

**FCA Capital Re Designated
Activity Company
Solvency and Financial Condition
Report 2021**

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Executive Summary

The report was reviewed and approved by the Board of Directors of FCA Capital Re DAC on 7th April 2022.

The narrative sections of D, E1, E2 and E3 of this report are subject to audit review by the Company's external auditors, PwC.

The following Quantitative Reporting Templates ("QRTs"), which are included in the Appendix, are also subject to audit by PwC.

- S.02.01.02 - Balance sheet
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.17.01.02 - Non-life Technical Provisions
- S.19.01.02 - Non-life Insurance Claims Information
- 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

The Company's reporting currency is Euro.

FCA Capital Re Designated Activity Company (the "Company") is a 100% owned subsidiary of FCA Bank S.p.A ("FCAB"), a banking group operating in the European automotive financing sector as a joint venture between FCA Italy S.p.A (a member of the Stellantis Group, an international automotive group) and CA Consumer Finance S.A (a member of the Crédit Agricole, a leading French banking group).

As a composite reinsurance undertaking, the Company is regulated by the Central Bank of Ireland ("CBI"). The strategy of the Company is to offer reinsurance cover related to the insurance benefits offered in conjunction with the financing products sold by FCAB on a pan European scale. The Company currently accepts the reinsurance risk on Credit Protection Insurance ("CPI") and Guaranteed Asset Protection ("GAP") policies distributed by companies within the FCAB group.

The CPI policies reinsured by the Company are ceded from CACI Life DAC and CACI Non Life DAC entities, both authorised and regulated in Ireland by the CBI and owned by Credit Agricole, who are joint venture partners in the ownership of FCAB. The Company has written CPI business in Italy and Germany since 1 May 2008. It has also written CPI business in Spain and France since 1 January 2009 and in Poland from 1 April 2009. The Company is accepting new CPI covers in Spain, Germany and France and is closed to new CPI covers in Italy since 1 January 2015 and Poland since 1 January 2016. The CPI policies cover Life, Health and Non-Life risks.

From 2019 onwards, the Company commenced reinsuring risks on GAP policies inception in 4 countries, namely, Germany, France, Spain and Poland. The GAP policies are underwritten by AXA

France IARD, headquartered in Paris. GAP policies cover potential shortfall experienced by the customer where a vehicle is damaged, or stolen and deemed to be a “total loss”.

The Company’s reinsurance inwards arrangements are structured as proportional quota share agreements, accepting 95% of CPI risks underwritten by CACI and 80% of GAP risks underwritten by AXA France. These arrangements are written on a funds withheld basis. The Company also has in place quota share retrocession arrangements which transfer 90% of its CPI risks ceded from CACI, on a funds withheld basis, to Hannover Re, allowing the Company to mitigate those risks. For GAP risks, the Company has negotiated with AXA France, a stop loss cover which will ensure that the insurer retains future losses in excess of 100% and up to 200% of the total premiums earned in respect of policies underwritten in the period of the reinsurance treaty.

In 2021, the Company had submitted an application to Central Bank of Ireland (“CBI”) seeking approval to reinsure for the first time GAP policies distributed in Italy. The parent has approved a €5m capital injection, which will enhance the Company’s solvency position once the new business line is approved by the CBI. This business line will be reinsured from AXA following the existing arrangement but with a higher quota share of 85%.

As in previous years, the Company has continued to manage its dormant claims reserve in accordance with the requirements of the Italian insurance regulator, Istituto per la Vigilanza sulle Assicurazioni (“IVASS”) and its Cedant, CACI. In 2021, the Company was advised of an additional list of dormant claims, relating to policies expired from 1 January 2018 onwards (“Phase II”) as well as changes that the Cedant will be making to their current claims handling process. This has resulted in a significant increase in the Company’s gross provision for liabilities.

In 2021, the Company booked a net profit before tax, based on its IFRS Financial Statements, of €1.4m, (€1.6m) in 2020. Despite, positive underwriting performance of the GAP portfolio, the overall result was lower than last year due to the above mentioned movement in dormant reserves and profit share commission foregone.

Although COVID-19 impacted overall premium levels in 2021, it did not have a significant adverse effect on the Company either in terms of reported claims or from an operational perspective with claim levels not significantly different from last year and staff and key processes fully adapting to the remote working conditions.

Given the existing quota share arrangements on the CPI business, stop loss on the GAP business, coupled with a healthy solvency coverage as at the end of 2021 (€5.95m - 226%), the Company believes it has sufficient own funds and liquidity to withstanding any future emerging experiences. This assessment is also supported by the 2021 ORSA which included three sets of base case scenarios featuring different levels of business volumes, each stressed by an increase in sales and claims volumes.

The Company has a comprehensive system of governance in place led by the Board of Directors and the Board Committees (Risk and Audit Committees). The Board and the two Board Committees meet regularly throughout the year. In addition, the Company has established the four key control functions of Risk, Actuarial, Compliance and Internal Audit, all of which operate within a clearly defined framework and report to the Committees and/or Board.

The Company's risk management framework is well defined and includes ongoing risk identification, mitigation and management activities. The Company uses the Solvency II standard formula to calculate its Solvency Capital Requirement (SCR). This formula confirms that the largest risk, from a risk quantification perspective, is the Non-life underwriting risk, primarily driven by the GAP business volumes, inception since 2019. The second largest risk is the risk of counterparty default. This arises as a result of the capital held by the Company, the level of funds withheld by the cedants, funds held in commercial banks and in a cash pooling deposit with the Irish branch of the parent company, FCAB.

Life, Health and Non-Life underwriting risks are measured against the defined stresses of the standard formula. These risks are manifested largely in claims shocks which could be caused by pandemic or natural disasters in the cases of life and health risks and could be influenced by adverse macroeconomic conditions in the case of non-life risks (loss of employment).

The Company's assets and liabilities, under Solvency II methodology, are valued at best estimate. This differs in some respects from the IFRS valuations for Financial Statements. In particular, the technical provisions for the Solvency II balance sheet represent the present value of future claim payments. A risk margin is also included in technical provisions, which represents the cost of holding the solvency capital requirement. Section D of the SFCR shows the comparison between the Solvency II balance sheet and the Financial Statements.

At the end of 2021, the Company had a surplus of assets over liabilities of €13.5m on a Solvency II valuation basis. This compares to a SCR requirement of €5.95m and indicates a solvency cover ratio of 226%. The SCR has exceeded the minimum capital requirement of €3.6m required under Solvency II, reflecting the level of new business volumes, predominantly driven by GAP.

It should be noted that on 17th December 2021, The Group announced changes in the joint venture held between Stellantis and Credit Agricole Consumer Finance. CA Consumer Finance would take over 100% of the capital of FCA Bank with the ambition of making it a Europe-wide player in car financing, leasing and mobility. The agreements relating to this transaction were signed on 1st April 2022, while their implementation is expected to be completed by the first half of 2023 once the necessary authorization has been obtained from the antitrust and market regulation authorities. Until then, there will be no significant changes to the current structure of the FCA Bank Group and its business relationship with Stellantis.

A. Business and Performance

1. Business Description

The Company is a designated activity company incorporated in Ireland and limited by shares. It is authorised by the Central Bank of Ireland to carry on the business of Reinsurance.

Its registered address, and the address from which it operates, is:

29 Fitzwilliam Place,
Dublin 2,
Ireland.

The supervisory authority responsible for financial supervision of the Company is:

Central Bank of Ireland,
PO Box 559,
New Wapping Street,
North Wall Quay,
Dublin 1,
Ireland.

The Company's external auditor is:

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

The Company is 100% owned by FCA Bank S.p.A ('FCAB'), a banking group operating in the European automotive financing sector through a joint venture between FCA Italy S.p.A (a member of the Stellantis Group, an international automotive group) and CA Consumer Finance S.A (a member of the Crédit Agricole, a leading French banking group).



The Company accepts reinsurance of Credit Payment Protection Insurance (‘CPI’) and Guaranteed Asset Protection (“GAP”) policies distributed by companies within the FCAB group. The policies reinsured by the Company during 2021 were inceptioned in 5 European countries (Italy, Germany, France, Spain, and Poland), covering Life, Non-Life and Health risks.

2. Underwriting Performance

Gross written premiums, net of cancellations and refunds, inceptioned in 2021 are in respect of CPI and GAP policies sold by FCAB group companies in Germany, France and Spain (CPI only) and in Germany, France, Spain and Poland (GAP only). These also include premium refunds related to CPI Policies distributed in Italy and Poland, prior to 2015. The individual covers within the CPI policies distributed by the FCAB group include life, health and non-life perils. GAP risks are classified as a Non-Life peril as they cover the loss or damage of vehicle. The underwriting performance of the Company for 2021 is summarised by line of business as follows:

Summary Underwriting Performance	Life €000's	2021 Health €000's	Non-Life €000's	Life €000's	2020 Health €000's	Non-Life €000's
Gross Premiums Written	3,331	536	4,234	2,184	752	2,407
Outward Reinsurance Premium	(2,998)	(483)	(27)	(1,966)	(677)	(41)
Change in provision for Unearned Premium, Gross Amount	324	769	(1,571)	608	897	(368)
Change in provision for Unearned Premium, Reinsurer's	(292)	(693)	(18)	(547)	(808)	(40)
Net Earned Premium	366	131	2,618	279	165	1,958
Reinsurance commission	800	121	7	491	167	10
Change in deferred commission income	23	172	4	137	204	10
Fronting Fees	(407)	(54)	(721)	(244)	(71)	(430)
Change in deferred commission expense	(23)	(66)	231	(88)	(79)	46
Net commission income/ (expense)	393	173	(479)	296	221	(364)
Claims Paid, Gross Amount	(2,180)	(225)	(236)	(1,466)	(297)	(120)
Claims Paid, Reinsurer's Share	1,962	203	36	1,319	267	43
Change in provision for Claims, Gross Amount	(2,500)	25	(220)	3,053	86	(94)
Change in provision for Claims, reinsurer's share	2,250	(22)	(3)	(2,748)	(77)	(68)
Claims Incurred	(468)	(20)	(424)	159	(21)	(239)
Underwriting Performance	291	283	1,715	734	365	1,354

The Company pays commissions to its cedants (CACI/AXA) based on the earning pattern of the gross premiums written by the cedants at source. The Company receives commissions for the CPI business from the retrocessionaire (Hannover Re), also based on the earning pattern of this business.

The Company's business is exclusively reinsurance of policies distributed by group companies. The majority of the policies are multi-year policies with single premium payable at inception. The Company thus earns the premium over the full term of the policies and reflects its earned commission income and commission expenses accordingly.

3. Investment Performance

The investment policy of the Company is to invest all of its surplus assets in current accounts and short term bank deposits with a maturity of three months or less as well as in deposits with the Irish Branch of its parent company.

At end 2021 and 2020, the Company had investment assets as follows:

Investment Assets	31/12/2021 €000's	31/12/2020 €000's
Current Accounts and Deposits with Credit Institutions	7,591	5,091
Current Accounts and Deposits with Group	4,789	5,813
	<u>12,379</u>	<u>10,904</u>

4. Other Income and Expenses

In the earlier years of the operation the Company earned net profit share income based on the underwriting performance of its CPI business. Since 2019, the amount was effectively nil due to the establishment of the Italian dormant claims reserve, the impact of which has resulted in

an underwriting loss for Hannover Re. As per the retrocession treaty, the Company shares in retrocessionaire's underwriting profits and does not absorb any losses at an aggregate level.

The Company paid an annual stop loss fee on the GAP business ceded by AXA France. The fee payable was based on the earned premium at risk.

The following table shows the other operating income and expenses of the Company for 2021 and 2020.

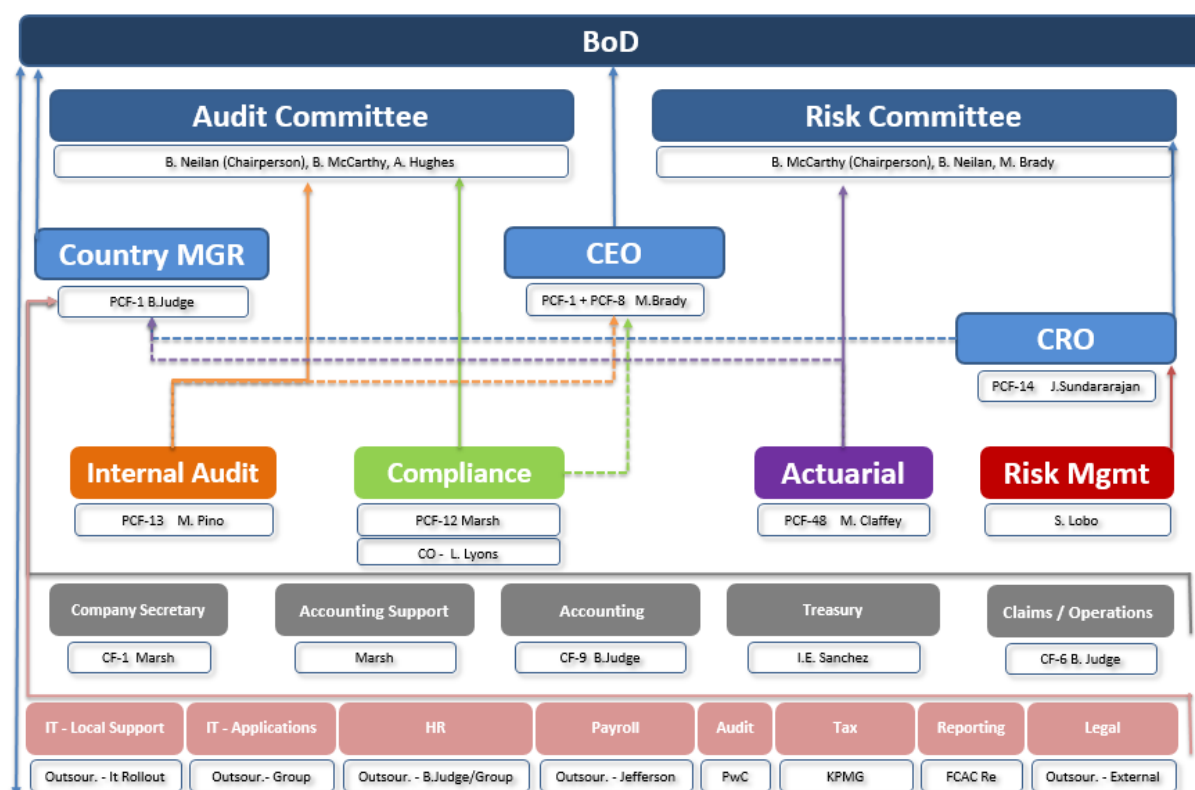
Other Operating Income / (Expenses)	2021 €000's	2020 €000's
Net Profit Share Earned	0	3
Stop Loss Fees	(13)	(10)
Net interest expense	(63)	(26)
Administrative expenses	(853)	(852)
	<u>(929)</u>	<u>(883)</u>

B. System of Governance

1. General Governance Arrangements

B.1.1 Organisation Design

The governance and organisational structure of the Company is designed as follows:



The Board of Directors, as at the end of 2021, consisted of two independent non-executive directors, two group non-executive directors and two executive directors who have taken the positions of Chief Executive Officer and Country Manager for this Company. The names, nationality and roles of the directors are set out below:

Name	Position	Nationality
Giacomo Carelli	Chairman and Group Non-Executive Director	Italian
Alexander Hughes	Group Non-Executive Director	UK
Brendan McCarthy	Independent Non-Executive Director	Irish
Brian Neilan	Independent Non-Executive Director	Irish
Michael Brady	Chief Executive Officer	Irish
Barbara Judge	Executive Director	Polish

The main responsibilities of the Board include:

- oversight of the Company, including its control and accountability systems
- input into and final approval of management's development of corporate strategy and performance objectives
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, contractual compliance, and legal compliance
- monitoring outsourced contracts performance and implementation of strategy, and ensuring contracts are appropriate
- approving and monitoring financial, regulatory and other reporting.

The Board has established two committees as follows:

1. Audit Committee	
- Responsibilities	• Consideration of the annual audit plans (internal and external) and the scope of the specific audit engagements, ensuring that co-ordination of audit effort is maximised; • Review of the findings of all audit reports and overseeing the implementation of any recommendations accepted; • Oversight of the completion of the annual statutory Financial Statements, annual regulatory returns and the audit of same; • Oversight of the completion of the annual solvency and financial condition report and the regular supervisory report. • Review and assessment of the adequacy of the Company's system of internal controls to ensure it is adequate and operating effectively;

Risk Committee	
- Responsibilities	• Advice to the Board on the appropriate risk appetite for the Company; • Advice to the Board on risk tolerances for current business and for future strategy, having regard to the Company's overall risk appetite, its current financial position, and its capacity to manage and control risks within the proposed strategy;

	• Recommendations to the Board on an appropriate and effective risk strategy, framework and resource plan to support the Company's business strategy; • Carrying out of a detailed risk review of the Company, at least twice per year, with findings reported to the Board; • Development of appropriate risk appetite metrics for each of the major risk classes and oversight of a reporting system to the Board which summarises the Company's position vis a vis the risk metrics; • Advice to the Board on the effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types, and distribution of both internal capital, and own funds, adequate to cover the Company's risks; • Advice to the Board on the annual ORSA process, proposing relevant stress scenarios to model through the Company's economic capital model, and proposing to the Board the Own Solvency Capital needs of the business; • Reviewing risk implications of proposed business developments within the reinsurance businesses. This includes in particular the consideration of new reinsurance concepts and the use of new reinsurance products and, if appropriate, to recommend them to the Board.
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Company Secretary Services are provided by Marsh Management Services (Dublin) Limited.

The four key functions required by the Solvency II regulations are resourced as follows:

- The **Compliance Function** is outsourced to Marsh Management Services (Dublin) Limited ('Marsh') with Mrs. Lenka Lyons, acting as the Head of Function. The Compliance Function has a direct reporting line to the Audit Committee of the Board and is overseen by the CEO. The responsibilities of the Compliance Function include:

- a) documentation of all relevant obligations of the Company from legislation, regulatory codes and guidelines, and internal policies and its assessment of the Company's performance in this regard;
 - b) reporting to the Board to provide assurance regarding the compliance of the Company; and
 - c) provision of compliance support to the business, including advice on requirements and relevant training to the Board and employees of the Company.
- The **Internal Audit Function** is outsourced to the FCAB Group Internal Audit Function. The Head of Function, Mr. Michelangelo Pino, reports directly to the Audit Committee regarding audit planning and findings for the Company and is overseen by the CEO. The responsibilities of the Internal Audit Function are:
 - a) verifying that the internal control system provides reasonable assurance about the reliability of financial and operational information, the effectiveness of operations and the effective safeguard of the Company's assets;
 - b) verifying that the internal control system provides reasonable assurance that possible errors and deviations from internal Company procedures can be detected during the normal course of activities; and
 - c) helping the organization to set up adequate corrective actions in case of deficiencies by issuing recommendations and following-up on their implementation.
- The **Actuarial Function** is outsourced to Milliman, a firm of independent consulting actuaries in Dublin. Mr. Mike Claffey, Principal in Milliman, is the Head of Actuarial Function and reports directly to the Risk Committee, the outsourcing arrangement is overseen by the Country Manager in her PCF-1 capacity. The responsibilities of the Actuarial Function are:
 - a) coordinating the calculation of technical provisions;
 - b) ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
 - c) assessing the sufficiency and quality of the data used in the calculation of technical provisions;
 - d) comparing best estimates against experience;
 - e) informing the Board of the reliability and adequacy of the calculation of technical provisions;
 - f) overseeing the calculation of technical provisions where approximations have been used due to insufficient data of appropriate quality;
 - g) expressing an opinion on the overall underwriting policy;
 - h) expressing an opinion on the adequacy of reinsurance arrangements; and
 - i) contributing to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the Solvency

Capital Requirement (“**SCR**”) and the Minimum Capital Requirement (“**MCR**”), and to the Own Risk and Solvency Assessment (“**ORSA**”).

- The **Risk Management Function** is retained in-house and is headed up by Mr. John Sundararajan, CRO, whose role is outsourced from Group. Mr Sundararajan, who is also compliance officer for FCA Automotive Services Limited, a Group Company, reports directly to the Risk Committee and is overseen by the Country Manager. The responsibilities of the Risk Management Function are:
 - a) ensuring that the Company has effective processes in place to identify and manage all of the key risks of the business;
 - b) monitoring the performance of the risk management framework and preparing regular reports to the Risk Committee including risk reports, annual SFCR and RSR/RSR Summary and bi-annual Recovery and Resolution Plan;
 - c) facilitating the development by the Risk Committee and the Board of the Risk Appetite of the Company and assist in monitoring actual risk levels against the risk appetite set.

In addition to these four functions, the Company also has a part-time Chief Executive Officer, Mr. Michael Brady, who in conjunction with the Country Manager has executive responsibility for the Company’s operations, compliance and performance, and reports directly to the Board.

The Company is proposing changes to its outsourced service providers, awarding the full range of services currently performed by Marsh and Milliman to Allied Risk Management, starting with the actuarial support from Q1 2022 and accounting, compliance and company secretarial services from 1st July 2022. Aaron Kenny will also take over from Mike Claffey as HOAF for deliverables in respect of the 2022 financial year.

B.1.2 Remuneration policy and practices

The Company’s approach to remuneration is based on and fully aligned to, the Group's remuneration approach, which is based on the following principles:

- a) Integrity and ethical behaviour;
- b) Clear governance;
- c) Full compliance with regulatory requirements and with the Code of Conduct that FCA Bank has adopted;
- d) Remuneration programs that address the expected leadership standards and business results;
- e) Compensation structure that does not provide incentives to encourage employees to take risks that are not in line with the Company's risk profile;
- f) Sustainability of remuneration and alignment with corporate results and individual performance;
- g) Internal remuneration equity and competitiveness towards the external market; and

- h) Retention and motivation of the most strategic talents, at all levels of the organization.

The Company approach is based on a balanced package of fixed and variable elements, acting on the motivation and retention of employees and guaranteeing fairness and the consistency of the remuneration systems:

- Fixed remuneration is the most relevant component; it remunerates the role and responsibilities covered, reflecting the experience and skills of each human resource.
- Variable remuneration is related to achieved results, linking the remuneration with the short and long term performance of the Company and the Group, in order to strengthen the alignment between the shareholders and management/employees' interests.

B.1.3 Material transactions with related parties

During the year the Company reinsured premium of €3.3m and €0.6m from CACI Life DAC and CACI Non-Life DAC respectively. CACI Life DAC and CACI Non-Life DAC are both operations within the Crédit Agricole Group which owns 50% of FCAB, the parent of the Company.

As at the year-end there is a balance of €2.9m recoverable from CACI Life DAC and a balance of €3.0m recoverable from CACI Non-Life DAC.

At 31 December 2021, the Company had invested €4.8m in a group cash pooling account with the Irish Branch of FCAB.

2. Fit and Proper Requirements

The Company has a Fitness & Probity policy which clearly sets out the Company's procedures for assessing competence and capabilities necessary for all key functions in the organisation. Key functions are those defined as 'Controlled Functions' (CF's) and 'Pre-Approval Controlled Functions' (PCF's) in S.I. No. 615 of 2011, or as amended in subsequent legislation.

An individual is required to have the competence necessary to perform the CF or PCF for which he or she is proposed. The Board tests this with regard to the qualifications and experience of the individuals, their knowledge of the business of the regulated financial service provider as a whole and the specific responsibilities and requirements of the proposed role, which are documented in the fitness & probity checklist completed as part of the due diligence process.

In particular the Board considers:

- whether the person has shown the capacity previously to undertake similar responsibilities of the position;
- the existing responsibilities of the individual including but not limited to the number of existing directorships held by the individual;
- the degree of competence and proficiency to undertake a relevant function that the person has demonstrated in a previous or current role.

The Board also consider the person's character and reputation and their financial soundness before confirming them in a CF or PCF role. This process includes a self-assessment attestation by the individual which is aligned to sections 4.1 and 5.2 of the Standards of Fitness and Probity issued by the CBI pursuant to section 50 of the Central Bank Reform Act 2010.

The initial as well as an ongoing due diligence carried out by the Company includes regulatory checks for any sanctions published, director restrictions or disqualifications, checks against bankruptcy and criminal judgement databases as well as professional qualifications (if applicable) and the evidence of current subscriptions.

3. Risk Management System (including Own Risk and Solvency Assessment)

The Board and Senior management recognise the importance of:

- implementing an appropriate risk management system;
- promoting an effective risk management culture within the organisation and ensuring financial stability through the mitigation of the main risks;
- reviewing and renewing the risk management framework on a regular basis.

The primary goal of the Risk Management system is to provide guiding principles to protect the interests of policyholders, stakeholders, shareholders and employees. Its failure can lead to acceptance of risks in a form or quantity that may:

- result in an unsupported financial loss;
- lead to negative reputation damage to the organisation as well as to its parent company and other related affiliates;
- lead to the loss of the key personnel within the organisational team that is required to run a successful operation; and,
- ultimately may lead to non-adherence to the regulations.

The risk management framework is a compilation of processes, procedures, actions, and communications designed to ensure all relevant risks have been identified, assessed, addressed, and monitored on an annual basis through the correlation of the following components:

- Risk Management Policy;
- Risk Appetite Statement (“RAS”);
- Risk Register; and
- The Own Risk and Solvency Assessment (ORSA);
- The pre-emptive Recovery Plan.

The Risk Management policy and RAS are approved by the Board of Directors and outline guidelines and core expectations for how management of risks will be undertaken within the organisation.

In particular, the Risk Appetite Statement defines the level of risk that the Company is willing to tolerate and, accordingly, its risk profile.

The Company has a Chief Risk Officer in place who reports to the Risk Committee and is responsible for implementing the risk management framework.

The Risk Register is the main tool currently used by the company to identify and assess risks in accordance with the steps set out in the Risk Management Policy which are identified as: risk identification, risk assessment, risk control & monitoring and risk mitigation. Those risks are assessed on a regular basis and actions are addressed where controls are not effective.

The latest formal review and approval of the Risk Register by the Risk Committee of the Board took place in July 2021 and will continue to be reviewed at least annually in the future.

The Risk Management framework is currently considered appropriate and proportionate to the Company based on:

- the size of the business operations;
- the main business activities relate to the reinsurance of underwriting risks in a niche market place predominantly associated with consumer finance products in the auto financing industry.

The nature of the Company's business activities is to accept the risks, on a quota share reinsurance basis, included within the terms of the original policies, and therefore the risk strategy includes acknowledgement of insurance risk and the ability to mitigate and control the risks inherent in the activities of an insurer.

The ORSA process enhances this risk management framework and facilitates consideration by the Board of the capital requirements of the business having regard to the nature of business written and the manner in which it manages risks on an ongoing basis.

The ORSA process is carried out at least once per year, with a plan to update it during the interim period where the Company's strategy, or the business environment, changes in any material way. The Board thus review the ORSA output and determine the Company's overall solvency needs on an annual basis.

In preparation for the ORSA, the Company prepares a five year business plan, aligned to the Company strategy agreed by the Board. The Risk Committee of the Board considers the key risks facing the Company which could impact the achievement of its objectives and/or the level of capital required as the strategy and business plan unfolds. In doing so, the Risk Committee develops a number of possible scenarios which could have a material impact on the Company's business plan, both positive and negative, and consequently on the Company's capital position. In 2021, the Company also modelled the potential consequence of Covid-19 in the ORSA, by assuming no new business volumes and an increase in claims. While these stresses had an adverse effect on the profitability, the Company had sufficient own funds to absorb these scenarios. When assessing the actual results for the year, although COVID-19 impacted the forecasted premium levels in 2021, it did not have a significant adverse effect on the Company either in terms of reported claims or from an operational perspective.

Based on the above, the Company, using the Solvency II standard model functionality, (i) assesses the Solvency Capital Requirement (SCR) for the Company for each of the periods of the plan, and (ii) examines the potential impact on the SCR of the various risk scenarios deemed relevant. The impact on the SCR is considered, in quantitative terms by building models to stress the five year business plan or alternatively, through a narrative approach which seeks to understand the implications, in relative terms, of a realisation of any of the risk scenarios, including the impact on capital requirements.

Having completed the process above based on the Solvency II Standard Model, the Board must consider if the model is suitable in all respects to determine the overall solvency needs of the Company, both for the short term and the medium term.

Applying the Solvency II Standard Model to the Company, it can be seen that the key elements of the capital requirement are (i) Counterparty Default Risk, (ii) Insurance Risk (Life, Health and Non-Life), and (iii) Operational Risk.

The Board consider the calculated SCR, based on the application of the standard model, to be appropriate for the short term capital needs of the business.

The medium / longer term assessment of overall solvency needs is correlated with the projected business plan, the stress scenarios applied to the business plan, and the general consideration of potential risk impacts.

The Board consider it prudent to set a medium term solvency target buffer which is monitored in addition to the SCR balance. The Company has determined that it is appropriate, in the medium term, to set its overall solvency needs at 120% of its SCR. The 120% is in line with Company's approach in estimating future losses in its Solvency II technical provision models which allows for economic cycles and unforeseen events as well as the mitigating impact of quota share reinsurance and stop loss protection on the company's SCR balance.

4. Internal Control System

The Company has established an Internal Control Policy which clearly sets out the nature of the internal control system for the business.

The internal control system comprises

- a) Board level controls;
- b) operational controls; and
- c) the independent control functions, including the Compliance Function.

Board level controls include the development of, and dissemination by, the Board of company policies. These policies are documented for significant areas of control and clearly set out the Company's objectives, the responsibilities of the various stakeholders, and the level and frequency of reporting activities to the Board.

Board level controls also include the set of activities reserved by the Board (and listed in the Board charter) for their pre-approval, and the development and implementation of a delegated authorities schedule which clearly sets out those activities which are delegated to the various levels of management in the business.

The Company also adopts a three lines of defence risk management framework:

In the first line of defence operational controls are determined through the documentation of internal and outsourced processes with key control points listed and monitored. Both manual and automated controls are defined and each is assigned a business owner and a frequency. The business owner is responsible for this risk. Monthly validation reports are prepared and reviewed internally.

The second line of defence includes the Compliance and Risk Management Functions. The Risk Management Function is currently insourced with the Head of Function role provided by John Sundararajan, employed by Group Company.. The Compliance Function is currently outsourced to Marsh with Ms. Lenka Lyons acting as Head of Compliance. Between compliance and risk functions, this represents the second line of defence.

The third line of defence is internal audit and this is accrued out by Mr. Pino, a group employee. He prepares a 3 year rolling internal audit plan for the Audit Committee's consideration annually and also provides a copy of his report for consideration by Management and the Audit Committee annually before the report is finalised. His findings and recommendations are noted in his report and are followed up by Management and confirmed by Mr. Pino on and agreed timeline basis.

As stated above, the Compliance Function is responsible for:

- documentation of all relevant obligations of the Company from legislation, regulatory codes and guidelines, and internal policies and its assessment of the Company's performance in this regard;
- reporting to the Board to provide assurance regarding the compliance of the Company; and
- provision of compliance support to the business, including advice on requirements and relevant training to the Board and employees of the Company.

5. Internal Audit Function

As stated above, the Internal Audit Function is resourced from the Group Internal Audit function of FCA Bank S.p.A. with the Head of Function role carried out by a senior member of the Group Internal Audit Function. The Head of the Internal Audit Function reports to the Audit Committee.

Risk Mapping systematically identifies and evaluates company risks and controls in place to mitigate them, with a view to providing the basis for the multi-year audit programme and the yearly audit plan, and establishing the priorities for the audit missions based on a "risk level" of the activity/process to be audited and the level of reliability of the Internal Control System of the Company.

The multi-year audit programme is derived directly from the auditable risk mapping. The multi-year programme is updated each year, when drawing up the yearly audit plan.

It is important that the Internal Audit Function maintains its independence and objectivity from the activities it reviews. It is a requirement of the internal audit policy established by the

Company that those employees working within the Internal Audit Function do not carry out any roles / activities within the organisation which would be outside of the sphere of Internal Audit activities.

6. Actuarial Function

The Company has outsourced the provision of actuarial services, and the Head of Actuarial Function to Milliman, a firm of actuarial consultants in Dublin. This will change to Allied Risk Management from Q1, 2022.

The Head of Actuarial Function attends the Board and Board Committee meetings of the Company. A Letter of Engagement, and accompanying Statement of Work, is agreed by the Company at the beginning of each year covering at least the following activities to be implemented by the Actuarial Function:

- co-ordination of the calculation of the technical provisions (best estimate liability and risk margin);
- assessing the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of data used in the calculation of technical provisions and providing recommendations, where appropriate on measures to improve data quality (annually);
- comparing best estimates against experience;
- informing the Board of the reliability and adequacy of the calculation of technical provisions;
- preparing and presenting an annual Actuarial Function Report to the Board, including the expression of an opinion on the overall underwriting policy, and on the adequacy of reinsurance arrangements;
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the MCR, SCR and the ORSA process;
- providing an actuarial opinion to the Board in respect of the ORSA process of the Company;
- provision of an Actuarial Opinion on Technical Provisions ('AOTP') to the CBI (based on the figures submitted in the annual QRTs);

- provision of an Actuarial Report on Technical Provisions ('ARTP') to the Board, which supports the AOTP;
- Providing exclusively some of the quarterly and annual QRTS, supporting Management in the preparation of other quarterly and annual QRTs as well as providing the quarterly SCR and inputs into the SFCR and RSR/Summary RSR reports.

7. Outsourcing

The Board has established an outsourcing policy which requires, at least, the following checks to be carried out when selecting an outsourced service provider:

- the ability and capacity of the provider to deliver the required activities satisfactorily, in both normal and stressed circumstances;
- assessment of the financial strength of the service provider;
- assessment of the economic and reputational status of the service provider;
- verification of the absence of any explicit or potential conflict of interest arising on appointment of the service provider;
- consideration of the independence of the provider, where such is required;
- the level of dependence on the service provider and the company's risk appetite in this regard; and
- the location and sub-outsourcing arising from the appointment of the service provider and the risks associated with same.

The Company's outsourcing policy also requires a written agreement to be drawn up between the outsource service provider and the Company with specific consideration of the procedures set out in the Fitness and Probity Policy for individuals carrying out controlled activities.

The agreement complies with relevant laws and regulations and contains, through specific clauses and annexes, at least the following:

- service description, contract duration and the related fees;
- the level of quality expected of the service provider, by defining SLA – Service Level Agreement and/or KPI – Key Performance Indicators;

- details about the regular reporting on the service provider's activity to be submitted by the Outsourcer, if applicable;
- the right for the Company to perform controls (directly or through its Parent Company or agents) on all services provided under the agreement;
- the provision of emergency mechanisms, to be tested at least once a year, to ensure the continuity of the business provided under the agreement;
- the agreement to contain details of exit clauses with time frame for transfer of service defined;
- the confidentiality, data protection, data security and information security provisions;
- the IT Cyber Security compliance with the relevant guidelines.

The Company will review the most recent guidance provided by the CBI on outsourced and will report back to the Board later this year on the Board's compliance with the key recommendations on outsourcing from the CBI.

All outsourcing contracts and specific general terms and conditions are approved by the Board of Directors and the agreement is signed by an authorised signatory.

The Company has an outsourced service supervision model in place which requires:

- the management to perform a regular monitoring of each key SLA in place;
- the Board to be regularly informed about the status of outsourcing contracts, the results of SLA monitoring and corrective measures put in place with the service provider;
- the identification and valuation of major risks associated with outsourcing, which is included in the operational risk mapping activity, and
- the reporting to the Board of any major incidents and potential losses greater than €20k associated with outsourced activities.
- a confirmation of the service providers' business continuity plan and testing;
- the risks associated with outsourcing to be included in the Company's Risk Register and the associated risk mitigation plans to be reviewed on an annual basis, taking into account new emerging risks;

- the Company to maintain a register and a detailed outsourcing dossier for all outsourced service providers and review their performance and their importance to the Company on an annual basis.
- the Company to carry out a periodic tender process of the outsourced key functions (at least every 5 years). However the Board can decide to extend this period if the timing of the tender coincides with critical changes or endeavours of the Company and conducting the tender would present a risk of destabilising Company's operations.

The following is a register of outsourced providers for both essential and standard operational functions.

Critical Services											
Company	Function	PCF / CF	Overseeing PCF at FCA	SLA's in place?	SLA's in line with CBI?	Last Contract Renewal Date	Contract in line with Outsourcing Policy?	Exit Strategy?	Reporting Frequency to Board	Internal Audit & Reporting	Group/ Third Party
Milliman	HoAF	PCF-48	Country MGR	Yes	Yes	Jan'20 (1mth notice)	Yes	Yes	Annual	Yes	Third party
Milliman	Actuarial Support		Country MGR	Yes	Yes	Jan'20 (1mth notice)	Yes	Yes	Annual	Yes	Third party
Marsh	Compliance	PCF-12	CEO	Yes	Yes	Apr'20 (3mth notice)	Yes	Yes	Annual	Yes	Third party
Marsh	Company Secretary	CF-1	Country MGR	Yes	Yes	Apr'20 (3mth notice)	Yes	Yes	Annual	Yes	Third party
Marsh	Accounting Support		Country MGR	Yes	Yes	Apr'20 (3mth notice)	Yes	Yes	Annual	Yes	Third party
FCA Bank	Internal Audit	PCF-13	CEO	Yes	Yes	Jan'19 (3mth notice)	Yes	Yes	Annual	NA	Group
FCAAS	CRO	PCF-14	Country MGR	In Progress	In Progress	Dec'21	In Progress	In Progress	Annual	NA	Group
Standard Services											
Company	Function		Overseeing PCF at FCA	SLA's in place?	SLA's in line with CBI?	Last Contract Renewal Date	Contract in line with Outsourcing Policy?	ExitStrateg	Reporting Frequency to Board	Internal Audit & Reporting	Group/ Third Party
IT Rollout	IT - Local Support		Country MGR	Yes	Yes	30-Nov-19	Yes	Yes	NA	NA	Third party
Jefferson	Payroll		Country MGR	Yes	Yes	NA (3mth notice)	Yes	Yes	NA	Yes	Third party
FCA Bank	IT - Applications		Country MGR	NA	NA	NA	NA	NA	NA	NA	Group

8. Assessment of Governance

The Company only writes business which has been accepted by group companies. The Company has diversified its risk exposures by writing its reinsurance business across two business lines and across five countries in Europe. The Company is well capitalised and has a low risk appetite for market or liquidity risk.

The Board considers the system of governance as outlined above to be appropriate for the nature, scale, and complexity of the business and its inherent risks

C. Risk Profile

1. Underwriting Risk

C.1.1 Risk Exposure

The Company accepts, on a quota share reinsurance basis, CPI risks (Life, Accident & Sickness, Unemployment, and Disability) and GAP risks related to the consumer finance customers of FCAB in Germany, France, Spain and Poland. The Company has a portfolio of CPI risks from Italy and Poland, also related to the consumer finance customers of FCAB, which are in run-off.

The main insurance risks are related to claims experience being higher than the assumptions in the pricing of the products. This could arise as a result of economic evolution in the markets in which the risks are covered or as a result of claims shocks due to concentration exposure, pandemic, change in insurance regulations in individual countries etc.

C.1.2 Risk Concentration

The Company seeks to reduce concentration of risks by accepting reinsurance of risks which are sourced across two business lines with different risk structures and across several countries in Europe. Within each country, the Company has set per customer and per country limits to be applied by the cedants within the books of business ceded to the Company.

C.1.3 Risk Mitigation

The Company has retroceded 90% of all CPI risks to Hannover Re. While this retrocession policy does provide mitigation of insurance risks, the profit share arrangements between the Company and Hannover Re provides indirect exposure to claims on the retroceded business. This indirect exposure is capped at the level of the risk premium in that any underwriting losses on the book outside this range cannot be passed back by Hannover Re to the Company but can and are carried forward to future years.

In relation to GAP business line, the Company has also negotiated with AXA France, a stop loss cover which will see the insurer retaining future losses in excess of 100% and up to 200% of the total premiums earned in respect of policies underwritten in the period of the reinsurance treaty. This policy is in place for risks underwritten in 2021 and future years.

The Company analyses and reviews actual claims experience on an ongoing basis, receiving policy level data on claims from the cedants monthly. On a quarterly basis, claims experience reports are brought to the Board for consideration and reviewed against the loss ratio tolerances in the Risk Appetite Statement.

Any significant spikes in claims experience are discussed with the cedants, who also oversee claims experience on a continuous basis and may propose price increases on specific product/s should that become necessary.

The Board's risk appetite for underwriting risks is set out by country in the Risk Appetite Statement which is reviewed annually by the Board. As stated above, specific limits are set for customer exposures (encapsulated in the reinsurance contracts) and for the expected loss ratios. Actual loss ratios are monitored on an on-going basis and the Board reviews the claims performance by class of business and by country at each of the board meetings.

C.1.4 Risk Sensitivity

It is expected that the unemployment risk element of the loss ratios will be impacted by the economic cycles in the countries in which the Company writes business. As such, this element of the anticipated loss ratios will differ from one period to the next. The pricing of the products anticipates this changing loss ratio expectation and the risk tolerances have been set to also allow for movements in the expected results over the different timeframes. The other material underwriting risks of FCAC RE are not deemed to differ significantly over short, medium and long term time horizon.

Please refer to section D2 for results of technical provision sensitivities.

2. Market Risk

C.2.1 Exposure

The Company invests surplus assets in (i) fixed rate bank deposits, (ii) interest bearing bank current accounts, and (iii) deposits or cash pooling accounts with its parent company which is a bank licensed in Italy or its Irish Branch. The interest bearing assets are all variable rate products thus there is no explicit market risk exposure.

C.2.2 Concentration

The Company is not subject to any material market risk (outside the assets held as described above) and thus no concentration of market risk exists.

C.2.3 Mitigation

The Company is not subject to any material market risk and thus does not believe mitigations are necessary for this type of risk.

C.2.4 Risk Sensitivity

The Company is not subject to any material market risk and thus has no material risk sensitivity in this area.

3. Credit Risk

C.3.1 Exposure

The Company is exposed to counterparty default risk with respect to its investments in current accounts and deposits with banks, including deposits with the Irish branch of the parent company FCAB.

The Company writes all of its underwriting business through funds withheld, quota share reinsurance treaties, resulting in a significant level of unearned premiums, net of unearned commissions, withheld by the cedants. This creates a further credit risk exposure.

C.3.2 Concentration

The credit risk exposure of the Company is quite concentrated and at the end of 2021 was as follows:

	31/12/2021	
	€000's	
Current Accounts and Deposits		
- FCA Bank S.p.A - Irish Branch	4,789	19.6%
- Citibank & other call deposits	7,591	31.1%
Due from Cedants		
- CACI Life Dac	3,566	14.6%
- CACI Non Life Dac	3,602	14.8%
- AXA France IARD	4,864	19.9%
Total	24,411	

C.3.3 Mitigation

The Company has an investment policy approved by the Board which requires available resources to be invested at any time with at least two counterparties to mitigate the concentration risk and each counterparty (excluding FCA Bank S.p.A or its Irish branch) must not hold more than 50% of the total available resources.

The reinsurance treaties with cedants are written to terminate in the instance of an insolvency event within the cedant thus relieving the Company of any reinsurance liabilities with respect to those premiums which have been unearned and are withheld by the cedants.

Notwithstanding the insolvency clause, a default by the cedants would have an impact on the solvency coverage of the Company in that its assets would be reduced by the value of future margins to emerge from those risks which have not yet been earned. Under Solvency II methodology this value is encapsulated in the technical provisions.

C.3.4 Risk Sensitivity

The Company, at the end of December 2021, held €7.6m with banks situated in Ireland (three banks) and €4.8m deposited in the group cash pooling account managed by the Irish Branch of the Parent company.

A default by any of these counterparties would have a consequent impact on the Company's own funds. The reinsurance and the retrocession treaties are drafted such that both terminate future business in the instance of an insolvency, and consequent default, of either party.

4. Liquidity Risk

C.4.1 Exposure

Liquidity risk is the risk that a company does not have sufficient financial resources to enable it to meet its obligations as they fall due, even where the company is solvent. The type of business written by the Company, which does not involve significant costs of acquisition, is such as to ensure very little exposure by the Company to liquidity risk. The Company's exposure is also limited through its investment policy, which is to invest surplus assets in immediately accessible bank current or call deposit accounts.

The Company's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities.

C.4.2 Concentration

With no material liquidity risk exposure, the Company does not suffer from any concentration of liquidity risk.

C.4.3 Mitigation

As mentioned above, the Company's exposure to liquidity risk is mitigated to a very high degree through the investment policy applied to the business and inherently through the nature of the insurance risks accepted and their contracted cashflows since the Company's business is predominantly single premium.

C.4.4 Risk Sensitivity

With no material liquidity risk exposure, the Company does not have any liquidity risk sensitivities.

5. Operational Risk

C.5.1 Exposure

The operational risks mainly relate to the ongoing administration of the reinsurance treaties. In the main, operational risk primarily comes from the risk of cyber-attack, IT systems failure, lack of correct data provided by its cedants, the risks of a failure in service from outsourcers and from the reliance on key resources as well as significant staff and key outsourced service provider's departures within 2021 and 2022

Operational risk relating to the IT systems gave rise to processing of premium errors and related costs in 2018. The Company has taken steps to minimise such errors in the future and is currently implementing a new IT system with additional functionalities and enhanced reporting capabilities. This new IT system should be operational for the 2022 year-end financial statements and regulatory deliverables.

At the beginning of 2022, the Company was subject to a ransomware cyber-attack, which resulted in the server being shut down and the restoration of the backed up data. Effectively, the Company had only lost one day of work, however, in order to mitigate such incidents in the future, the Company deployed a new state of the art server solution with up-to-date security and maintenance. Going forward this new server will be maintained by Group and will be upgraded regularly by Group's IT Department.

The Company operates a largely outsourced operational model. It is thus exposed to the failure by one of these outsource providers to supply the service as contracted.

In 2021 and 2022 there was significant staff turnover. Management have replaced many of these staff and are currently recruiting for additional staff. In addition the Company's two key outsourced service providers have recently been replaced. With these extensive changes there is heightened operational risk until these changes are bedded down and staff are appropriately briefed on the operations of the Company.

C.5.2 Concentration

The size of the Company, its staff turnover and its reliance on third party service providers creates certain concentrations of operational risk. This is particularly apparent in the risk to the Company of the loss of key employees and resources.

C.5.3 Mitigation

The Company maintains an ongoing review of the operational risks and has mitigating features as follows:

- data is sourced from the FCAB market participants, independently from the cedants on a monthly basis, at policy level, and is reconciled with any differences followed up in the same month;
- premiums are cross checked with the Group's Central Insurance Team to ensure completeness of flows;
- data backup procedures are in place;
- a new state of the art server solution with an up-to-date security and maintenance has been deployed;

- the Company has a robust business continuity plan which is tested annually;
- the essential outsourced service providers have detailed SLA's in place which are reviewed annually;
- detailed end to end procedures are in place encompassing all operational processes.

The Company's size does not facilitate 100% coverage of key staff at all times in terms of succession. The Company therefore accepts that certain staff risks could arise during the period between the loss of staff and their effective replacement and training in the operations of the company. However, when this happens, it is monitored closely by Management.

C.5.4 Risk Sensitivity

Operational risk makes up 5% of the total SCR of the Company. It is a factor based module in the standard formula.

D. Valuation for Solvency Purposes

1. Assets

The Company's assets, at fair value, are as set out in the following table:

Assets for Solvency Purposes	31/12/2021 Solvency II €000's	31/12/2021 Financial Statement €000's
Insurance and Intermediaries Receivables	2,692	2,692
Deposits to Cedants	9,340	9,340
Profit Share Receivable	0	0
Cash and Cash Equivalents	12,379	12,379
Reinsurance Asset	8,763	11,953
Deferred Acquisition Costs	0	1,066
Tangible Assets	6	6
Intangible Assets	0	156
Tax Prepayments & Other Receivables	37	37
	<u>33,218</u>	<u>37,629</u>

The Company is party to reinsurance treaties with CACI and AXA. Both treaties are written on a quota share basis with cash flows from the cedants to the Company following the earning pattern of the ceded business.

Insurance and Intermediaries Receivable represent the amounts earned but not yet paid by the Cedant to the Company. They are thus in nature short term debtors and have a fair value which

is the same as book value. Likewise, the value for Solvency II purposes is the same as that for the Company's Financial Statements.

Deposits to cedants represent the unearned element of the policies underlying the reinsurance treaties. It will thus be a combination of unearned premiums, less unearned claims, and unearned commission amounts. For Solvency II purposes, these assets have been valued at their book value similar to the accounting treatment as per the Financial Statements with the impact of discounting reflected in the Reinsurance Asset.

The Company reinsures 90% of its CPI business to Hannover Re, on a quota share and funds withheld basis, similar to the reinsurance inwards treaties.

Cash and cash equivalents are balances held on current accounts with credit institutions. For both Solvency II and Financial Statements carrying value of these assets approximates their fair value.

The Solvency II reinsurance asset represents the present value of claim recoveries and profit share payments due to the Company from the reinsurer, Hannover Re. In the Financial Statements, the reinsurance assets represent the retrocessionaire's share of the UPR, IBNR, and OSLR.

2. Technical Provisions

The technical provisions as at 31 December 2021 are summarised as follows:

Technical Provisions	31/12/2021 Solvency II €000's	31/12/2021 Financial Statements €000's
Life	8,261	10,055
Health	1,814	3,108
Non-Life	2,797	4,020
	<u>12,872</u>	<u>17,183</u>
Risk Margin	742	0
Total Technical Provisions	<u>13,614</u>	<u>17,183</u>
Reinsurance Recoverables	8,763	11,953

The Company is a reinsurance undertaking authorised to carry on life and non-life assurance business. The Company reinsures, on a quota share basis, the life, accident and sickness, and loss of employment covers of CPI policies. The Company also reinsures GAP policies which cover the potential shortfall experienced by the customer where a vehicle is damaged, or stolen and deemed to be a total loss. These covers are classified as:

- “Life - Other life insurance on accepted reinsurance” Line of Business under Solvency II;
- “Life - Health reinsurance” business under Solvency II; and
- “Non-Life – Miscellaneous Financial Loss”. (Includes Loss of employment and GAP covers)

The value of technical provisions equals the sum of the Best Estimate Liability (“BEL”) and the Risk Margin (“RM”).

Technical provisions are calculated gross of amounts recoverable from reinsurance contracts.

As stated above, under Solvency II, the technical provisions represent the present value of future claims, expenses, and profit share outgo on a best estimate basis using the relevant risk-free interest rate term structure. For the Financial Statements, the technical provisions consist of the unearned reinsurance premiums plus the claims reserves (IBNR, OSLR and Dormant Claims). The calculation methodology applied, and the individual elements included in, the technical provisions under Solvency II and Financial Statements are thus quite different.

The technical provisions are calculated based on the discounted value of the expected future cashflows for the inforce business.

The projected future cashflows that are modelled include:

- any future regular premium receipts
- claims payments to the cedant
- expenses
- commissions to the cedant
- profit share payments¹
- retrocession premium payments
- retrocession commission
- retrocession claims recoveries

These results are then scaled up to reflect the actual size of the liabilities at the reporting date. The reinsurance recoveries are calculated using the same methodology.

The risk margin is calculated using the cost of capital approach set out in the Directive:

¹ Note that profit share payments are based on technical results which include reserve movements based on IFRS principles rather than Solvency II principles. Therefore, we also model earned premium and earned commission although these are not Solvency II concepts.

- first, the Solvency II capital requirement (“SCR”) representing non-hedgeable risks is projected for each future year (until the expiry of all contracts); Individual sub-risks are approximated to calculate the future SCRs (known as method 2);
- the SCR in each future year is then multiplied by the prescribed cost of capital rate (6% p.a.)² to get the cost of holding the Solvency II capital requirement in each future year;
- these cost-of-capital figures are then discounted to a single present value using the risk-free yield curve specified by EIOPA to determine the overall risk margin.

The key assumptions in the technical provision calculation are the loss ratios, per policy expense assumptions, and lapse/cancellation rates.

The key sources of uncertainty associated with the value of technical provisions relate to potential changes in claim frequencies, claim recovery rates, expenses, and cancellation/lapse rates.

Neither the matching adjustment, volatility adjustment, nor transitional measures apply to the Company.

The overall technical provision at the end of 2021 has increased by €3.2m. The increase is predominantly driven by the significant increase in the Italian Dormant Claims reserve which grew from €4.1m as at the end of 2020 to €6.7m as at the end of 2021. This increase was as a result of a revised claims handling process introduced by the cedant. The Non-Life technical provision also increased by around €1.2m, reflecting the increase in GAP inforce book during the year. Movements in technical provision were also impacted by revised loss ratio assumptions used in calculating the future claims as well as the provision for future expenses updated in accordance with the Company’s budget assumptions.

3. Other Liabilities

The Company’s other liabilities, at fair value, are set out in the following table:

² As specified in article 39 of the Delegated Acts

	31/12/2021 Solvency II €000's	31/12/2021 Financial Statement €000's
Other Liabilities		
Insurance and Intermediaries Payables	1,091	1,091
Deposits from Reinsurers	4,659	4,659
Payables (trade, not reinsurance)	351	351
Deferred Tax Liability	44	0
Deferred Acquisition Costs, reinsurer's share	0	1,194
Any other liabilities	6	6
	<u>6,150</u>	<u>7,300</u>

Insurance and Intermediaries Payables represent the amounts recognised but not yet paid by the Company. They are thus in the nature of short term creditors and have a fair value which is the same as the book value. Likewise, the value for Solvency II purposes is the same as that for the Company's Financial Statements.

Deposits from Reinsurer represent the unearned element of the policies underlying the retrocession treaties. It will thus be a combination of unearned premiums, less unearned claims, and unearned commission amounts. For Solvency II purposes, these liabilities have been valued at their book value in the accounting records of the Company with the impact of discounting reflected in the Reinsurance Asset. The Solvency II valuation above is thus the same as the Financial Statements valuation for the Company.

For Solvency II valuations, future profit margins on the business already written are recognised on a best estimate basis. This results in the value of Own Funds being greater under the Solvency II basis than for the Financial Statements basis. For this reason, a deferred tax liability is recognised which is not included in the Financial Statements balance sheet.

4. Alternative Methods for Valuation

The Company does not use any alternative methods for valuation.

E. Capital Management

1. Own Funds

E.1.1 Objectives, policies and processes for managing Own Funds

The Board of Directors have set an objective to have sufficient Own Funds at all times to cover the Company's SCR and MCR requirements plus a buffer. At each board meeting, the latest available analysis of SCR, MCR and Own Funds is presented in the quarterly risk report, reviewed by the Risk Committee of the Board.

On an annual basis, the Board oversees the preparation of a one year budget and a five year strategic business plan projection. The results of these forward plans are considered for planning capital needs for the future.

E.1.2 Structure, amount and quality of Own Funds

The Company's Own Funds consists of paid in ordinary share capital, retained profits, and a reconciliation reserve.

Own Funds at the beginning and the end of 2021 are as follows:

Own Funds	2021 €000's	2020 €000's
Paid in Share Capital	1,000	1,000
Retained Profits	12,146	10,956
Reconciliation Reserve	308	1,613
	<u>13,454</u>	<u>13,569</u>

All Own Funds are Tier 1. There is no use of Ancillary Own Funds. The Own Funds items are not dated and therefore are longer in duration than the Company's liabilities.

No new ordinary share capital was issued during the year. There have been no other material movements in assets or liabilities other than those projected as the book of business continues to increase in size. In 2022, the Company is expecting to receive €5m capital injection from the Parent, most likely in the form of issued share capital. This is to support the Company's further business expansion and allow it to reinsure large Italian GAP volumes.

E.1.3 Eligible Own Funds to cover Solvency Capital Requirement

The Company's Own Funds are all tier 1 unrestricted and available to cover the SCR.

E.1.4 Eligible Own Funds to cover Minimum Capital Requirement

The Company's Own Funds are all tier 1 unrestricted and available to cover the MCR.

E.1.5 Difference between equity in the Financial Statements and Own Funds

The following table reconciles the equity shown in the Financial Statements of the Company at end 2021 to the Solvency II Own Funds at that date:

	31/12/2021
	€000's
Equity per Financial Statements	
- Ordinary share capital	1,000
- Retained profits	12,146
Adjustments for Solvency II	
- Difference in the value of Reinsurance Asset	(3,189)
- Difference in Technical Provisions	3,570
- Exclusion of Deferred Acquisition Cost Asset	128
- Inclusion of Deferred Tax Liability	(44)
- Exclusion of Intangible Asset	(156)
Own Funds based on Solvency II	<u>13,454</u>

2. Solvency Capital Requirement / Minimum Capital Requirement

E.2.1 Amount of SCR and MCR

At end 2021, the SCR and MCR for the Company were as follows:

	31/12/2021	31/12/2020
	€000's	€000's
Solvency Capital Requirement	5,951	5,872
Minimum Capital Requirement	3,600	3,600

E.2.2 SCR split by Risk Modules

The Company's SCR split by risk modules at end 2021 and end 2020 is as follows:

	31/12/2021	31/12/2020
Standard Formula Risk Modules	€000's	€000's
Market Risk	240	96
Counterparty Default Risk	1,559	1,425
Life Underwriting Risk	1,452	1,187
Health Underwriting Risk	466	586
Non-Life Underwriting Risk	4,322	4,648
Undiversified BSCR	8,038	7,942
Diversification Benefit	(2,294)	(2,111)
Basic SCR	5,744	5,831
Loss-absorbing Capacity Adjustment	(44)	(229)
Intangible Asset	0	0
Operational Risk	252	270
Solvency Capital Requirement	5,951	5,872
Minimum Capital Requirement	3,600	3,600

The increase in Market risk is reflective of the foreign currency risk driven by the increase in Polish GAP business. The movements in Counterparty default risk component of the SCR is attributable to the movements in cash and cash equivalents, the credit rating of the counterparties and the solvency coverage of the cedant, (when credit rating is not available). Increase in Life underwriting risk modules is mainly attributable to the backdated 2019 and 2020 French CPI premiums, which were ceded in 2021. Whereas the decrease in health risk represents the decrease in CPI portfolio. The SCR shocks to the technical provision are somewhat offset by the reinsurance asset, however, the lack of expected profit share payments causes a lower increase in the reinsurance asset, and therefore has the effect of increasing the overall capital requirements for Life and Health risk components of the SCR.

Regular premium business associated with GAP products is one of the main components of the Non-Life underwriting risk module. While the increase in GAP business generally results in an increase in capital requirements, which is mainly due to the fact that, unlike CPI, GAP business is not retroceded on proportional quota share basis, the decrease observed between 2020 and 2021 is driven by the higher business plan projections used in the 2020 calculation, which have been reduced in 2021. The Company expects a further growth of this line of business due to the planned introduction of the Italian market into its reinsurance portfolio. The Company is currently waiting for the approval from the Central Bank of Ireland and for the capital injection from its Parent before commencing writing this business retrospectively from January 2021.

The loss absorbing capacity of deferred tax ("LACDT") within the SCR is generally calculated as 12.5% of the gross SCR i.e. the Basic SCR plus the operational risk. However, it is required

to test the established LACDT for recovery from future profits. For prudence, the LACDT has been capped to the deferred tax liability amount of €44K as at the end of 2021

E.2.3 Use of Simplified Calculations

The Company does not use any of the simplifications as defined under Solvency II as part of its SCR calculations.

E.2.4 Use of undertaking specific parameters

Undertaking specific parameters are not used in the calculation of SCR.

E.2.5 Inputs used to calculate the MCR

The table below summarises the inputs used by the Company to calculate the MCR at 31st December 2021. The MCR is calculated based on factors applied to sums assured, premiums, and technical provisions.

	MCR Input €000's	Linear MCR Result €000's
Miscellaneous Financial Loss		
- Net written premiums	4,207	513
- Net best estimate	2,681	499
Life/Health		
- Capital at Risk	1,343,476	940
- Net best estimate	1,461	31

It is then subject to an upper (45%) and lower (25%) band based on the SCR, with an absolute minimum floor of €3.6m.

	€000's
Linear MCR	1,982
SCR	5,951
MCR cap (45% of SCR)	2,678
MCR floor (25% of SCR)	1,488
Combined MCR	1,982
Absolute floor on the MCR	3,600
Minimum Capital Requirement	3,600

3. Use of Derivative-Based Equity Sub-Module

The Company does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

4. Differences between the Standard Formula and Internal Model Used

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.

5. Non-Compliance with the MCR and SCR

The Company has been continuously compliant with both the MCR and the SCR throughout the reporting period.

F. Appendix – Public QRTs

Annex I**S.02.01.02****Balance sheet**

	Solvency II value
	C0010
Assets	R0030
Intangible assets	R0040
Deferred tax assets	R0050
Pension benefit surplus	R0060
Property, plant & equipment held for own use	15,560
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
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
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	8,763,269
Non-life excluding health	R0280
Health similar to non-life	116,550
Life and health similar to life, excluding health and index-linked and unit-linked	R0290
Health similar to life	116,550
Life excluding health and index-linked and unit-linked	R0300
Life index-linked and unit-linked	R0310
Deposits to cedants	8,646,719
Insurance and intermediaries receivables	R0320
Reinsurance receivables	1,908,813
Receivables (trade, not insurance)	R0330
Own shares (held directly)	6,737,906
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0340
Cash and cash equivalents	R0350
Any other assets, not elsewhere shown	9,339,870
Total assets	R0360
	2,691,947
	R0370
	0
	R0380
	5,800
	R0390
	R0400
	R0410
	12,379,288
	R0420
	21,829
	R0500
	33,217,564

Annex I**S.02.01.02****Balance sheet****Liabilities**

Technical provisions – non-life

Technical provisions – non-life (excluding health)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

Technical provisions - health (similar to life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – life (excluding health and index-linked and unit-linked)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

TP calculated as a whole

Best Estimate

Risk margin

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in BOF

Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

Total liabilities**Excess of assets over liabilities**

	Solvency II value
	C0010
R0510	3,310,580
R0520	3,310,580
R0530	
R0540	2,797,288
R0550	513,293
R0560	
R0570	
R0580	
R0590	
R0600	10,302,617
R0610	1,869,417
R0620	
R0630	1,814,019
R0640	55,398
R0650	8,433,200
R0660	
R0670	8,260,741
R0680	172,458
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	4,658,938
R0780	44,047
R0790	
R0800	
R0810	
R0820	1,090,506
R0830	
R0840	350,578
R0850	
R0860	
R0870	
R0880	6,242
R0900	19,763,508
R1000	13,454,057

S.05.01.02

Premiums, claims and expenses by line of business

[illegible]

S.05.01.02

Premiums, claims and expenses by line of business

[illegible]

S.05.01.02

Premiums, claims and expenses by line of business

[illegible]

Annex I

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	3,867,133						3,867,133
Reinsurers' share	R1420	3,480,419						3,480,419
Net	R1500	386,713						386,713
Premiums earned								
Gross	R1510	4,960,978						4,960,978
Reinsurers' share	R1520	4,464,880						4,464,880
Net	R1600	496,098						496,098
Claims incurred								
Gross	R1610	4,881,096						4,881,096
Reinsurers' share	R1620	4,392,986						4,392,986
Net	R1700	488,110						488,110
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900	30,194						30,194
Other expenses	R2500							
Total expenses	R2600							30,194

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
R0010										
R0020										
R0030									8,260,741	8,260,741
R0080									6,737,906	6,737,906
R0090									1,522,835	1,522,835
R0100									172,458	172,458
R0110										
R0120										
R0130										
R0200									8,433,200	8,433,200

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	Contracts without options and guarantees	Contracts with options or guarantees			
	C0160	C0170	C0180	C0190	C0200
	C0210				
R0210					
R0220					
R0030				1,814,019	1,814,019
R0080				1,908,813	1,908,813
R0090				(94,794)	(94,794)
R0100				55,398	55,398
R0110					
R0120					
R0130					
R0200				1,869,417	1,869,417

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted 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
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0010								
R0050								
R0060								
R0140								
R0150								
R0160								
R0240								
R0250								
R0260								
R0270								
R0280								
R0290								
R0300								
R0310								

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions - total
Technical provisions - total
Recoverable from reinsurance contract/SPV and Finite Re after
the adjustment for expected losses due to counterparty default -
total
Technical provisions minus recoverables from
reinsurance/SPV and Finite Re - total

R0320
R0330
R0340

Direct business and accepted 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
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
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	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010							
R0050							
R0060		2,305,469					2,305,469
R0140		93,036					93,036
R0150		2,212,433					2,212,433
R0160		491,819					491,819
R0240		23,514					23,514
R0250		468,305					468,305
R0260		2,797,288					2,797,288
R0270		2,680,738					2,680,738
R0280		513,293					513,293
R0290							
R0300							
R0310							

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after
the adjustment for expected losses due to counterparty default -
total

Technical provisions minus recoverables from
reinsurance/SPV and Finite Re - total

R0320

R0330

R0340

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
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	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
		3,310,580					3,310,580
		116,550					116,550
		3,194,030					3,194,030

Total Non-Life Business

Z0010	Underwriting year
--------------	----------------------

Development year

		In Current year	Sum of years (cumulative)
& + 10	R0100	C0170	C0180
	R0160	0	6,781,300.94
	R0170	4,583	1,214,322
	R0180	1,996	940,264
	R0190	0	670,142
	R0200	441	25,303
	R0210	1,602	12,472
	R0220	780	6,494
	R0230	68,427	12,168
	R0240	73,317	122,696
	R0250	26,961	22,526
	R0260	178,108	126,961
Total			9,934,648

Development year

		Year end (discounted data)
600 2	R0100	C0360
	R0160	0
	R0170	3
	R0180	14
	R0190	85
	R0200	497
	R0210	15,182
	R0220	47,967
	R0230	91,453
	R0240	149,376
Total	R0250	187,241
	R0260	491,819

Annex I
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 (EU) 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	1,000,000	1,000,000			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	12,454,057	12,454,057			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	13,454,057	13,454,057			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	13,454,057	13,454,057			
R0510	13,454,057	13,454,057			
R0540	13,454,057	13,454,057			
R0550	13,454,057	13,454,057			
R0580	5,951,413				
R0600	3,600,000				
R0620	226%				
R0640	374%				

Annex I
S.23.01.01
Own funds

Reconciliation reserve
Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits
Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0060				
R0700	13,454,057				
R0710					
R0720					
R0730	1,000,000				
R0740					
R0760	12,454,057				
R0770	901,558				
R0780	358,587				
R0790	1,260,144				

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

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement**Calculation of Solvency Capital Requirement**

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement**Other information on SCR**

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	239,649		
R0020	1,558,670		
R0030	1,451,986		
R0040	466,414		
R0050	4,321,587		
R0060	(2,294,362)		
R0070	0		
R0100	5,743,943		

	C0100
R0130	251,516
R0140	
R0150	(44,047)
R0160	
R0200	5,951,413
R0210	
R0220	5,951,413
R0400	
R0410	
R0420	
R0430	
R0440	

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**

MCR _{NL} Result		C0010		
	R0010	1,011,869		
			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			
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	2,680,738	4,206,979	
Non-proportional health reinsurance	R0140			
Non-proportional casualty reinsurance	R0150			
Non-proportional marine, aviation and transport reinsurance	R0160			
Non-proportional property reinsurance	R0170			

Linear formula component for life insurance and reinsurance obligations

MCR _L Result		C0040		
	R0200	970,422		
			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	1,428,042		
Total capital at risk for all life (re)insurance obligations	R0250			1,343,475,546

Overall MCR calculation

	C0070
Linear MCR	R0300 1,982,290
SCR	R0310 5,951,413
MCR cap	R0320 2,678,136
MCR floor	R0330 1,487,853
Combined MCR	R0340 1,982,290
Absolute floor of the MCR	R0350 3,600,000
	C0070
Minimum Capital Requirement	R0400 3,600,000