholding links to the Company

Qualifications and experience are double checked by the Compliance Officer against appropriate support and confirmation is obtained that the individual has no judgements or disqualifications against them. Certification is also provided by the individual that they will abide by the Standards of Fitness & Probity and the Guidance issued by the CBOI. Pending successful completion of these actions, the IQ is reviewed and approved by an existing PCF and submitted to the CBOI for processing and approval.

For each proposed PCF role, including key functions, the Company requires that the individual being proposed has the skills, knowledge and expertise commensurate with the role. This is assessed both in terms of the requirements for specific individual functions and also in terms of the composite when looking at the make-up of the overall Board. For functions which require specific qualifications or skills e.g. actuarial, only individuals who possess the necessary qualifications and experience in that field will be considered for the role. The Fitness & Probity of function holders is re-assessed on an annual basis.

B.3 Risk Management System including the own risk and solvency assessment

Risk refers to the effect of uncertainty on the Company's ability to meet its objectives. Risk management is a systematic approach to protect the business resources and income against losses and unexpected events so that objectives of the Company can be achieved without unnecessary disruption.

Roles and Responsibilities

The Board of Directors acknowledges its responsibility to establish a risk management system and have outsourced the responsibility for carrying out the Risk Management Function to its Management Services Provider, who is responsible for carrying out the Risk Management Function and ensuring that the risk management system is implemented and well-integrated into the organisation structure of the Company and its decision making processes.

Risk Management System

The primary strategic objective and purpose of the Company is to support the risk management and risk transfer programs of the Benteler Group and its subsidiaries. This objective has remained core to the business of the Company and there are no plans to change this business strategy. This strategy is set out in the Company's documented Risk Appetite

Statement ('RAS') and supporting risk policies. These are reviewed by the Board on an annual basis or in the event of a material change in circumstances for the Company or the environment in which it operates.

The risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making processes of the Company via:

- review and ongoing maintenance of risk related policies by the Board;
- adherence with and annual review of the Company's RAS;
- adequately resourced critical functions of risk management, compliance and actuarial staffed by experienced professionals;
- adequately resourced internal audit function with a regular review cycle;
- business continuity planning;
- succession plan for key roles;
- monthly underwriting and financial reporting.

The Company has established a number of risk management policies including:

- Risk Appetite Statement, which includes an escalation procedure;
- Operational Risk Policy;
- Capital Risk and Capital Management Policy.

The Company defines operational risk as the risk of loss arising from people, processes or systems, or external events. This includes risks such as regulatory risk, fraud risk, IT risk, market risk and reputational risk. It excludes quantifiable risks. Quantifiable risks are set out in the Company's RAS. The Company aims for zero operational risk loss events, and whilst such risk cannot be eliminated completely, the strategy is to minimise such risk through a robust governance framework, systems and controls.

The management and monitoring of risks to the business is an on-going process which is integrated into the overall organisational structure of the Company. The Own Risk and Solvency Assessment process referred to in the following section is a key component in the Company's risk management and decision-making processes.

Own Risk and Solvency Assessment ('ORSA')

In line with the Company's documented ORSA policy and assuming business-as-usual conditions, the ORSA is performed on an annual basis during the fourth quarter of the Company's financial year so that the findings can be discussed and approved by the Board of Directors and reported to the CBI prior to the financial year-end. A more frequent ORSA is not deemed necessary due to the straightforward nature of the Company's activities and risk profile and the fact that the Company's financial position and solvency needs are not subject to significant volatility.

The ORSA is the Company's own assessment of the capital it believes it needs to cover its risks, achieve its business plans and protect the future performance and viability of the

Company. The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and risk sensitivities so that the output can be used in shaping future strategy and risk appetite.

- *Risk Identification*

The first step in the ORSA process is to consider and identify which risks should be assessed.

- *Financial Projections*

The second step in the ORSA process is to project both the Profit and Loss Account and Balance Sheet of the Company. A 1 – 5 year projection period of the balance sheet is chosen as an appropriate timescale to provide an adequate view of the Company's financial and solvency position. These financial projections provide the basis for the calculation of the required Solvency and Minimum Capital Requirements under the standard formula over the selected projection period. The Board use the output from these calculations to assess the position of the Company in relation to their capital requirements over the period.

- *Stress & Scenario Testing*

The third step of this ORSA process is for the Board and Management to examine the impact of a range of stresses and scenarios on the Company's solvency position. These include both quantitative and qualitative scenarios, and a reverse stress test approach to identify how severe a loss would have to be to result in a breach of solvency. The proposed stresses and scenario tests are circulated to the Board for consideration and agreement, with additions made if required.

- *Board and Management Discussion and Review*

The final step in the ORSA process is the presentation to the Board of the output results from the overall assessment completed. The Board must consider and challenge this output, draw their conclusions on the results of the ORSA assessment and determine if any actions are required.

- *Board Sign-off*

Following this iteration, and if in order, the ORSA report is approved by the Board. As a low risk entity, the Company's ORSA submission is via a preformatted template to the CBI which is completed by including relevant extracts from the approved internal report and summarising the outputs from the various projected and scenario assessments completed.

- *Integration into Decision-making process*

The ORSA process creates the link between risk management, capital management and strategic planning. The resultant findings provide a better understanding to the Board of the impact of key risk drivers on the operations of the Company and in turn better inform the setting and update of the Risk Appetite.

This year's assessment investigated the following:

- Alternative premium rates from those included in the base scenario;
- Limit losses - limit loss in 2022 on each of the Property and Liability classes was investigated in the context of the base projected available capital position. Furthermore, a limit liability loss was also considered in a scenario where no retrocession was agreed.
- Loss Ratio sensitivities - the sensitivity of the projections to the assumed loss ratios was tested by re-projecting the base case, with all loss ratios from 2021 onwards increased by 5% and reduced by 5%.

Results

The following table summarises the Company's forecast base case SCR / MCR position, using the Standard Formula, over a 5-year projection period ending 2025:

	2021	2022	2023	2024	2025
Available Capital	28,930	24,734	25,513	26,323	27,095
SCR	15,238	17,535	18,154	18,467	18,555
SCR Margin	13,692	7,199	7,359	7,856	8,540
SCR Coverage Ratio	190%	141%	141%	143%	146%
MCR	3,810	4,384	4,538	4,617	4,639
MCR Margin	25,121	20,350	20,975	21,707	22,456
MCR Coverage Ratio	759%	564%	562%	570%	584%

B.4 Internal Control System

The Company has established and documented an appropriate system of internal control which satisfies the following objectives:

- Operational risks are identified and effectively managed
- Key processes and activities are documented
- Assets are safeguarded
- The reliability and integrity of financial information is maintained consistently
- Compliance with Company policies, procedures, applicable laws and regulation is achieved.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the Company's internal control system. However day-to-day oversight of the Company's compliance against its control framework is provided by the risk management and compliance functions. In practice, other directors and key role holders also participate in the management of the system. The Company's internal controls are part of its compliance framework. Various measures are incorporated into systems and processes to control day-to-day activities. The Company implements adequate controls to ensure compliance and to highlight any significant breakdown in controls or inadequacy of process.

There have been no control issues or weaknesses identified in the reporting period.

Compliance Function

The Company is fully committed to compliance with the requirements of the Central Bank of Ireland ('CBI') and all applicable legislation and regulations. To ensure that the Company's activities remain compliant with all these legal and regulatory obligations, the Board has outsourced the Head of Compliance Function role to Allied Risk Management Limited for the discharge of the Company's Compliance Function.

The Compliance Function aims to minimise the risks to the Company of material financial loss or reputational damage arising from the potential failure to comply with legal or regulatory requirements. It liaises with regulatory bodies and authorities and provides updates on changes in legislation and regulatory requirements.

The Compliance Function has responsibility for the implementation of the Company's compliance strategy and effective compliance processes, and is responsible for the monitoring, managing and reporting of compliance risks to which the Company is exposed. It ensures that arrangements in place are sufficiently robust, proportionate, effective and efficient. The Compliance Function is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficiency through compliance monitoring.

In order to demonstrate the Company's ongoing commitment to compliance, a submission is made by the appointed Head of Compliance to the Board of Directors at each Board meeting. This report addresses how the Company is achieving compliance, whether there are any breaches and how such breaches are being rectified.

On an ongoing basis, the Compliance Function strives to ensure that there is an organisational culture in place which promotes a high standard of integrity and regulatory compliance.

B.5 Internal Audit Function

The Board has the responsibility to establish and maintain an effective internal audit function which is objective and independent from the Company's operational functions.

The role of Head of Internal Audit (HoIA) is outsourced to Mr. Howard Block, CSI Chartered Accountants Limited. He has been approved by the CBI to perform this function. His responsibilities are:

- leading the preparation of an annual audit plan for the Company based on a methodical assessment of the Company's risks, governance system and the nature of its activities, including expected developments;
- leading the implementation of the annual internal audit plan;
- directing the work of any outsourced service providers who have been engaged to carry out internal audit testing;
- ensuring that the requirements of the Company's outsourcing policy are complied with for the selection of parties to perform internal audit testing;
- reviewing the output of annual internal audit testing; and
- reporting findings to the Board and the other key functions.

The HoIA may also carry out special audit tasks at the request of the Board where significant breaches in the Company's policies or internal control framework have been identified.

The Board recognises the added value to be derived from internal audit through the review and assessment of compliance with, and the efficacy of, its governance arrangements and operational procedures.

An internal audit plan, comprising a programme of proportionate audits of internal controls, governance arrangements and operational procedures will be developed, implemented and reviewed annually.

The internal audit function is structured according to the following principles:

- the HoIA has the necessary skills and expertise required for the role and meets the Fitness & Probity due diligence criteria;
- the Company has taken appropriate measures to order to mitigate the risk of any conflict of interest within the internal audit function;
- the HoIA does not perform any operational functions for the Company and is free from undue influence by any other key functions;
- the Board shall not place undue influence on the HoIA in the performance of its duties; and
- the internal audit approach shall be proportionate, ensuring that the responsibilities of the function are fulfilled while recognising the small scale of the Company.

The Company recognises the value in seeking external, professional support to conduct internal audits. This is particularly relevant for areas where specialist knowledge is not available in-house and given the size of the Company, to ensure that an independent and objective view is provided. A documented 'Agreement for the Provision of Actuarial Services' is in place for this function. The HoIA reports directly to the Board.

B.6 Actuarial Function

The position of Head of Actuarial Function (HoAF) for the Company is outsourced to Mr. Aaron Kenny, Allied Risk Insurance and Reinsurance Services Limited. He has been approved by the CBI to perform this function. The outsourcing of this function reflects the fact that, as a reinsurer of specific business relating to the activities of the parent group, the Company does not have the in-house specialist skills required for this function. The engagement of an industry specialist who has the support of a wider team in carrying out their duties is the most efficient approach for the Company. The Board is satisfied that there are no conflicts of interest impacting the HoAF's work.

A documented 'Agreement for the Provision of Actuarial Services' is in place for this function. The HoAF reports directly to the Board.

B.7 Outsourcing

The Company has an outsourcing policy the purpose of which is to establish the requirements for identifying, justifying, implementing and managing outsourcing arrangements for the Company's critical or important operational functions or activities. This policy has been approved by the Board and is subject to annual review. The Board ensures that an outsourcing arrangement shall not diminish the Company's ability to fulfil its regulatory obligations.

The Outsourcing Policy sets out the following:

- Definition of outsourcing
- Outsourcing risks
- Risk mitigation
- Board and management responsibility
- Assessment and due diligence on the Outsourced Service Provider
- Essential requirements for inclusion in Service Level Agreements
- Management and oversight of outsourced activities
- Reporting requirements
- Table of Outsourced Service Providers
- Business continuity and contingency planning

The Company only enters into an outsourcing arrangement where there is a sound commercial basis for doing so and where it can be effectively managed. A full due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. In undertaking this assessment, the Company adheres to the Central Bank of Ireland's Notification Process for (Re)Insurance Undertakings when outsourcing critical or important function or activities under Solvency II Regulations.

Actuarial, Compliance, Risk Management and Internal Audit functions are fully outsourced. In addition, the Company considers Management & Administration (including financial and regulatory reporting) to be a critical and important outsourced function

Service providers for these outsourced functions are located in Ireland.

B.8 Any Other Information

There is no other material information regarding the system of governance of the Company to report.

Section C: Risk Profile

C.1 Risk Profile

The Group's insurance brokers have been leveraged in terms of providing risk management technical expertise, and the Company has received regular risk assessment presentation from them.

Specific risk management measures relating to the Company's underwriting risks are referred to below.

The Company uses the Solvency II Standard Formula as its measure of economic capital in the quantitative assessment of risk presented below.

(a) Underwriting Risk

The Company writes varying limits on its Property, Liability, Marine/Transit and Credit reinsurance programs.

Liability

Changes in automotive manufacture have increased the likelihood of claims – more models use common systems than previously, thus increasing the potential claim cost.

The Company has reduced its net limit for liability with the purchase of a per risk retrocession protection.

Property

There has been a recent programme of improvements in fire prevention across the group's facilities. The group's insurance brokers have assessed facilities for exposure to damage from hail, snow and exposure to bushfires amongst others. This increasing awareness of and focus on risk management at the level of individual properties within the group has obvious benefits for the Company in terms of reducing the likelihood of significant property losses.

Marine

Experience has been good in this class and limits are low relative to the other lines written by the Company. The relatively low limits reduce the risk exposure from this class.

Trade Credit

The Company ceased reinsuring credit insurance effective 1 January 2020, with all remaining claims being run off during the reporting period.

A quantitative breakdown of the underwriting risk as measured by the Solvency II Standard Formula is as follows:

€'000 SCR	2021	2020
Premium Risk	2,977	2,584
Reserve Risk	4,443	5,011
Diversification Credit	-1,011	(996)
Premium and Reserve Risk	**6,409**	**6,598**
Premium and Reserve Risk	6,409	6,598
Catastrophe Risk	10,504	9,311
Non-life lapse	676	550
Diversification Credit	-3,932	(3,761)
Non-life Underwriting Risk SCR	**13,656**	**12,699**

(Note: Immaterial rounding differences due to amounts being displayed to the nearest thousand while the source workings are calculated to two decimal places)

Lapse risk has been included in a literal interpretation of the Solvency II technical specifications. However, this is not considered to be a risk for the Company whatsoever.

Catastrophe Risk exposure comes from all lines of business but is capped by the contract limits.

€'000 SCR	2021	2020
Non-Proportional Casualty	7,182	5,837
Non-Proportional Credit and Suretyship	0	0
Non-Proportional Property Reinsurance	7,660	7,250
Proportional Marine	255	255
Catastrophe Risk – Diversification Credit	-4,594	(4,031)
Catastrophe Risk – Diversified	**10,504**	**9,311**

Underwriting Risk Mitigation

The Company has reduced its net limit for liability with the purchase of an aggregate excess of loss (XOL) retrocession cover mirroring the underlying reinsurance programme. It is noted that this protection offers no capital relief under the Solvency II Standard Formula – nonetheless the Board considers it prudent risk management and it provides strong balance sheet protection.

(b) Market risk

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market currency risk, interest rate risk, credit risk and liquidity risk.

The Company's principal transactions are carried out in Euro and its business exposure to foreign exchange risks is minimal. Due to the limited exposure, the Company considers it unnecessary to attempt to mitigate foreign exchange fluctuations.

Interest rate risk is that the value of future cashflows of a financial investment will fluctuate due to changes in interest rates.

The Company has significant exposure to the parent group through the cash pool arrangement in place with Group Treasury. However, the Board is comfortable with the counterparty risk of the parent group, Benteler International AG.

The balance of the Company's investment assets is held with three international banks and a Money Market Fund, each of which is well-rated.

Spread Risk & Concentration Risk

The cash pool balance with Benteler International AG is considered in this module, as are any term deposits or investment assets other than cash or demand deposits. The SCR charge for the cash pool is high, reflecting the high proportion of the Company's assets represented by it and Benteler International AG's lack of a credit rating.

In simple terms, the concentration risk charge and the spread risk charge is approximately 71% and 3% respectively of the pool amount. However, the charge does benefit from some diversification within the concentration risk module as the assets are spread between the cash pool, term deposits and the money market fund. Moreover, when the money market fund is assessed on a 'look through' approach to the underlying holdings, this provides further diversification.

Currency Risk

The Standard Formula currency risk charge is 25% of the mismatch in currency exposure.

The Company is exposed to a Standard Formula currency risk charge through policies denominated in currencies other than EUR. The Company has primarily assets on its balance sheet denominated in EUR but has liabilities of other currencies of EUR 4.2M on the Solvency II Balance Sheet, as IBNR and the premium provision are allocated in proportion to the geographical split of the underlying policies.

This gives a currency risk charge of EUR 0.8M.

(c) Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation, thus causing the Company to incur a financial loss.

	Cash pool with Group	Financial investments and cash at bank	Funds withheld - Security deposit
	€'000	**€'000**	**€'000**
2021	3,437	34,694	1,765
2020	3,566	35,074	-

The following table provides information regarding the aggregated credit risk exposure of financial assets:

Credit Ratings 2021	Cash pool with Group	Financial investments and cash at bank	Funds withheld - Security deposit
AAA (incl. + / -)	-	-	-
AA (incl. + / -)	-	-	-
A (incl. + / -)	-	70%	100%
BBB (incl. + / -)	-	30%	-
Unrated	100%	-	-
	100%	**100%**	**100%**

Credit Ratings 2020	Cash pool with Group	Financial investments and cash at bank	Funds withheld - Security deposit
AAA (incl. + / -)	-	-	-
AA (incl. + / -)	-	-	-
A (incl. + / -)	-	57%	-
BBB (incl. + / -)	-	43%	-
Unrated	100%	-	-
	100%	**100%**	-

(d) Liquidity Risk

Approximately 85% of the Company's funds are held in operational bank accounts and the cash pool, ensuring sufficient cash is on hand to meet claims payments as they fall due and to cover any unexpected cash outflows.

The Board deem a further refinement in the matching of claims pay-out and asset maturity patterns is not required. Thus, the maintenance of available cash is the most appropriate for the nature, scale and complexity of the Company's business.

(e) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including but not limited to the following risks:

- outsourcing
- business continuity planning
- reputational
- compliance and regulatory

As a reinsurance captive writing a small number of treaties, operational risk is considered low. The Company does not handle many transactions and does not deal with the general public. The underlying risk is in the same group. Therefore, it does not consider that it is exposed to material residual risk in this area due to the formality that has been created around the Company's processes and procedures including those for financial and regulatory reporting.

(f) Other Material Risks

There are no other material risks identified by the Company.

C.2 (A) Risk Measures

The Company uses the Solvency II Standard Formula as its measure for the quantitative assessment of risk as detailed earlier in this report. The Company also has an established Risk Appetite Statement to monitor the performance of each risk category against its related appetite threshold. A description of the measures used therein are as follows:

Green	Green represents the **Risk Appetite** of the Company and represents the level of risk the Company is willing and able to accept to satisfy its strategic objectives
Amber	Amber represents **Risk Tolerances** and acceptable variances which will be brought to the attention of Board and will require monitoring
Red	Red represents the **Limit** for each risk, (where possible) it indicates when action needs to be taken to stop or change a situation which is may result in an unacceptable level of risk to the Company

There have been no material changes over the reporting period.

C.2 (B) The Nature of Material Risk Exposures

The material risk that the Company is exposed to is the risk of adverse claims experience across all lines of business together with a potential bank default. This is addressed under Underwriting Risk (Section C.1(a) above) and Technical Provisions below. There have been no material changes over the reporting period.

C.2 (C) Investments in Accordance with the 'Prudent Person Principle'

The Company is required to invest all assets and particularly assets used to cover the minimum capital requirement and the solvency capital requirement in accordance with the 'prudent person principle'. The prudent person principle defines that the assets must be invested in a manner acceptable to a 'prudent person' – that is that the decisions are generally accepted as being sound for the average person.

The Company maintains its investments with EU regulated credit institutions in cash equivalents and short and medium-term deposits (no longer than 3 years). It also participates in a cash pool arrangement with the Company's parent and ultimate holding company, Benteler International AG.

C.3 The Nature of Material Risk Concentrations

The Benteler group has operations throughout the world and as such the Company is not exposed to geographical concentrations of risk. The Company writes a diversity of business lines, although accumulations can occur, where a transit and property loss could arise from the same event.

Concentration risk arises from changes in automotive manufacture which have increased the likelihood of claims – more models use common systems than previously, thus increasing the potential claim cost.

Concentration risk is managed through the limit system, whereby the Company cannot lose more than the event or aggregate limit on any one claim or series of claims.

The Company has concentration risk in its investment portfolio with the exposure to the Benteler group through intercompany lending.

C.4 Risk Mitigation Practices

The strategy of the Company is to accept reinsurance on a first loss basis and will consider the purchase of reinsurance cover where appropriate. The Company has reduced its net limit for liability with the purchase of an aggregate XOL retrocession cover mirroring the underlying reinsurance programme. It is noted that this protection offers no capital relief – nonetheless the Board considers it prudent risk management and it provides strong balance sheet protection.

The Company's main risk mitigation technique is to control its exposure through event and aggregate limits.

C.5 Liquidity Risk

The Expected Profit in Future Premiums calculated in accordance with Article 260(2) of the Delegated Acts is EUR 1.689m.

C.6 Risk Sensitivities

In its ORSA Process the Company considered a number of both quantitative and qualitative stress and scenarios, including reverse stress tests. These were as follows:

Qualitative:

An industry-wide large event.

Reverse Stress tests:

- Loss required to breach SCR – c. 5M

Quantitative:

- **Limit Property Loss**
  - Description:
    - A EUR 5M property loss occurs in 2022 and is settled prior to year-end 2023.
  - Method:
    - The Company's Capital Requirements are projected with the loss included in reserves and paid before year-end 2022.
  - Outcome:
    - The SCR increases due to an increase in the Reserve Risk submodule and the Available Capital is reduced. The Company can withstand such a loss without breaching solvency.

- **Limit Liability Loss**
  - Description:
    - A EUR 20M gross liability loss occurs in 2022, full recovery of EUR 10M is recovered on the retrocession, and the claim is settled prior to year- end 2023.
  - Method:
    - The Company's Capital Requirements are projected with the loss included in reserves and paid before year-end 2022.
  - Outcome:
    - The SCR increases dramatically due to an increase in the Reserve Risk submodule and the Available Capital is reduced. Such a loss would result in the Company breaching solvency.
    -

- **Limit Liability Loss (without retrocession cover)**
  - Description:
    - A EUR 20M gross liability loss occurs in 2022, no premium was paid for retrocession and nothing was recovered for the claim on the retrocession, and the claim is settled prior to year- end 2023.
  - Method:
    - The Company's Capital Requirements are projected with the loss included in reserves and paid before year-end 2022.
  - Outcome:
    - The SCR increases dramatically due to an increase in the Reserve Risk submodule and the Available Capital is reduced. Such a loss would result in the Company breaching solvency.

- **Credit Event**
  - Description:
    - A bank default of the institution with the largest concentration in 2022.
  - Method:
    - The Company's Capital requirements are projected, and the SCR is reduced by the level of the default in 2022. Unlike an insurance loss suffered, there is no corresponding increase in SCR.
  - Outcome:
    - Such a loss would result in the Company breaching solvency.

- **Loss Ratio Sensitivity**
  - Description:
    - The projected loss ratios were increased/decreased by 5% from 2022.
  - Method:
    - The Company's Capital requirements are projected throughout the period using the revised loss ratios.
  - Outcome:
    - The alternative scenarios yield a c.10% deterioration/improvement in the loss ratios when compared with the base projections.

C.7 Any Other Information

There are no other material items to report in this area.

Section D: Valuation for Solvency Purposes

Note: Tables within sections D and E contain minor rounding differences in certain instances due to amounts being displayed to the nearest thousand while the source workings underlying the annual reporting templates are calculated to two decimal places. These differences are immaterial.

D.1 Assets

As at 31st December 2021, the Company held the following assets:

Benteler Reinsurance Assets (EUR 000's)	Current Accounting Bases	SII Valuation Principles
Goodwill	-	-
Deferred Acquisition Costs	-	-
Intangible Assets	-	-
Deferred Tax Assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	-	-
Investments	4,004	4,004
Property (Other than Own Use)	-	-
Participations and related undertakings	-	-
Equities (Other than Participations)	-	-
Equities (Other than Participations) - Listed	-	-
Equities (Other than Participations) - Unlisted	-	-
Bonds	-	-
Government and Multilateral Banks	-	-
Corporate	-	-
Structured Notes	-	-
Collateralised Securities	-	-
Collective Investments Undertakings	4,004	4,004
Derivatives	-	-
Deposits other than cash equivalents	-	-
Other Investments	-	-
Mortgages and Loans Made	3,437	3,437
Mortgages & loans to individuals	-	-
Other Mortgages & loans	3,437	3,437
Loans on Policies	-	-
Reinsurance Recoverables	-	-1,158
Reinsurance share of TP - non-life excluding health	-	-1,158
Reinsurance share of TP - health similar to non-life	-	-
Deposits to cedants	1,766	1,766
Insurance & Intermediaries Receivables	161	42
Reinsurance Receivables	-	-
Receivables (trade, not insurance)	-	-
Own Shares	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-
Cash & Cash Equivalents	30,690	30,690
Any Other Assets, Not Elsewhere Shown	14	14
Total assets	**40,073**	**38,795**

As at 31st December 2020:

Benteler Reinsurance Assets (EUR 000's)	Current Accounting Bases	SII Valuation Principles
Goodwill	-	-
Deferred Acquisition Costs	-	-
Intangible Assets	-	-
Deferred Tax Assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	-	-
Investments	8,059	8,059
Property (Other than Own Use)	-	-
Participations and related undertakings	-	-
Equities (Other than Participations)	-	-
Equities (Other than Participations) - Listed	-	-
Equities (Other than Participations) - Unlisted	-	-
Bonds	-	-
Government and Multilateral Banks	-	-
Corporate	-	-
Structured Notes	-	-
Collateralised Securities	-	-
Collective Investments Undertakings	4,026	4,026
Derivatives	-	-
Deposits other than cash equivalents	4,033	4,033
Other Investments	-	-
Mortgages and Loans Made	3,566	3,566
Mortgages & loans to individuals	-	-
Other Mortgages & loans	3,566	3,566
Loans on Policies	-	-
Reinsurance Recoverables	-	-1,103
Reinsurance share of TP - non-life excluding health	-	-1,103
Reinsurance share of TP - health similar to non-life	-	-
Deposits to cedants	-	-
Insurance & Intermediaries Receivables	667	232
Reinsurance Receivables	-	-
Receivables (trade, not insurance)	-	-
Own Shares	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-
Cash & Cash Equivalents	27,048	27,048
Any Other Assets, Not Elsewhere Shown	14	14
Total assets	**39,355**	**37,816**

Collective investments undertakings comprise a money market fund investment which is measured at fair value using quoted market prices in active markets.

Deposits other than cash equivalents comprise short-term deposits with maturity dates less than one year, together with any accrued interest at the balance sheet date. They are highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and are measured at cost. The two deposits held at last reporting period end, matured during this reporting period such that no deposits were held as at 31 December 2021.

Mortgages and other loans made comprise a cash pool balance. The Company participates in a cash pooling arrangement with Group Treasury. The balance is highly liquid and readily accessible and is measured at cost.

Reinsurance recoverables represents the discounted future cash flows relating to the premium provision for the 2022 retrocession cover in place. A nil amount is included in the financial statements as all premium for the 2021 retrocession policy was earned as at the reporting date and the 2022 expected cashflows within contract boundaries are not considered in the Financial Statements. The difference between the two amounts reflects the differing valuation basis.

Insurance and intermediaries' receivables are recognised and carried at the original invoice amount less allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents comprise cash balances that are highly liquid and readily convertible to a known amount of cash. They are subject to an insignificant risk of changes in value and are measured at cost.

Any other assets, not shown elsewhere, comprise a prepaid management fee amount.

Other than:

- the valuation of reinsurance balances on a best estimate basis; and
- a best estimate adjustment for an overstatement in booked insurance receivables of EUR119k,

there are no other material asset valuation differences between the financial statements and the Solvency II values. The financial statements have been prepared in accordance with Financial Reporting Standards 102 and 103 (FRS 102 and 103), the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations, 2016.

D.2 Technical Provisions

The technical provisions comprise the following amounts by line of business:

€' 000 2021

Line of Business	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Non-proportional casualty reinsurance	6,154	906	(1,158)	**8,218**
Proportional marine, aviation and transport reinsurance	1,179	60		**1,239**
Non-proportional property reinsurance	-345	510		**166**
Total	**6,988**	**1,476**	**(1,158)**	**9,623**

€' 000 2020

Line of Business	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Non-proportional casualty reinsurance	7,654	1,386	(1,103)	**10,143**
Proportional marine, aviation and transport reinsurance	929	74	-	**1,004**
Non-proportional property reinsurance	610	691	-	**1,301**
Total	**9,193**	**2,151**	**(1,103)**	**12,447**

Chain Ladder, Frequency-Severity, Bornhuetter Ferguson and Expected Loss Ratio methods were used to derive the claims provision for all classes. Additionally, a transition rate model was used to estimate the reserves for the trade credit class of business. Given the relative sparsity of claims in the Company's history, appropriate benchmark loss development factors have been applied to supplement the Company's own experience.

The premium provision was calculated using expected loss ratios based on the Company's own experience and benchmark data.

The main risk to the technical provisions is the emergence of a large claim or claims. In respect of the claims reserves this risk is considered reasonably low – an analysis of reporting delays for the Company has shown that these are short and liability claims have not emerged over time. In respect of the premium provision, the volatility of the actual underwriting result is much higher for a captive reinsurer writing a relatively small number of risks compared to a commercial insurer.

A second risk to the adequacy of the Company's reserves is the deterioration of an existing claim or claims. The Company reviews all open claims on a regular basis and takes an appropriate approach to claim reserving.

For all lines of business, the Company uses the undiscounted best estimate claims provision as a floor for the technical provisions booked in its financial statements, with an appropriate margin for prudence added to this figure.

The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Furthermore, the extrapolation of the risk-free interest rate term structure referred to in Article 77a of Directive 2009/138/EC is not applicable. Therefore, the assessments referred to in points (a), (b) and (c) of the first subparagraph of Article 44 of Directive 2009/138/EC were not necessary.

The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

The methodology and assumptions used in calculating the Technical Provisions have remained broadly similar to the approach taken in the 2021 year-end.

D.3 Other Liabilities

As at 31st December 2021, the Company recorded the following liabilities for solvency purposes;

Benteler Reinsurance Liabilities (EUR 000's)	Current Accounting Bases	SII Valuation Principles
Gross Technical Provisions – Non-Life (Excluding Health)	15,609	8,465
TP calculated as a whole (Best estimate + Risk margin)	15,609	-
Best Estimate	-	6,988
Risk Margin	-	1,476
Gross Technical Provisions - Health (Similar to Non-Life)	-	-
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	-	-
Risk margin	-	-
Other Technical Provisions	-	-
Deferred Tax Liabilities	-	778
Derivatives	-	-
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Insurance & intermediaries payables	585	230
Reinsurance payables	-	-
Payables (trade, not insurance)	142	142
Any other liabilities, not elsewhere shown	251	251
Total liabilities	**16,587**	**9,865**

As at 31st December 2020:

Benteler Reinsurance Liabilities (EUR 000's)	Current Accounting Bases	SII Valuation Principles
Gross Technical Provisions – Non-Life (Excluding Health)	16,610	11,344
TP calculated as a whole (Best estimate + Risk margin)	16,610	-
Best Estimate	-	9,193
Risk Margin	-	2,151
Gross Technical Provisions - Health (Similar to Non-Life)	-	-
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	-	-
Risk margin	-	-
Other Technical Provisions	-	-
Deferred Tax Liabilities	-	512
Derivatives	-	-
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Insurance & intermediaries payables	1,597	1,229
Reinsurance payables	-	-
Payables (trade, not insurance)	155	155
Any other liabilities, not elsewhere shown	294	294
Total liabilities	**18,656**	**13,534**

D.4 Alternative Methods of Valuation

The deferred tax liability represents 12.5% of the Solvency II valuation adjustments to net technical provisions. The Solvency II balance sheet also includes an adjustment to the insurance payables line as the claims payable of EUR355k are reallocated to technical provisions on the Solvency II Balance Sheet.

Otherwise, there are no other material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for its valuation in the financial statements.

D.5 Any Other Information

There are no other disclosures to report under this section.

Section E. Capital Management

E.1 Own Funds

The Company has a documented Capital Management Policy and there is no appetite for losses resulting from a breach of the solvency margin. In addition, the ORSA process is an integral part of the Company's Capital Management process. The outputs of the Actuarial Function Report are also used in the Company's decision-making process in respect of capital management.

The Company is a single shareholder entity whose shares are fully paid up. It has no debt financing, nor does it have any plans to raise debt of issue new shares in the short or medium term.

The Company's own funds are invested in cash, short term money market deposits or short-term loans to its parent group. There is no intention to change this methodology.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an agreed level in excess of the SCR (or MCR where relevant), per the Company's Risk Appetite Statement, as informed by the ORSA;
- No capital is planned to be issued in the short or medium term;
- No dividends are anticipated in the short or medium term; and
- Own fund items are to be invested in external bank deposits, cash or loaned to its parent group in accordance with the Board's approved counterparty limits as set out in the Company's Investment Policy.

At 31 December 2021 and 2020 the Company's own funds in Euro were as follows:

	Value at 31 December 2021 €' 000	Value at 31 December 2020 €' 000
Tier 1 unrestricted		
- Share Capital	650	650
- Reconciliation reserve	28,280	23,632
Total Basic Own Funds	**28,930**	**24,282**

The reconciliation reserve at the end of the current reporting period represents the retained earnings of the Company as adjusted for Solvency II valuation differences, inclusive of future profitability as calculated within the premium provision.

The eligible amount of own funds available to cover the Solvency Capital Requirement and Minimum Capital Requirement at 31 December 2021 is €28.930m of Tier 1 unrestricted funds.

The equity as shown in the Company's financial statements is €5.444m less than the excess of assets over liabilities as calculated for solvency purposes. This difference is due mainly to the technical provisions in the financial statements being calculated on a more prudent basis than the Solvency II technical provisions.

Reconciliation (EUR '000s)	2021	2020
Available Capital per Financial Statements	**23,486**	**20,699**
+/- Tax adjustment	*-778*	*-512*
- Risk Margin	*-1,476*	*-2,151*
- Solvency II Expense Provision	*-387*	*-192*
+ Prudence in Financial Statement reserves (Booked Reserves less Best Estimate)	7,041	6,433
Difference in booked Debtors v Best Estimate	*-119*	-
+/- Discounting	81	-81
+ Profit in BBNI	1,083	87
Total	**28,930**	**24,282**

The Company has no own fund items subject to the transitional arrangements referred to in Articles 308b (9) and 308b (10) of Directive 2009/138/EC

The Company has no items of ancillary own funds.

The Company has no items deducted from own funds.

The Company has no deferred tax assets on its Solvency II balance sheet. However, the difference in valuation basis between Solvency II and GAAP has resulted in the creation of a deferred tax liability on the Solvency II balance sheet. As shown in the table above, this tax liability is EUR 778k and arises mainly due to the removal of prudence in the financial statement reserves. This is partially offset by the inclusion of the risk margin.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company's 31 December 2021 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are shown in the table below.

2021

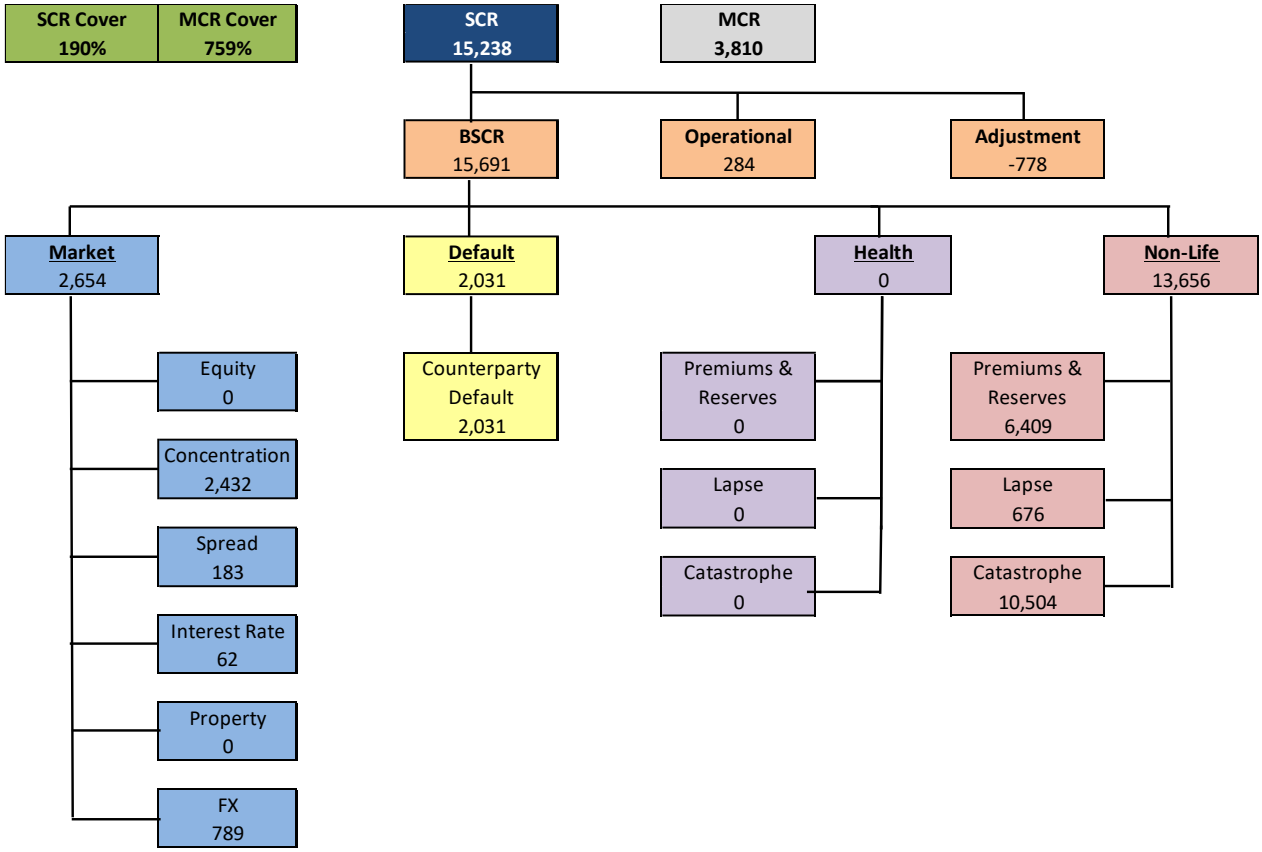
Solvency €'000	Capital requirement	Eligible capital	Solvency ratio
SCR	15,238	28,930	190%
MCR	3,810	28,930	759%

2020

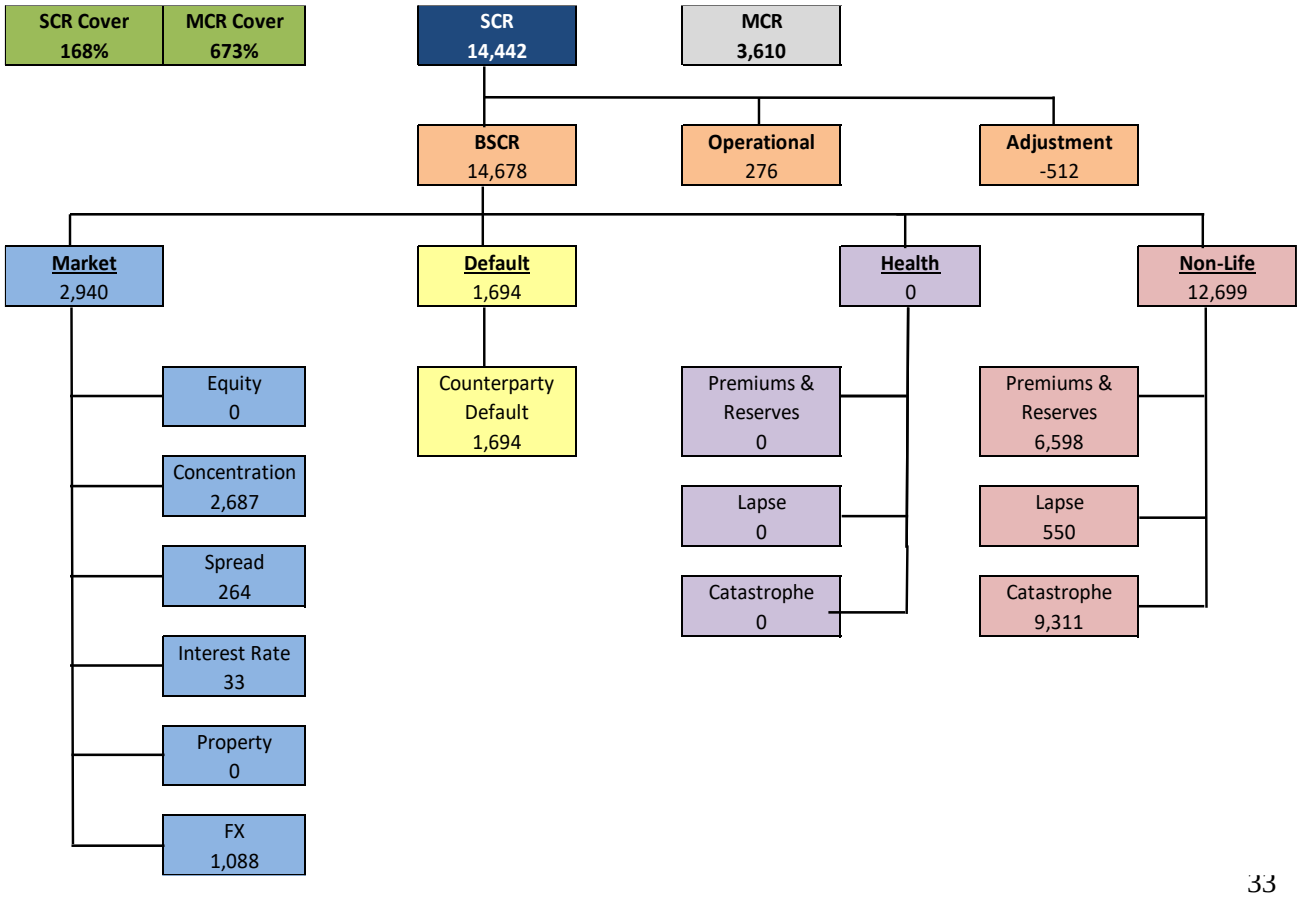
Solvency €'000	Capital requirement	Eligible capital	Solvency ratio
SCR	14,442	24,282	168%
MCR	3,610	24,282	673%

The SCR has been calculated utilising the standard formula and the analysis by risk module is as follows:

2021:



2020:



The Company does not use simplified calculations for any risk modules or sub-modules of the Standard Formula.

The Company does not use undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC.

The Company is not required to apply any undertaking-specific parameters in accordance with Article 110 of Directive 2009/138/EC and is not subject to any capital add-on.

The MCR as calculated using premium volume is as follows:

2021:

Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			α	β	
	€'000	€'000			€'000
Marine, Aviation & Transport	1,179	255	10%	14%	157
NRP - Property	-	3,422	19%	16%	544
NPR - Casualty	7,313	1,896	19%	16%	1,662
Total	**8,492**	**5,574**			**2,363**

2020:

Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			α	β	
	€'000	€'000			€'000
Marine, Aviation & Transport	929	238	10%	14%	129
NRP - Property	610	2,205	19%	16%	464
NPR - Casualty	8,757	2,069	19%	16%	1,958
Total	**10,296**	**4,512**			**2,551**

Since the figure of €2.363m is less than the floor of 25% of the SCR, the floor of 25% of the SCR is applied – i.e. €3.810m.

The Company's SCR has reduced over the past 12 months, mainly driven by a reduction in the Non-Life Risk charge caused by reduced reserves and a reduction in the market risk charge as a result of greater diversification in the investment portfolio.

The adjustment to the Solvency Capital Requirement for the loss-absorbing capacity of deferred taxes is EUR 779k. This is comprised entirely of net deferred tax liabilities on the current Solvency II balance sheet.

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

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

E.4 Differences between the standard formula and any internal model used

The Company has only used the standard formula for its capital calculations. An internal model is not used by the Company.

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

There has been full compliance by the Company to meet its Minimum Capital Requirement and Solvency Capital Requirement in the period under review and in the prior corresponding period.

E.6 Any Other Information

There is no other material information to report regarding the capital management of the Company.

Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	4,004
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	4,004
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	3,437
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	3,437
Reinsurance recoverables from:	**R0270**	-1,158
Non-life and health similar to non-life	**R0280**	-1,158
Non-life excluding health	**R0290**	-1,158
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	1,766
Insurance and intermediaries receivables	**R0360**	42
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	30,690
Any other assets, not elsewhere shown	**R0420**	14
Total assets	**R0500**	38,795

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	8,465
Technical provisions – non-life (excluding health)	**R0520**	8,465
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	6,988
Risk margin	**R0550**	1,476
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	778
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	230
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	142
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	251
Total liabilities	**R0900**	9,865
Excess of assets over liabilities	**R1000**	28,930

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		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	Marine, aviation and transport insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0060**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written										
Gross - Direct Business	**R0110**									
Gross - Proportional reinsurance accepted	**R0120**		255							255
Gross - Non-proportional reinsurance accepted	**R0130**						2,996		3,422	6,419
Reinsurers' share	**R0140**						1,100			1,100
Net	**R0200**		255				1,896		3,422	5,574
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**		255							255
Gross - Non-proportional reinsurance accepted	**R0230**						2,996		3,422	6,419
Reinsurers' share	**R0240**						1,100			1,100
Net	**R0300**		255				1,896		3,422	5,574
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**		372							372
Gross - Non-proportional reinsurance accepted	**R0330**						1,392		-286	1,106
Reinsurers' share	**R0340**									
Net	**R0400**		372				1,392		-286	1,478
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**		52				484		385	921
Other expenses	**R1200**									
Total expenses	**R1300**									921

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		DE					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120		255					255
Gross - Non-proportional reinsurance accepted	R0130		6,419					6,419
Reinsurers' share	R0140		1,100					1,100
Net	R0200		5,574					5,574
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220		255					255
Gross - Non-proportional reinsurance accepted	R0230		6,419					6,419
Reinsurers' share	R0240		1,100					1,100
Net	R0300		5,574					5,574
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320		372					372
Gross - Non-proportional reinsurance accepted	R0330		1,106					1,106
Reinsurers' share	R0340							
Net	R0400		1,478					1,478
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550		921					921
Other expenses	R1200							
Total expenses	R1300							921

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Marine, aviation and transport insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	**C0070**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**		234			-660		-1,689	-2,114
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**					-1,158			-1,158
Net Best Estimate of Premium Provisions	**R0150**		234			499		-1,689	-956
Claims provisions									
Gross	**R0160**		945			6,814		1,344	9,103
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								
Net Best Estimate of Claims Provisions	**R0250**		945			6,814		1,344	9,103
Total Best estimate - gross	**R0260**		1,179			6,154		-345	6,988
Total Best estimate - net	**R0270**		1,179			7,313		-345	8,147
Risk margin	**R0280**		60			906		510	1,476
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								
Technical provisions - total									
Technical provisions - total	**R0320**		1,239			7,060		166	8,465
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**					-1,158			-1,158
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**		1,239			8,218		166	9,623

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]

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

	Year	Development year 1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											1	R0100	1	1
2012	R0160	0	524	361	36	163	150	4	29				R0160		1,268
2013	R0170	151	295	63	3	287	-7						R0170		790
2014	R0180		9,459	561	194	0	-5	0					R0180		10,209
2015	R0190		329	3,091	-25	-12	0	-7					R0190	-7	3,376
2016	R0200	1,502	2,778	258	119	239	-89						R0200	-89	4,808
2017	R0210	4	543	989	-437	901							R0210	901	2,000
2018	R0220	0	136	276	643								R0220	643	1,056
2019	R0230	33	429	901									R0230	901	1,363
2020	R0240	642	125										R0240	125	767
2021	R0250	4											R0250	4	4
												Total	R0260	2,479	25,642

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											37	R0100	37
2012	R0160					477	344	314	272	163	33		R0160	33
2013	R0170				893	390	294	278	150	42			R0170	42
2014	R0180			780	721	404	345	175	61				R0180	61
2015	R0190		4,135	990	756	698	-199	100					R0190	100
2016	R0200	3,576	1,615	1,037	827	627	314						R0200	315
2017	R0210	4,524	4,731	1,084	2,534	2,239							R0210	2,212
2018	R0220	3,123	2,278	1,400	449								R0220	448
2019	R0230	6,801	2,668	1,150									R0230	1,147
2020	R0240	2,863	1,377										R0240	1,369
2021	R0250	3,342											R0250	3,340
												Total	R0260	9,103

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	650	650			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	28,280	28,280			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	28,930	28,930			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	28,930	28,930			
Total available own funds to meet the MCR	R0510	28,930	28,930			
Total eligible own funds to meet the SCR	R0540	28,930	28,930			
Total eligible own funds to meet the MCR	R0550	28,930	28,930			
SCR	R0580	15,238				
MCR	R0600	3,810				
Ratio of Eligible own funds to SCR	R0620	189.85%				
Ratio of Eligible own funds to MCR	R0640	759.42%				

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	28,930				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	650				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	28,280				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,689				
Total Expected profits included in future premiums (EPIFP)	R0790	1,689				

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,661		
Counterparty default risk	R0020	2,036		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	13,692		
Diversification	R0060	-2,657		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	15,732		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	284
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-778
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	15,238
Capital add-on already set	R0210	
Solvency capital requirement	R0220	15,238
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	12,814
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	-778
LAC DT justified by reversion of deferred tax liabilities	R0650	-778
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	-2,002

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	2,363

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	1,179	255
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150	7,313	1,896
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		3,422

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	2,363
SCR	R0310	15,238
MCR cap	R0320	6,857
MCR floor	R0330	3,810
Combined MCR	R0340	3,810
Absolute floor of the MCR	R0350	1,200
		C0070
Minimum Capital Requirement	R0400	3,810