somewhat different

Hannover Re (Ireland) Designated Activity Company

2022

# Solvency and Financial Condition Report

hannover re®

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# Executive Summary

## Key figures

| in USD 000's | 2022 | 2021 |
|---|---|---|
| **Solvency II Balance Sheet** | | |
| Assets | 9,846,594 | 7,561,394 |
| Technical Provisions | 7,267,889 | 6,161,890 |
| Other Liabilities | 1,706,656 | 705,057 |
| Excess of Assets over Liabilities | 872,049 | 694,445 |
| **Eligible Own Funds to meet the Solvency Capital Requirement (SCR)** | | |
| Tier 1 Basic Own Funds | 862,390 | 692,956 |
| Tier 2 Basic Own Funds | 190,783 | 107,457 |
| Tier 3 Ancillary Own Funds | 115,191 | 95,951 |
| Total Eligible Own Funds (SCR) | 1,168,363 | 896,364 |
| **Eligible Own Funds to meet the Minimum Capital Requirement (MCR)** | | |
| Tier 1 Basic Own Funds | 862,390 | 692,956 |
| Tier 2 Basic Own Funds | 69,114 | 57,570 |
| Total Eligible Own Funds (MCR) | 931,504 | 750,526 |
| **Capital Requirements** | | |
| Solvency Capital Requirement | 767,938 | 639,671 |
| Minimum Capital Requirement | 345,572 | 287,852 |
| **Coverage Ratio** | | |
| Ratio of Eligible Own Funds to SCR | 152% | 140% |
| Ratio of Eligible Own Funds to MCR | 270% | 261% |

## A. Business and Performance

Hannover Re (Ireland) Designated Activity Company (hereinafter referred to as "HRI" or "the Company") is an Irish regulated entity authorised by the Central Bank of Ireland to carry on both Life and Health (L&H) and Property and Casualty (P&C) reinsurance business. HRI is part of the Hannover Re Group. Hannover Re, with gross premium of more than EUR 33 billion, is the third-largest reinsurer in the world. The Hannover Re Group today has a network of more than 170 subsidiaries, affiliates, branches and representative offices worldwide.

HRI plays a pivotal role within this network and is one of the core risk carriers for Hannover Re. We offer reinsurance solutions to leverage our significant capital base for the benefit of clients worldwide as well as other Hannover Re Group entities.

The result for the year as set in Section A Business and Performance have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The HRI profit before tax for the financial year 2022 was USD 96.7m (2021 USD 26.8m). The P&C business segment was the key profit driver during 2022. The L&H business segment was again impacted by COVID 19 losses over the course of the year.

The investment environment, which has always been challenging in the past years, was again very volatile in the reporting period. In particular, the war in Ukraine and the effects of the COVID 19 pandemic, which continued during the course of the year, as well as the strong rise in inflation, posed and continue to pose special challenges to the global economy. Nevertheless, the investment result for the year was USD 17.5m (2021 USD 21.3m) and contributed to an overall profit before tax. The result was more than satisfactory given the challenging market conditions.

HRI recorded an underwriting profit of USD 83.2m (2021 USD 6.2 m), an investment result of USD 17.5m (2021: USD 21.3m) and other income and expenses not related to the underwriting or investment result in a net expense of USD 4.0m (2021: USD 0.8m).

Details on the Business and Performance can be found in Section A.

## B. System of Governance

The Company recognises the importance of a strong System of Governance. In our governance system the central functions are closely interlinked with one another and the roles, tasks and reporting lines are both clearly defined and documented in the context of the so-called "three lines model".

The first line of defence consists of operational management of the risks and controls on a day-to-day basis. The risk management function ensures the second line of defence - risk monitoring. It also receives support from the actuarial function and the compliance function. The third line of defence consists of process-independent monitoring executed by the internal audit function.

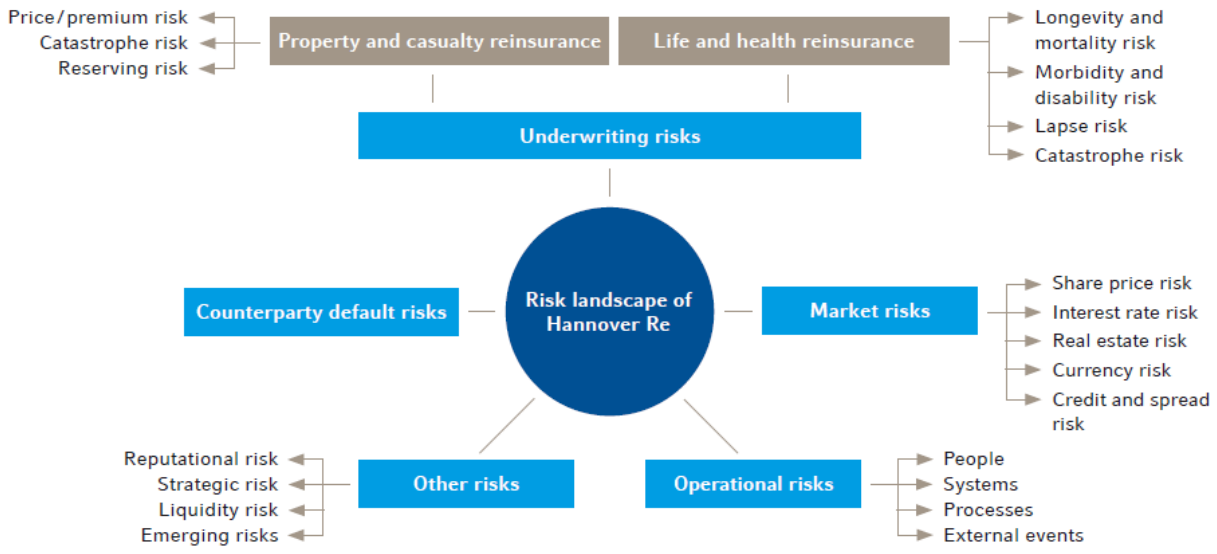
All key functions are equipped with appropriate resources and skills. The reporting lines to one another and to the Board Member responsible have been clearly defined.

The individual elements of the System of Governance of the Company are explained in Section B.

## C. Risk Profile

In the context of its business operations HRI enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored. They specifically concern underwriting risks pertaining to Property & Casualty, Life & Health, as well as capital market risks, liquidity risks and counterparty

default risks. Operational, strategic and reputational risks also arise in the course of business operations. Further details on the Company Risk Profile are included in Section C.




HRI quantifies risks using the internal capital model. For the purposes of calculating the Solvency Capital Requirement, HRI has approval to use a full internal model. The Solvency Capital Requirement as of December 31, 2022 is presented in the following table.

| In USD 000's | 2022 | 2021 |
|---|---|---|
| Underwriting risk - Property & Casualty | 728,045 | 650,906 |
| Underwriting risk - Life & Health | 267,556 | 241,748 |
| Market risk | 143,246 | 139,519 |
| Counterparty default risk | 33,845 | 28,446 |
| Operational risk | 91,516 | 98,451 |
| Diversification | -404,803 | -429,509 |
| **Total risk (pre-tax)** | **859,406** | **729,651** |
| Deferred tax | -91,468 | -89,980 |
| **Total risk (post-tax)** | **767,938** | **639,671** |

## D. Valuation for Solvency Purposes

For the purposes of calculating the eligible own funds, HRI values the assets and liabilities pursuant to the provisions of S.I. No. 485/2015 European Union (Insurance and Reinsurance) Regulations 2015.

The valuation for Solvency II purposes is set in principle at the fair value (market value). Insofar as IFRS values appropriately reflect the fair value, these values are applied to Solvency II. HRI has been granted approval by the Central Bank of Ireland (CBI) to use volatility adjustments to value the Best Estimate Liability ("BEL") beginning with 31 December 2018.

The calculation of technical provisions can differ significantly under Solvency II and IFRS. The IFRS technical provisions are grounded in US GAAP and use locked in assumptions for long duration contracts. The Solvency II technical provisions consist of best estimate liability which is based on probabilistic best estimate cashflows with a risk margin derived from our internal capital model.

An analysis of the valuation of the assets and liabilities per the Solvency II balance sheet can be found in Section D.

## E. Capital Management

The Ratio of Eligible Own Funds to SCR at 31 December 2022 was 152% (2021: 140%). The reduction in ratio is primarily due to growth of P&C business over the year. Own funds in the Solvency II balance sheet consist of basic own funds, which comprise the excess of assets over liabilities (Tier 1 capital) and subordinated loans (Tier 2 capital). To support the growth of the business, additional Tier 1 capital of USD 250m was received during 2022 with a further USD 100m provided through additional Tier 2 subordinated loans. Within the Tier 3 own funds is included an AOF item approved by the Central Bank of Ireland. Further details on capital management are included in Chapter E.

# A. Business and Performance

## A.1 Business

### A.1.1 Business Model

The principal activity of the Company is the transaction of international life & health reassurance and property & casualty reinsurance business.

#### Life & Health

As one of the largest, internationally operating and established life and health reinsurers, Hannover Re Group offers clients worldwide reinsurance protection in all lines of life and health insurance. With 25 Life & Health offices on all continents, Hannover Re Group has an outstanding international network at its disposal.

We seek to use our global mandate to offer reinsurance solutions to leverage our significant capital base for the benefit of life and health clients worldwide. Our focus is to combine our in-house skills with the considerable resources of the network to develop solutions which can be written, either as retrocession for our sister companies or directly with life insurance companies.

The Company has significant experience in developing structured Financial Solutions for clients which provide financing, capital support or a combination of both. Our in-house expertise in this area means that we have the tools to implement effective solutions in a short space of time. A strong and liquid capital base allows us to provide both cash and non-cash financing solutions to service our clients' needs.

The Risk Solutions business is focused on reinsurance of mortality and morbidity business but does include other exposures such as lapse and longevity.

The Company also operates a Life branch in Canada which offers all lines of life and health reinsurance – risk solutions, longevity reinsurance and financial solutions.

**Property & Casualty**

Hannover Re is also one of the largest international P&C reinsurers. Through its network of 19 locations, Hannover Re writes business in most P&C lines of business.

Within this network the Company plays an important role as one of the major risk carriers. The Company uses both its significant capital base and in-house expertise to provide solutions to other Hannover Re Group entities worldwide as well as reinsurance solutions to insurance companies mainly in North America and the United Kingdom. The Company has increased its focus on the provision of solutions to other Hannover Re Group entities in recent years while continuing to manage its existing book of business and existing client relationships.

The Company writes reinsurance transactions where structured elements may be incorporated to enable the coverage to be tailored to the individual needs of our clients. The appropriate pricing for the actual risks transferred is a crucial element of the considerations. Our risk management and aggregation control tools are consistent with those applied within the P&C reinsurance business group of Hannover Re.

Our major lines of business include general and automobile liability, professional indemnity, workers' compensation, credit and property. With respect to the latter we endeavour to avoid excessive aggregate exposures from major natural catastrophe perils.

Structured features remain a cornerstone of our product offerings, thereby reducing the volatility of our transactions and hence the capital requirements for our overall book of business.

Our transactions generally cover all or most lines of business written by our clients. The form of these covers will depend on the requirements of our clients as we seek to provide solutions which are tailored to these particular requirements. The majority of our business is written in the form of quota share or aggregate excess of loss reinsurance.

With our considerable experience in assessing risks and our expertise in structuring transactions, combined with the financial strength of the Company and the extensive Hannover Re Group network we are very well positioned and look forward to further successful and profitable years ahead of us.

### A.1.2 Results of Operations

The Profit after tax for 2022 was USD 84.6m (2021: USD 23.3m).

Net premium written increased by 12.9% to USD 5,812.9m (2021: USD 5,146.9m). Net premium earned increased by 10.8% to USD 5,657.4m (2021: USD 5,104.6m).

The underwriting result for the year was a profit of USD 83.2m (2021 USD 6.2m) of which the P&C underwriting profit for the year was USD 85.4m (2021: USD 76.7m) and the L&H underwriting loss for the year was USD (2.2m) (2021: loss of USD 70.5m).

The investment result for the year was USD 17.5m (2021: USD 21.3m). A decrease in realised gains and an increase in realised losses for 2022 were the key drivers in the movement in the investment result.

The Other Activities loss for the year was USD (4.0m) (2021: USD (0.8m)). The increased loss since 2021 predominantly relates to an unrealised loss on FX forwards of USD 3.0m (2021: USD 2.0m) and an increase in other expenses for the year USD 2.2m (2021: USD 1.5m).

### A.1.3 Headquarters, supervisors and auditors

HRI is an Irish Designated Activity Company.

**Registered office of HRI**

3 Dublin Landings
North Wall Quay
Dublin 1
Republic of Ireland

The Company's ultimate parent undertaking is HDI Haftpflichtverband der Deutschen Industrie V.a.G., a company incorporated and operating in Germany. The Company's immediate parent company is Hannover Rück Beteiligung Verwaltungs-GmbH. The largest group in which the results of the Company are consolidated is that headed by HDI Haftpflichtverband der Deutschen Industrie V.a.G.

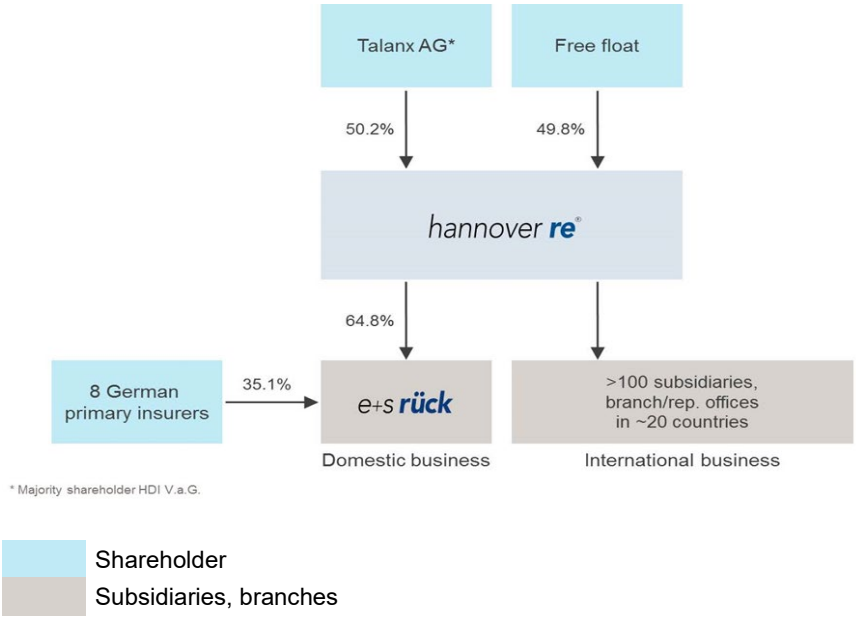
The smallest group in which the results of the Company are consolidated is that headed by Hannover Rück SE. Hannover Rück SE is a European stock corporation, Societas Europaea (SE) has been entered in the Commercial Register of the District Court of Hannover under the number HR Hannover B 6778.

**Headquarters address**

Karl-Wiechert-Allee 50
30625 Hannover
Germany

A rounded 50.2% of Hannover Rück SE shares are held by Talanx AG. HDI Haftpflichtverband der Deutschen Industrie V.a.G. ("HDI") in turn holds a stake of 79% in Talanx AG.

**Hannover Re as a sub-group of the Talanx Group**




HRI is subject to supervision by the Central Bank of Ireland ("CBI").

Hannover Rück SE as well as Talanx and HDI are subject to supervision by the Federal Financial Supervisory Authority ("BaFin").

| Name of the supervisory authority | Contact details |
|---|---|
| Central Bank of Ireland ("CBI") | Insurance Supervision Division<br>Central Bank of Ireland<br>New Wapping Street<br>North Wall Quay<br>Dublin 1<br>D01 F7X3 |
| Federal Financial Supervisory Authority ("BaFin") | Graurheindorfer Straße 108<br>53117 Bonn<br>Germany<br>Postbox 1253<br>53002 Bonn<br>Germany |

The auditor appointed for HRI and the Group auditor are as follows:

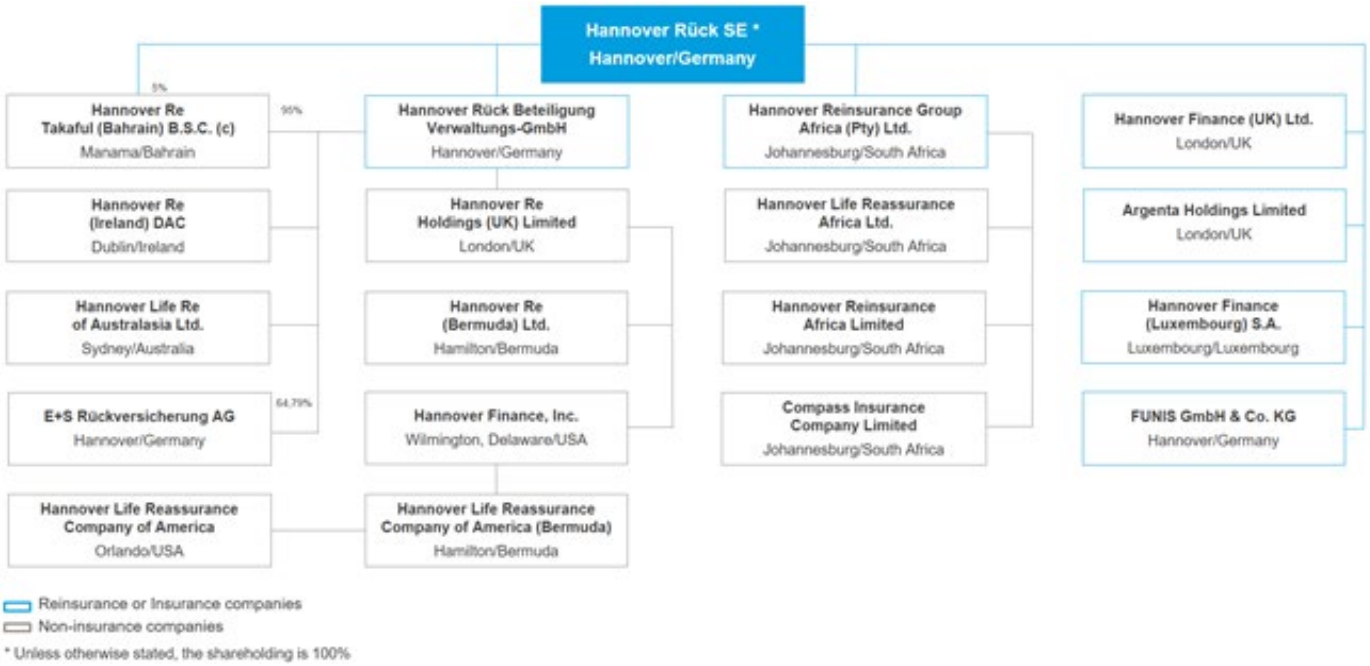
| Auditors for HRI and Group | Contact details |
|---|---|
| HRI | PriceWaterhouseCoopers<br>Spencer Dock<br>North Wall Quay<br>North Wall<br>Dublin 1 |
| Hannover Re Group | PricewaterhouseCoopers GmbH<br>Wirtschaftsprüfungsgesellschaft<br>Fuhrberger Straße 5<br>30625 Hannover |

## A.1.4 Group structure

Hannover Rück SE and its subsidiaries (collectively referred to as the “Hannover Re Group” or “Hannover Re”) transact all lines of P&C and L&H reinsurance. The Group is present on all continents.

The Group consists of more than 170 subsidiaries, affiliates, branches and representative offices worldwide with a total workforce of 3,519.

**Subsidiaries of Hannover Rück SE at 31 December 2022**




## A.1.5 Significant events

There were no significant events noted during 2022.

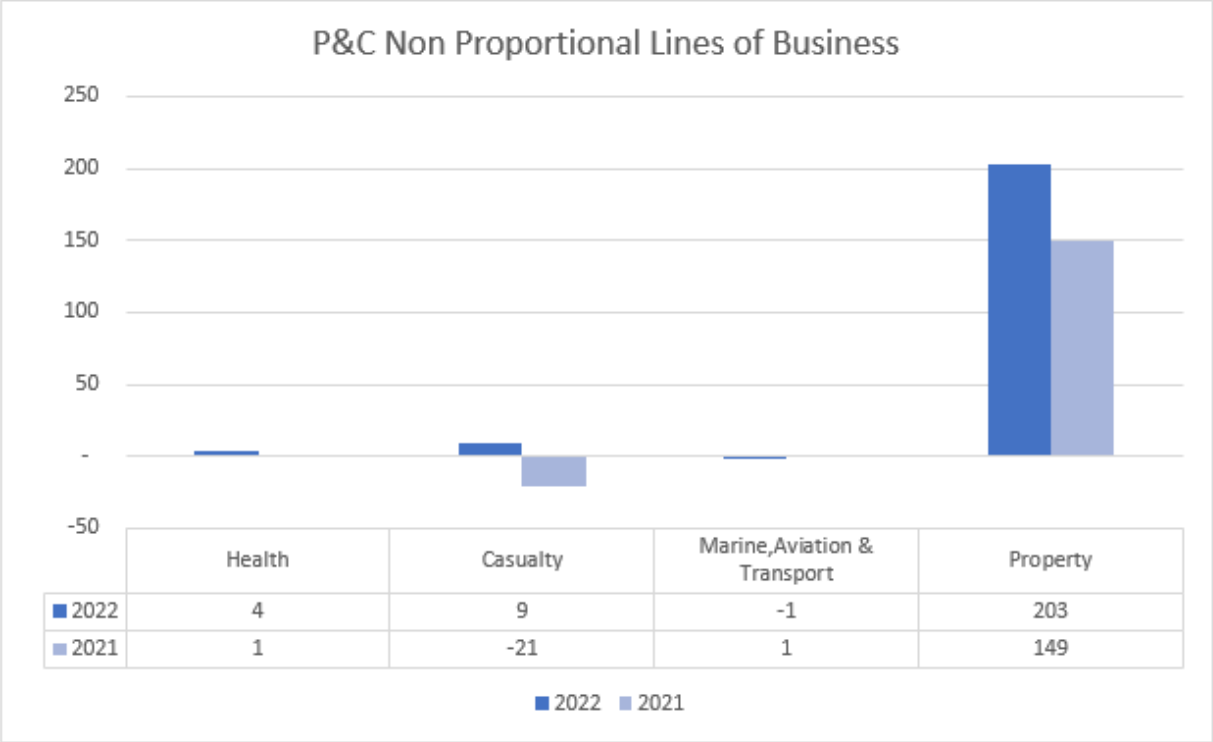
## A.2 Underwriting Performance

HRI made an underwriting profit of USD 83.2m during the financial year 2022 (2021: USD 6.2m), with net earned premiums in the amount of USD 5,657.3m (2021: USD 5,104.6m), net claims incurred in the amount of USD 3,790.4m (2021: USD 3,594.9m) as well as other income and expenses attributable to the underwriting performance in the amount of USD 1,783.7m (2021: USD 1,503.4m).

### Property & Casualty – Line of business

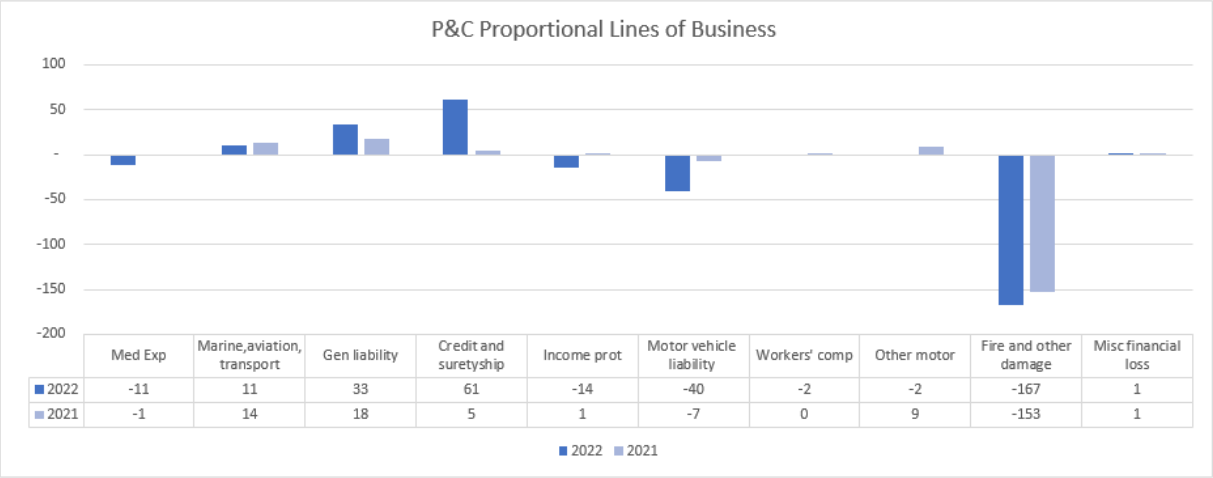
HRI made an underwriting profit of USD 85.4m for the P&C lines of business (2021: USD 76.7m).

The underwriting result analysed by Solvency II for the P&C non-proportional lines of business is as follows (in USD m):




| | Health | Casualty | Marine,Aviation & Transport | Property |
|---|---|---|---|---|
| 2022 | 4 | 9 | -1 | 203 |
| 2021 | 1 | -21 | 1 | 149 |

HRI writes a number of treaties that are multi-line business. Volatility in the underwriting result on the lines of business within these treaties is expected between periods, with offsetting movements across the individual lines of business. The underwriting result analysed by Solvency II for the P&C proportional lines of business is as follows (in USD m):




| | Med Exp | Marine,aviation, transport | Gen liability | Credit and suretyship | Income prot | Motor vehicle liability | Workers' comp | Other motor | Fire and other damage | Misc financial loss |
|---|---|---|---|---|---|---|---|---|---|---|
| 2022 | -11 | 11 | 33 | 61 | -14 | -40 | -2 | -2 | -167 | 1 |
| 2021 | -1 | 14 | 18 | 5 | 1 | -7 | 0 | 9 | -153 | 1 |

The significant drivers of the underwriting result in the financial year 2022 were profit on Non-Proportional Property USD 202.9m, loss on Proportional Fire and other damage (USD 167.2m), and profit on Proportional Credit and Suretyship USD 61.2m lines of business.

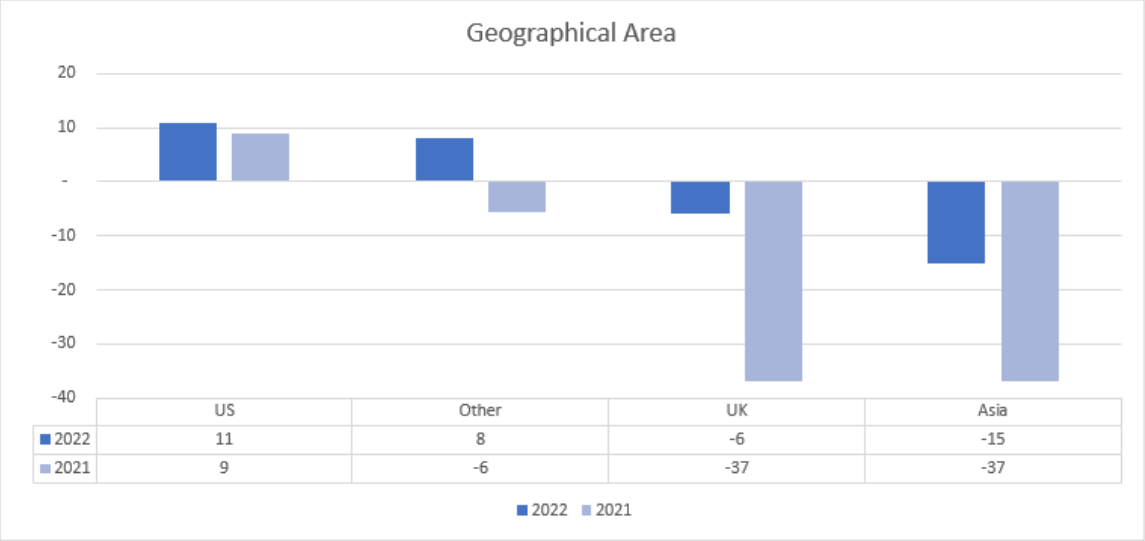
These lines of business, together with a loss on Proportional Motor Vehicle Liability (USD 40.1m) and a profit on Proportional General Liability USD 33.1m account for 105% of the overall P&C underwriting result.

### Life & Health – Line of business

HRI made an underwriting loss of USD 2.2m for the L&H lines of business (2021: USD 70.4m). The 2022 underwriting result was primarily attributable to the Asian and UK business, offset by the remaining North American business.

### Geographical area

The underwriting result analysed by geographical area is as follows (in USD m):




| | US | Other | UK | Asia |
|---|---|---|---|---|
| 2022 | 11 | 8 | -6 | -15 |
| 2021 | 9 | -6 | -37 | -37 |

Asia and the UK are the most material geographical areas where the Company carries out business. In 2022, the Asian and UK geographical areas accounted for 79% of total net earned premium (2021: 86%).

## A.3 Investment Performance

The Company recorded an investment result of USD 17.5m in 2022 (2021: USD 21.3m). The investment income and expenses are analysed by Solvency II asset classes in the overview.

**Investment income**

| in USD 000's | 2022 | | 2021 | |
|---|---|---|---|---|
| | Ordinary income | Realised gains | Ordinary income | Realised gains |
| Government Bonds | 23,439 | 4,905 | 19,408 | 8,858 |
| Corporate Bonds | 21,374 | 164 | 23,684 | 2,851 |
| Collateralised securities | 4,988 | - | 3,184 | - |
| Collective Investment Undertakings | 2,412 | 142 | 2,151 | 199 |
| Derivatives | - | 4,392 | - | 1,382 |
| Deposits other than cash equivalents | 131 | - | 30 | - |
| Other investments | 583 | 142 | 1,352 | 1,109 |
| Cash and cash equivalents | 129 | - | - | 10 |
| **Investment income attributable to underwriting result :** | | | | |
| Net funds transferred interest | -9,498 | -4,330 | -14,849 | -3,478 |
| **Total** | **43,558** | **5,415** | **34,960** | **10,931** |

**Investment expenses**

| in USD 000's | 2022 | | 2021 | |
|---|---|---|---|---|
| | Realised losses | Other expenses | Realised losses | Other expenses |
| Government Bonds | -2,429 | - | -3,055 | - |
| Corporate Bonds | -916 | - | -97 | - |
| Collateralised securities | - | - | -93 | - |
| Derivatives | -5,065 | - | -4,692 | - |
| Other investments | - | -1,232 | - | -1,155 |
| Investment management expenses | - | -2,751 | - | -2,875 |
| Custody fees and other interest expenses | - | -2,028 | - | -2,204 |
| Finance costs | - | - | - | - |
| **Investment expenses attributable to underwriting result :** | | | | |
| Loan interest | - | -17,086 | - | -10,376 |
| **Total** | **-8,410** | **-23,097** | **-7,937** | **-16,610** |

Certain investments are held to back the technical provisions. The income from these investments ("funds transferred interest") is reallocated from the investment result to the underwriting result.

HRI has invested in securitised assets in the form of Collateralised Debt Obligations ("CDOs"). These assets are recorded on HRI's Solvency II balance sheet as "R0170 – Collateralised securities". The resulting income and expenses can be taken from the above table. CDOs are asset backed financial

instruments which consist of a portfolio of fixed income securities divided into several tranches. In principle, high rates of interest are to be viewed as the compensation for increasing probabilities of default, according to which the individual tranches are differentiated from one another.

**Collateralised Debt Obligations**

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Collateralised Debt Obligations | 33,744 | 110,261 |
| **Total** | **33,744** | **110,261** |

The "available-for-sale" reserve in the Equity section of the HRI balance sheet is given below:

**Available-for-sale reserve**

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Available-for-sale reserve | -129,612 | 56,436 |
| **Total** | **-129,612** | **56,436** |

## A.4 Performance of Other Activities

### A.4.1 Other income and expenses

The following table displays IFRS other income and expenses not included in the underwriting or the investment result:

**Other income**

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Other various income | 2,647 | 3,290 |
| Unrealised gain on life settlements yield collar | 86 | 299 |
| Unrealised gain on foreign currency swap | 715 | 365 |
| Net gain on foreign exchange translation | 7 | 832 |
| **Total** | **3,455** | **4,786** |

**Other expenses**

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Other expenses | -2,236 | -1,456 |
| Auditor's remuneration (including non-audit services) | -998 | -643 |
| Unrealised loss on foreign currency swap | -3,035 | -1,983 |
| Depreciation | -1,261 | -1,528 |
| **Total** | **-7,531** | **-5,610** |

#### Other expenses

An increase in other expenses and unrealised loss on foreign currency swaps are the material drivers of the performance of Other Activities in 2022. Other expenses refer to expenses that are attributable to neither the underwriting result nor the investment result such as the Ancillary Own Funds fee or project costs.

### A.4.2 Significant leasing agreements

There are no significant operating or finance lease agreements.

## A.5 Any other information

There is no other material information regarding business and performance.

# B. System of Governance

## B.1 General information on the System of Governance

### B.1.1 Governance structure

#### B.1.1.1 Our Administrative, Management or Supervisory Body

HRI has an effective system of governance in place which provides for sound and prudent management. The elements of the System of Governance are described in the following chapter.

**Board of Directors**

The Board of Directors has ultimate responsibility for the strategy, management and operations of HRI. The Board is collectively responsible for promoting the success of HRI by directing, effectively supervising and overseeing its affairs in a prudent and ethical manner. The Board sets and upholds the values and standards necessary to ensure that HRI's obligations to shareholders and other stakeholders, including clients, employees, regulators and creditors, are met.

The Board sets the direction and mission for HRI and ensures it meets its strategic objectives. The strategic objectives are set in recognition of the Hannover Re Group ("Group") strategy.

The Board has reserved a number of matters for its decision, in accordance with the schedule set out in the Board Charter. These can be summarised as follows:

- Board and Management - comprising matters relating to appointment, endorsement and/ or removal of Board Members, Managing Directors and other individuals who may have a material impact on the risk profile of the Company, establishment of the Board Sub-Committees (appointment of members and Chairperson) and delegating appropriate powers to each of the Committees;
- Corporate Governance - including responsibility to define the Corporate Governance system, effective and clear structures and reporting arrangements, oversight over Senior Management, ensuring an effective Internal Control Framework and that control functions are appropriately established;
- Risk Management including Own Risk and Solvency Assessment ("ORSA") - comprising matters relating to the approval of the Risk Management Guideline, discharging the responsibility for HRI's Risk Management, establishing and monitoring the effectiveness of the HRI Risk Committee and ORSA process;
- Solvency and Capital Management - focussing on matters relating to roles and responsibilities for Internal Model governance and its strategic direction, ultimately ensuring the solvency and capitalisation of HRI remains adequate and appropriate at all times;
- Corporate Issues - including decisions, in conjunction with Group, on material changes in the legal structure or the nature of business undertaken by the Company (i.e. major reorganisations, matters of acquisitions, sale, modification of interests in other companies of strategic relevance), formulation and amendment of strategic principles for HRI, and other corporate issues derived from Company law;
- Operational Matters - ensuring appropriate strategy and processes are defined in relation to succession plan, contingency arrangements and outsourcing;

- Financial Matters, Transactions and Expenditure - comprising of matters such as approval of the annual financial and business plan based on the agreed strategy and risk appetite of HRI, approval of annual regulatory returns, dividend payments, securities, guarantees or similar liabilities for third party payables outside the normal course of business, approval of any significant changes in accounting policies or practices, review of the Five Year Plan, the appointment and removal of auditors;
- Investment Activity - comprising matters such as approval of the investment strategy and guidelines, approval of the acquisition, disposal or mortgage of real estate or similar (including the construction and improvement of buildings), approval of the appointment or dismissal of outside portfolio managers; and
- Remuneration Matters - including, but not limited to annual review of the performance of the Board and individual directors, relative to the Board's objectives.

### Committees of the Board

The Board has delegated other matters for decision to the Committees of the Board (Audit Committee, Risk Committee and Compensation Committee) and other Management Committees (Operational Council, Investment Advisory Council and Canada Branch Steering Committee), as contained in their respective documented Terms of Reference.

### Day-to-day Management

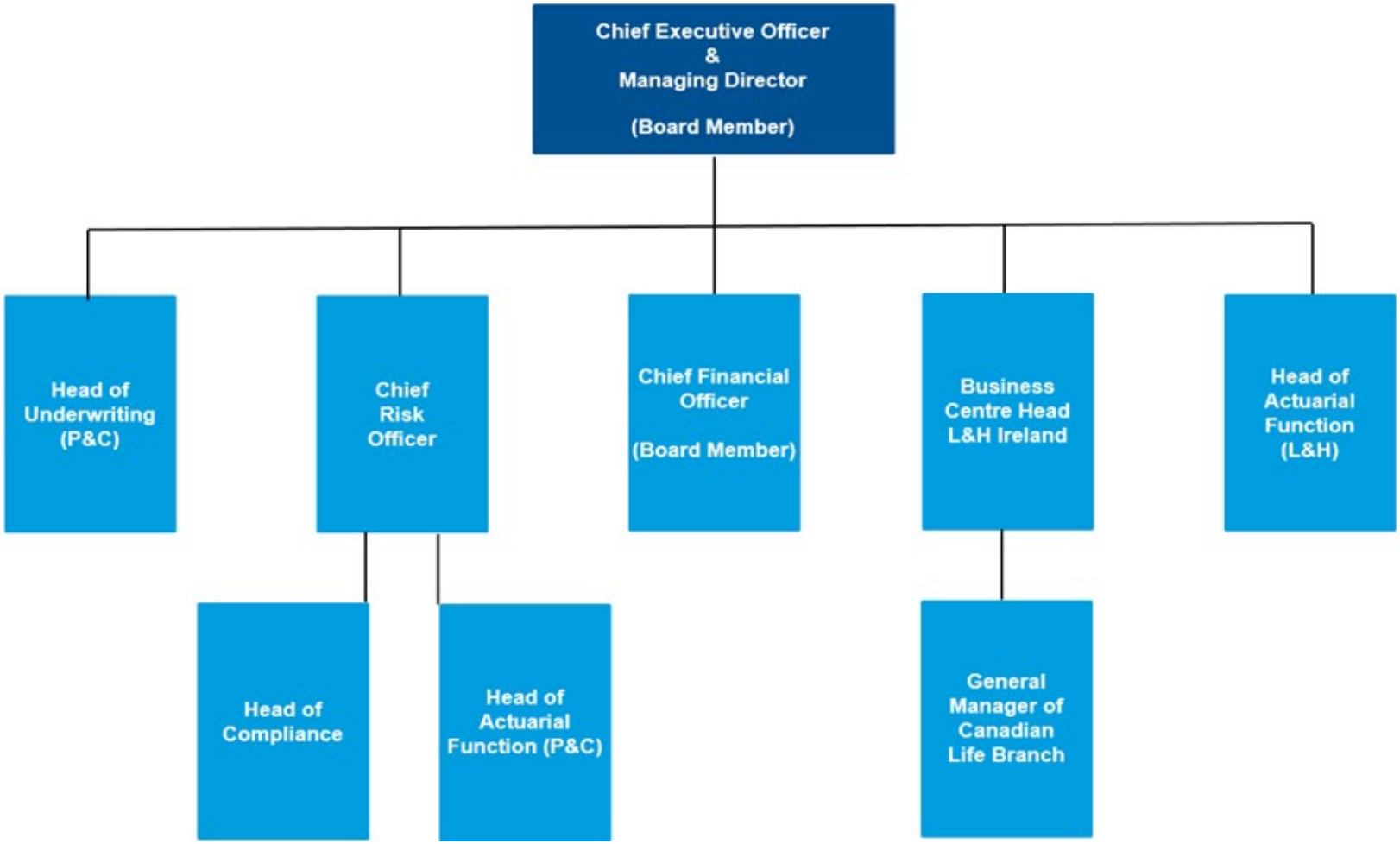
The Board has delegated responsibility for day-to-day management of the business in accordance with the strategy, objectives and policies set by the Board to the CEO. Day to day management is defined within the Board Charter as all matters not specifically reserved for approval by the Board or delegated to a Committee. An Operational Council, comprising members of Senior Management of the Company, assists the CEO in the exercise of her functions.

Underwriting authority is delegated in accordance with the Special Underwriting Guidelines – Life and Health, and the Special Underwriting Guidelines – Advanced Solutions Ireland (ASI), approved by the Board.

Investments are managed in accordance with the HRI Investment Guidelines.

A high level organisational chart, setting out the reporting lines within HRI, is attached behind:

**Effective date: 31 December 2022**



The organisation and collective effort of individual functions are decisive for our Internal Risk Management and Control System. In our system the central functions are closely interlinked with one another and the roles, tasks and reporting lines are both clearly defined and documented in the context of the so-called three lines model. The first line of defence consists of risk control and the original responsibility for risk at divisional level. The risk management function ensures the second line of defence - risk monitoring. It also receives support from the actuarial function and the compliance function. The third line of defence consists of process-independent monitoring executed by the internal audit function.

All key functions are equipped with appropriate resources and skills. The reporting lines to one another and to the Board Member responsible have been clearly defined.

### B.1.2 Material Changes in the System of Governance

None at this time.

### B.1.3 Material Changes in the System of Governance after the Reporting Period

None at this time.

### B.1.4 Recruitment and Remuneration policy

#### B.1.4.1 Principles of the Recruitment and Remuneration Policy

The Board of Directors in conjunction with the Compensation Committee assesses remuneration packages in an effort to discourage imprudent risk taking. HRI's Recruitment and Remuneration Policy ("the Policy"), in conjunction with the Corporate Human Resource Management (HRM) Principles: Executive and Senior Management Compensation and Benefits, reflects HRI's objectives in respect of corporate governance as well as sustained and long term value for stakeholders. It also provides for an appropriate level of transparency.

The Policy seeks to ensure that employees of HRI are compensated with appropriate incentives in an effort to recognise and encourage enhanced performance in a fair and responsible manner for their individual contributions to the success of HRI. The Policy also ensures that the duty to mitigate loss is fully recognised.

To support this process HRI reviews its remuneration with that of comparable organisations and comparable roles within those organisations. In addition, the HR team participates in detailed salary benchmarking reports and surveys on a regular basis.

HRI is committed to ensuring that its remuneration practices enable it to:

- Appropriately compensate employees for the services they provide to the Company;
- Attract and retain employees with skills required to effectively manage the operations and intended future direction of the business;
- Motivate employees to perform in the best interests of HRI and its stakeholders;

HRI does not permit risk-taking that falls outside of HRI's risk appetite policies and guidelines.

This is achieved by ensuring compliance with strict policies and guidelines on recruitment and compensation and appropriate action in the event of non-compliance.

The Regional Head of Human Resources monitors compliance with this Policy. Monitoring results are reported to the Board.

The Compensation Committee is responsible for monitoring the ongoing performance of Senior Management at General Manager level and above, including the General Manager in Canada.

Senior Management at General Manager level and below is monitored by the CEO through day to day activities and in the more formal setting of the annual performance review process.

The Business Centre Head Life and Health fulfils the same role for Canada by overseeing the activities of the General Manager in Toronto.

#### B.1.4.2 Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

**Employees**

HRI seeks to ensure that its employees are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner. The HRI Bonus Scheme ("the Scheme") governs this process in Ireland and Canada and ensures that the duty to mitigate loss is fully recognised.

Bonus payments are paid to all eligible employees based on individual performance over the previous calendar year and the financial results of the Group for the preceding financial year. Bonus payments under the Scheme are subject to the approval of the Operational Council in Ireland. In Canada, the local General Manager recommends the bonus ratings for employees. The recommendations are then discussed and agreed with the HRM and the Business Centre Head Life and Health, with final approval by the HRI CFO.

**Executive and Senior Management**

The HRM Corporate Principles: Executive and Senior Management Compensation & Benefits provide clear guidelines for Executive and Senior Management remuneration, which recognise the long-term interests of the Hannover Re Group, its shareholders and employees.

Total compensation for Executive and Senior Management is highly geared towards performance with the proportion of "at risk" pay increasing/decreasing according to:

a) Group Return on Equity

b) Business group targets achievement (only for executives with business responsibility)

c) Individual target achievement

In addition to the performance assessment scale, topics of focus will cascade down from Executive and General Manager level to all leaders, for example, 'developing leadership capability' in order to foster a high performing culture across the Group.

The Hannover Re Executive Board in cooperation with the Compensation Committee of each Group operation conducts risk assessments of pay packages to ensure that they do not encourage imprudent risk-taking. HRM in Hannover provide appropriate service including benchmarking and survey data to improve the effectiveness at managing the complex relationship between incentives and risk-taking.

#### B.1.4.3 A description of the main characteristics of supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

**Retirement**

The Company operates a pension plan on a defined contribution basis, which means retirement benefits will depend on the total amount contributed by both the Company and individual together with investment income earned. At the time of retirement, the accumulated fund will be available to provide the individual with a range of benefits within approved Revenue limits.

### B.1.5 Related party transactions

A dividend of USD 30m was paid to the Company's parent during the year.

## B.2 Fit and proper requirements

Under the applicable Fitness and Probity (F&P) standards, the HRI CEO, on behalf of the Company, is required to satisfy herself on an ongoing basis that those individuals performing Pre-Approval Control Functions ("PCF") and Control Functions ("CF") roles comply with the standards set out in the legislation and guidance. In order to comply with the above requirements, the F&P process at HRI is performed in two phases:

- Due diligence performed for new PCF & CF roles; and
- Ongoing due diligence conducted for existing PCF & CFs, at least annually.

The purpose of the assessment is to ensure that all owners of PCF and CF roles have the relevant qualifications, experience and other necessary qualities and skills appropriate to the function they perform. The individual must be able to demonstrate that they have:

- Professional qualifications and capability appropriate to the relevant function;
- Competence and skills appropriate to the relevant function, whether gained through training or professional experience;
- Competence and proficiency through past performance in previous functions;
- Sound knowledge of the business and their new role;
- Clear and comprehensive understanding of regulatory and legal environment, appropriate to their function;
- Have no concurrent responsibilities or conflicts of interest which would impair their ability to discharge their duties;
- Act honestly, ethically and with integrity; and
- Are financially sound.

### Initial Due Diligence for PCF and CF roles

The initial due diligence process commences as soon as an offer for new role is accepted by the internal/external candidate. Offers for relevant roles are conditional upon the individual successfully completing F&P assessment and obtaining CBI approval, where applicable.

### Annual re-assessment PCF and CF F&P compliance

Subsequent to initial due diligence, the Compliance Function conducts an annual re-assessment process for all PCF and CF roles, to ensure evidence of continuous compliance exists and declarations of compliance are renewed.

## B.3 Risk Management System including the Own Risk and Solvency Assessment

### B.3.1 Risk management system

The risk management system of HRI is articulated through a number of policies and frameworks, the key document being the Risk Management Guideline which encompasses the Risk Strategy, the Risk Management Framework and the System of Limits and Thresholds. The Risk Strategy describes the overall approach to risk and includes the Risk Appetite Statements. The Risk Management Framework sets out how the risk management system is structured in practice, the roles and responsibilities of the stakeholders in the process, and the risk assessment approach. The System of Limits and Thresholds provides the link between the internal model and its use in the risk management of HRI.

The organisational structure of HRI operates on a three lines of defence model, with a clear split between risk steering and risk monitoring, whereby the business (first line of defence) steers and controls the risks; the CRO, the RM function and the Compliance function (second line of defence) monitor risks; and Internal Audit (performed on an outsourced basis by Group Auditing) act as the third line of defence, performing process-independent reviewing.

A risk register is used as the primary tool for identifying, measuring, monitoring, assessing and recording the risks faced by the business. The completeness of the Risk Register is reviewed by the Risk Management function and the Risk Owners at least annually as part of the Risk Workshop. The risks are identified, analysed and rated by the risk owner allowing for the controls in place, with the support of the Risk Management function. The effectiveness of the controls for each of the risks is also captured within the risk register. The risk register covers both risks that the Company is currently exposed to and emerging risks. A local Emerging Risk Framework is in place and the Emerging Risks Landscape is maintained by the Risk Management function.

A risk report is prepared by the Risk Management function for review and approval by the Risk Committee quarterly. The report includes amongst other things a summary of the risk register and an assessment of the identified risks, the System of Limits and Thresholds report and an update on whether any of the Risk Appetite Statements have been breached. A summary of the risk position is also provided to the Board quarterly.

The ORSA process is conducted on an ongoing basis throughout the year and provides the link between the risk management system and the decision-making processes of the Company. The process is summarised into the ORSA Report, which is prepared by the Risk Management function with input from the other key functions, and is reviewed and approved by the Board at least annually. A (pre-emptive) Recovery plan is also drafted and implemented by the Risk Management function. This plan builds upon the work performed for the ORSA and considers more extreme and severe stresses that would threaten the viability of the Company. The Recovery Indicators as defined within the plan are monitored and reported at least semi-annually within the risk reports.

The Material Change in Risk Profile guideline ensures a documented procedure exists as regards the assessment of whether certain opportunities or changes to the business represent a material change in business. A material change in business requires pre-notification to the CBI under the Company's Conditions & Certificate of Authorisation. This guideline and procedure complements the existing due diligence processes.

The risk management function is continuously geared to preserving the Company's financial strength. By conducting stress tests, e.g. for pandemics or capital market distortions, we have continuously reviewed the resilience of our financial strength.

In the context of our risk management, we also consider risks that can arise in connection with environmental, social or governance issues (ESG risks) that are increasingly affecting already existing risk categories. Hannover Re's commitments to ESG issues, including sustainability, is demonstrated through the Sustainability Strategy and Management Framework now in place. The concept of sustainability is an essential part of the Group strategy, as expressed through the purpose, values and robust foundation of the Hannover Re Group. The strategy describes at greater length core elements of our sustainable actions and our contribution to a transformation into a sustainable future. ESG and Sustainability risks are further detailed per section C.6.

### B.3.2 Risk management function

The Risk Management function, led by the Chief Risk Officer, is responsible for ensuring the development and ongoing maintenance of an effective risk management system within HRI. The activities of the Risk Management function are overseen by the HRI Risk Committee.

The Risk Management function's responsibilities and authority are documented in detail within the Risk Management Guideline and are subject to annual review by the Risk Committee and the Board. The Risk Committee's duties and responsibilities are detailed in its Terms of Reference, which are also subject to annual review by the Board.

The Board has ultimate responsibility for the governance of the internal model in accordance with regulatory requirements, including approval of any major changes or extensions, review and approval of the policies governing the internal model and review of the validation of the model results. The Risk Committee is authorised by the Board to provide support in this respect by providing advice to the Board.

An internal model validation policy is in place that is approved by the Board and requires a validation exercise to be performed at least annually. The validation policy discusses the approach to the validation process, including the tools and methods used. A validation plan and cycle is agreed by the Board and covers each risk module. Given HRI's risk profile and current portfolio of business, certain treaties and risk modules are subject to additional focus of the validation annually.

### B.3.3 Own Risk and Solvency Assessment (ORSA)

The ORSA process is conducted on an ongoing basis throughout the year and is steered by both the HRI Risk Committee and Board. The process and its results are summarised into the ORSA Report, which is prepared by the Risk Management function with input from the other key functions across the Company. The ORSA is reviewed and approved by the Board at least annually. Ongoing assessments of the risk and solvency position are carried out regularly throughout the year.

As part of the ORSA process, the risks faced by the Company are considered and the capital position of the Company is projected in line with the business plan to ensure that the capital position supports the business plan and the development of the risks faced. It also analyses the quality of the capital held and assesses the capital position under alternative scenarios. The SLT framework and capitalisation levels are assessed as part of the ORSA process and any proposals are brought to the Risk Committee and Board through the ORSA Report.

A number of qualitative and quantitative processes are utilised to assess the risks to which the Company is exposed. A range of stress and scenario tests is also employed to test the Company's exposure in stressed conditions.

The ORSA process is integrated into the decision-making processes of the Company through risk management actions taken as a result of the risk assessment processes, analysis of capital management options, analysis of large new business transactions and the selection of risk mitigation techniques.

## B.4 Internal Control System

### B.4.1 Elements of the internal control system

HRI implements effective internal controls that provide the Board and management with reasonable assurance in respect of the following:

- The Board and Management have an understanding of the extent to which the objectives of HRI's operations are being achieved,
- Published financial statements are reliable, and
- Applicable laws and regulations are complied with at all times.

The Internal Control system consists of systematically designed organisational and technical measures and checks within the Company. It ensures that guidelines are followed and risks are managed so that the Company's strategy can be fully implemented. HRI formalises its Internal Control framework within the Internal Control Policy, further supplemented with the Hannover Re Internal Control System Guideline.

HRI Internal Control ("IC") employs fundamental control principles applied consistently across HRI business (including its branch), as follows:

- Segregation of duties across the business and the key processes;
- Clearly documented delegated authorities, reporting lines, roles & responsibilities;
- Documented policies and procedures;
- Documented key processes, subject to regular review; and
- Four Eyes review of all key reports / outputs.

### B.4.2 Internal control framework

The HRI Internal Control framework incorporates the following components, which are set out in detail below:

- HRI Operations – the internal controls in place at Board and Senior Management level and across HRI's operations;
- Financial & Regulatory Reporting – the internal controls in place in relation to the production of accurate and reliable financial statements and regulatory reporting, and in particular the role(s) of the Chief Financial Officer and respective Heads of Actuarial Function/ Corporate Actuarial;
- Compliance with Laws and Regulations – including, but not limited to, the role of the Second Line of Defence Control Functions: Compliance, Risk Management and Actuarial Function; and
- The Role of Internal and External Audit in providing an independent assessment on the effectiveness of internal controls.

### B.4.3 Compliance Function

The Board of Directors is responsible for maintaining a permanent Compliance Function within HRI. For this purpose, HRI formally appoints the Head of Compliance, who is supported by the Compliance Executive and a Canadian Branch Chief Compliance Officer.

The Head of Compliance has a formal regular reporting line to the Company's CRO. In addition, the Head of Compliance has a dotted reporting line to the Head of Group Legal Services in Germany, who acts as Chief Compliance Officer for the Hannover Re Group. The Compliance Function reports to each Risk Committee, Audit Committee and to the Board.

The Compliance Function is implemented via the Compliance Charter, which has been approved by the HRI Board. The Charter provides for the independence of the Compliance Function from business activities and sets out the management reporting line to the CRO of HRI and the governance reporting lines into the Risk Committee and the Board of HRI.

The Head of Compliance has overall responsibility for co-ordinating the management of compliance risk, implementation of a robust compliance framework and for the delivery of the Annual Compliance Plan.

The Head of Compliance is responsible for assisting the business in identifying the procedures and controls necessary to meet legal and regulatory obligations and for ensuring that these are consistent with the Compliance Framework. The Compliance Executive supports the Head of Compliance in maintaining a strong compliance culture within HRI, co-ordinating the management of compliance risk and the delivery of the Annual Compliance Plan.

The roles, responsibilities and authority of the Compliance Function, as well as the overview of the HRI Compliance framework is documented within the Compliance Charter.

## B.5 Internal Audit Function

Hannover Re Group Auditing performs the Internal Audit Function for HRI. The provision of Internal Audit Services is governed by a Service Level Agreement (SLA) with Group Auditing, which is approved by the Audit Committee. The SLA is based on a three year rolling Internal Audit Plan ("the Audit Plan").

There is an established Internal Audit Policy, outlining roles and responsibilities of the Internal Audit Function, as well as the roles and responsibilities of the Board, Audit Committee and HRI Management and employees in relation to the Internal Audit process. The key role of the Internal Audit Function is to assess the adequacy and effectiveness of the Internal Controls system and other elements of the HRI system of governance, in line with a risk based approach.

An Audit Plan is agreed as part of the SLA and comprises a three-year Audit Cycle. This Cycle is designed to prioritise risk in the HRI Audit Universe. The Audit Cycle sets out the areas of the business that Group Auditing will review as part of the internal audit process and the timelines for the performance of such a review. The Audit Plan is approved by the HRI Audit Committee. The Audit Plan can be amended as required with agreement from the Audit Committee. The Audit Plan is drafted based upon an assessment of the risks facing HRI and the activities carried out by HRI. Management's goals and objectives, together with its perceptions of risks and exposures, will also form a key input to Internal Audit's strategic and operational planning process.

The Audit Plan identifies the business areas to be reviewed as part of the audit process. The scope of the audit for each business area is developed by Group Auditing in conjunction with the Internal Audit Liaison, Senior Management and relevant area management, and is set out in an Audit Instruction.

Group Auditing is responsible for allocating resources to audits and in the event of a conflict of interest or independence requirements breaches, Group Auditing will immediately seek to resolve the matter as appropriate.

The HRI Internal Audit Policy clearly articulates that Group Auditing have the right to review all activities and processes relevant to the performance of the audit/investigation and have full, free and unrestricted access to all the functions, records, assets, property and personnel necessary for the proper discharge of its responsibilities.

The Head of Group Auditing is subject to F&P requirements from HRI's perspective, and for that purpose was designated as CF 2. An annual due-diligence process is conducted to ensure continuous compliance with F&P requirements. In addition, in line with Solvency II requirements for outsourced key control functions, an Executive Director of HRI has been appointed as the PCF responsible for outsourced Internal Audit Function.

## B.6 Actuarial Function

The responsibility for the Actuarial Function is delegated to the Head of Actuarial Function L&H, in respect of the L&H portfolio, and the Head of Actuarial Function P&C, in respect of the P&C portfolio, who have reporting lines to the CEO, and CRO respectively. Formalised Actuarial Function Terms of Reference are in place, outlining roles and responsibilities of the Actuarial Function, key requirements applicable to its structure, independence and remit.

The Actuarial Function and specifically the respective Heads of the Actuarial Function have responsibilities under Solvency II and the CBI's Domestic Actuarial Regime and Related Governance Requirements under Solvency II. These responsibilities cover the following key areas:

- Co-ordination of the calculation of the Technical Provisions under Solvency II
- Assess the consistency of the data used in the calculation of the Technical Provisions
- Actuarial Opinion on the Technical Provisions
- Actuarial Opinions on the Underwriting policy and Retrocession policy
- Actuarial Opinion on the ORSA process
- Annual Actuarial Function report to the Board including the Actuarial Report on Technical Provisions

The Board of Directors is responsible for maintaining a permanent Actuarial Function within the organisation. For this purpose, HRI formally appoints a Head of Actuarial Function - L&H and a Head of Actuarial Function - P&C, and grants sufficient human and technical resources to achieve the defined objectives. The appointment of the Heads of Actuarial Function is subject to pre-approval by the CBI in accordance with Fitness and Probity Regulations. The removal of either Head of Actuarial Function must be approved by the Board of Directors, in accordance with the CBI Corporate Governance Requirements.

## B.7 Outsourcing

HRI has an Outsourcing Policy in place which is reviewed annually by the Risk Committee and approved by the Board. Under the Outsourcing Policy, documented SLA's are required for each outsourced relationship and must set out service standards to be adhered to. The Head of Compliance acts as Outsourcing Coordinator and oversees compliance with the Policy.

The Outsourcing Management Process consists of the following six steps:

- Planning and classification;
- Risk assessment and due diligence;
- Contract management;
- Notification to CBI of proposed outsourced relationship;
- Steering and monitoring; and
- Renewal and/or termination.

The Compliance Function maintains a register of all critical or important outsourcing arrangements which HRI is party to. The outsourcing risk, associated key controls and their effectiveness are monitored and assessed on a regular basis as part of Risk Register cycle that is coordinated by the Risk Management Function.

In all cases, HRI benefits from the infrastructure, processes and resources established within respective Group entities in executing relevant services.

Appropriate due diligence is conducted on an annual basis to ensure that outsourced arrangements remain adequate and effective. An agreed annual review and reporting process is executed by responsible SLA Relationship Managers for all outsourced arrangements, to ensure that regular reviews against agreed service standards are carried out, documented and reported to the Operational Council, and any issues are escalated in a timely manner.

## B.8 Any other information

### B.8.1 Evaluating the appropriateness of the system of governance

The system of governance is considered to be appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business.

### B.8.2 Other information

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

# C. Risk Profile

In the context of its business operations HRI enters into a broad range of risks. These risks are deliberately accepted, steered and monitored in order to be able to act on the associated opportunities. The parameters and decisions of the Board with respect to the risk appetite of HRI are based on the calculations of risk-bearing capacity and are fundamental to the acceptance of risks.

The risk profile of HRI reflects the Risk Strategy, which is to actively assume Life & Health and Property & Casualty underwriting risks, while accepting other risks including market, counterparty default and operational risks as a consequence of that strategy.

The COVID-19 pandemic continues to be monitored by HRI and the Hannover Re Group. With COVID-19 cases still high in many jurisdictions, the pandemic is not over. However, with the rollout of vaccine programmes, the management of the pandemic has evolved. Many jurisdictions are now treating the pandemic as 'endemic', with many of the emergency powers and strict restrictions no longer in place. There is still much uncertainty about what the post pandemic landscape will look like, including the impacts on HRI, the insurance industry and the general economy as a whole. HRI manages the risks and capital position actively through the Economic Capital Model.

There is heightened geo-political risk at present following Russia's invasion of Ukraine in February 2022. This is an event without precedence in recent history. While HRI does not have direct exposure to Russia, developments have led to significant impacts in the economic environment, including inflation, rising interest rates, supply chain issues and the generally worsening economic outlook in the aftermath and post-COVID-19. The Company continues to monitor the direct and indirect impacts of the war across its full business.

The risk profile did not materially change during 2022 with underwriting risks increasing in line with the Company's business strategy.

### Prudent Person Principle

HRI's assets are invested in line with the approved Investment Guidelines. The Investment Guidelines are designed in accordance with the 'prudent person principle'.

The HRI asset portfolio consists of a large proportion of liquid and secure assets – with the majority in fixed interest securities. HRI assets are therefore in full compliance with this principle.

In addition, HRI is a signatory to the UN Principles for Responsible Investment (2020) and the UNEP FI Principles for Sustainable Insurance (PSI) (2021). We have also become a member of the United Nations Environment Programme Finance Initiative (UNEP FI) and joined the Net-Zero Insurance Alliance as part of the Hannover Re Group.

### Risk Concentrations

HRI monitors and sets limits on its exposure to various risk concentrations including natural catastrophe exposures, per life concentrations and retentions, geographic concentrations, asset concentrations and counterparty exposure concentrations. There is significant diversification across HRI's exposures.

### Risk Mitigation

The Retrocession and Risk Mitigation Strategy outlines the approach HRI takes towards utilisation of retrocessions and other risk mitigation techniques. The key technique used to mitigate risks is retrocession.

While HRI has both internal and external retrocession arrangements in place, the use of external 3rd party retrocession is limited. HRI has internal retrocession arrangements which share the risks and rewards across the Hannover Re Group. Results are available gross and net of retrocession in order to monitor the continued effectiveness of the arrangements in place.

Both L&H and P&C Head of Actuarial Function (HoAFs) provide an independent review of the appropriateness and effectiveness of retrocession arrangements in place - no issues or concerns have been noted per these opinions to date.

HRI uses derivative financial instruments to a limited extent. HRI currently only utilises forward currency contracts. The primary purpose of the derivatives is to hedge the non-USD net technical liabilities or the foreign dominated investments.

### Stress tests and scenario analysis

HRI performs a wide range of stress tests and sensitivity analysis to test the resilience of the balance sheet under different circumstances. Those included in the most recent ORSA Report covered:

- Tailored stresses on the key exposures in the Property & Casualty line of business.
- Various biometric stresses on the key exposures in the Life & Health line of business.
- A number of economic stresses including an increase in credit spreads, an increase in interest rates and exchange rate movements.
- Other relevant scenarios tailored to HRI such as a significant operational risk event, strategic stresses covering both Property & Casualty and Life & Health business lines.
- Relevant combined and reverse stress tests.
- Continued focus on pandemic stresses, in particular COVID 19 scenarios.
- Additional focus on market turbulence and inflationary scenarios.

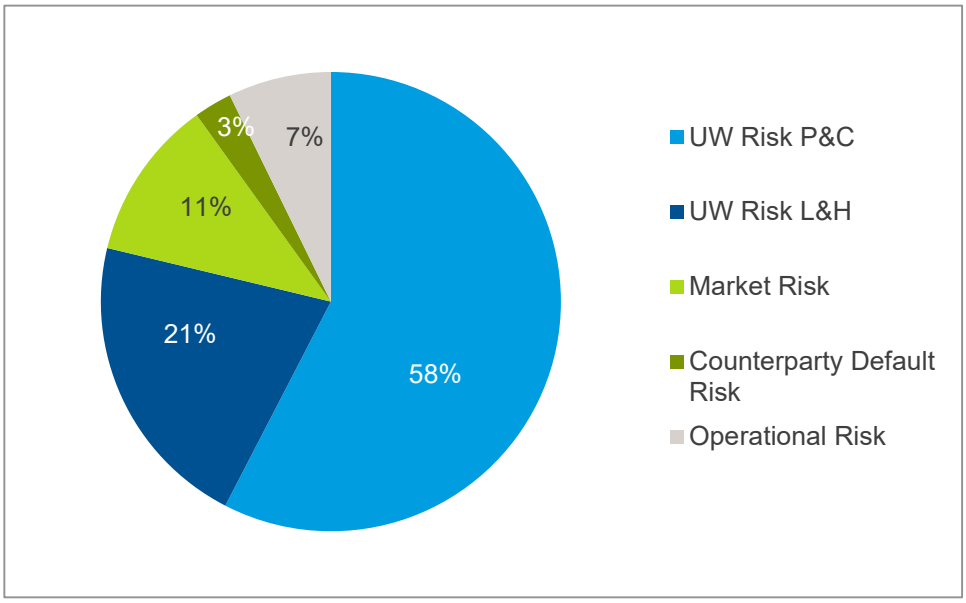
In addition, the ORSA considers the risks faced by HRI as a result of ESG and Sustainability concerns, on both the assets and liabilities on HRI's balance sheet. The HRI Risk function continues to embed Sustainability and ESG risks, in particular climate change risk, within the ORSA and across the Risk Management System. Developments in this area are further discussed below per **section C.6.**

### Off-balance sheet exposures

Within the Tier 3 own funds is included an Ancillary Own Funds ("AOF") item. The renewal of this item was approved by the CBI on 23 November 2020. The material terms and conditions of the Tier 3 Ancillary Own Funds are described further in Section E 1.2.2 Ancillary Own Funds. The counterparty for the AOF is Hannover Rück SE.

### Quantitative information on Risk Exposures

The Solvency Capital Requirement split by individual risk categories as at 31 December 2022 is below.




## C.1 Underwriting risk

### C.1.1 Underwriting Risks Property/Casualty and Health Not Similar to Life Techniques

The Property & Casualty lines of business exposes HRI to the following types of P&C underwriting risk: premium risk, natural catastrophe risk, man-made catastrophe risk and reserving risk.

HRI writes business in most P&C lines of business. The most significant lines of business are general and automobile liability, professional indemnity, workers' compensation and property. Through Inter-Company Transactions (ICTs), HRI also has exposure to Natural Catastrophe perils and Credit & Surety business.

There has been no material change in Property & Casualty underwriting risk over the reporting period. P&C underwriting risk increased over the reporting period due to growth in the underlying business and reserve ultimates for ICTs in line with the Company's business strategy. P&C Underwriting risk continues to be the dominant component of HRI's required capital.

Inflation in general has risen sharply over the last 12-18 months, initially due to a rebound in the global economy after the lifting of most COVID-19 restrictions. The situation has been further exacerbated following Russia's invasion of Ukraine in 2022. A prolonged period of double digit inflation has not been experienced in many countries for a generation. This change in the external environment has brought a new focus on inflation across HRI's portfolio but in particular on the P&C business - specific to the cost of settling motor and property insurance claims, such as car parts and timber leading to higher repair/replacement costs.

The hardening of the market has presented the opportunity to tighten up terms and conditions as part of the current annual renewals.

### C.1.2 Underwriting Risks Life and Health Similar to Life Techniques

HRI's Life & Health business is primarily divided into two types of business, Financial Solutions and Risk Solutions.

Financial Solutions cover all treaties in which the primary emphasis is on financing or capital management components. These include providing both cash and non-cash financing solutions to service clients' needs.

The Risk Solutions business is focused on reinsurance of mortality and morbidity business but does include other exposures such as lapse and longevity. Exposures are spread globally including the United Kingdom, Canada, USA, South Africa and Asia markets.

The largest source of risk in the Life & Health line is short-term pandemic risk. This reflects HRI's risk profile and is expected due to the exposure to underlying life assurance business in line with the business strategy. Due to the long term nature of life business, long-term mortality and morbidity are also significant risks - a relative increase in mortality or morbidity rates in each future year has a significant impact in terms of the present value of this change.

There has been a small increase in Life & Health underwriting risk over the reporting period. The increase was driven by exposure updates, primarily on the Asia business. Offsetting impacts from increasing interest rates were observed over the year. Other risks were largely stable over the year.

As a global reinsurer, HRI continues to monitor the COVID-19 situation in locations in which it has exposure. While the pandemic is not over, the management of the pandemic has moved to a new phase. Many of the emergency powers and restrictions imposed by national governments are no longer in place. Apart from direct mortality impacts, longer term impacts attributable to COVID-19 will continue to be closely monitored. L&H business could be impacted in a number of different areas:

- Offsets from longevity business
- Morbidity-related claims directly attributable to COVID-19
- Morbidity-related impacts indirectly attributable to COVID-19 (i.e. delayed diagnostics)
- Claim impacts caused by a (prolonged) economic downturn
- Impacts on policyholder behaviour & new business
- Uncertainty on long-term impacts of COVID-19

## C.2 Market risk

HRI's market risk includes interest rate risks, currency risks and default and spread risks.

HRI's asset portfolio currently consists largely of fixed-income securities, and hence interest rate and credit spread risks account for the bulk of the market risk. HRI manages interest rate and currency risks through its asset liability matching program.

HRI is also exposed to changes in credit spreads, where an increase in credit spreads on its investments will reduce the market value of the assets without any corresponding change in the value of liabilities, which remain valued on a risk-free basis. HRI applied for, and received, CBI approval to use a dynamic volatility adjustment in the calculation of the technical provisions from year end 2019.

The volatility adjustment provides some protection in the event of a significant widening of credit spreads. The impact of the volatility adjustment is approx. a 1%-2% increase in the capital ratio.

Currency risk is not a material risk for HRI as the currency of the majority of technical liabilities and own funds is matched to the currency of the assets. Some residual exposure to exchange rate volatility on the own funds remains due to non-USD denominated assets and business. This is partly mitigated through the use of FX derivatives.

No equity holdings are held at YE2022 within the investment portfolio. It is not the intention of the Company to hold equities going forward.

There has been no material change in market risk over the reporting period. Our existing asset/liability management, including the use of the volatility adjustment helped to cushion negative effects of market volatility on our Solvency II capital adequacy ratio throughout the year.

## C.3 Credit risk

Credit risk or counterparty default risk consist primarily of the risk of complete or partial failure of a counterparty and the associated default on payment.

Counterparty default risk is managed through a number of controls:

- The starting point for managing all counterparty exposure is through the Register of Business Partners. The register is a Hannover Re online tool that is available to all underwriters and accountants and is kept constantly up to date by the Group Risk Management. Business partners are only added to the register after they have been checked and approved. It is not permitted to transact with a counterparty unless they are approved within the register.

- Retrocession partners and broker partners are carefully selected and monitored in respect of their creditworthiness in order to minimise counterparty default risk as much as possible. The creditworthiness of cedants and retrocessionaires is monitored through a quarterly review of credit ratings, as provided by external rating agencies.

- A Group-wide Cession Limits system is also in place which must be used before any third party retrocession is placed. It assesses whether there is capacity available for the placement and the creditworthiness of the counterparty.

In addition, intra-group receivables are presented regularly to the Board.

The Retrocession and Risk Mitigation Strategy outlines the approach HRI takes towards the utilisation of retrocessions and other risk mitigation techniques. The significance of the retrocession arrangements, for both L&H and P&C is not material in the context of the overall Gross Technical Provisions.

While counterparty risk is not eliminated, the Residual risk is low due to controls in place, early triggers (in line with treaty wordings) and funding/collateralisation arrangements in place.

There has been no material change in Credit risk over the reporting period.

## C.4 Liquidity risk

Liquidity risk refers to the risk of being unable to meet financial obligations as they fall due. Due to the nature of the business written by HRI, there is a risk that while HRI has sufficient capital, there could be a short or medium-term liquidity strain. To mitigate this risk, HRI has a well-established liquidity management system in place.

The liquidity position is assessed at least quarterly. The analysis considers the current liquidity position plus known liquidity requirements in the foreseeable future, such as cash financing transactions or loan maturities. The liquidity position over the five-year business planning period is also assessed annually as part of the ORSA.

Short term liquidity requirements are managed by the Finance department, who have a documented liquidity management process in conjunction with the asset manager(s).

The Risk Management Function is responsible for ensuring that HRI maintain access to sufficient liquid assets to ensure that payments can be made in an insurance stress scenario without the need to sell assets backing liabilities. HRI has a board approved Risk Appetite Statement (RAS) to ensure that it has access to sufficient assets to pay the potential claims liability from a 1-in-200 year liquidity event. Adherence to the Risk Appetite Statement ensures that HRI has access to sufficient assets to pay claims as they fall due. The RAS is monitored by the Risk Management Function and reported to the Board each quarter. The liquidity event is defined as the higher of a 1-in-200 year L&H pandemic or P&C catastrophe event consistent with the internal model. The RAS plays an important role in ensuring that HRI's Own Funds are of a sufficiently liquid nature such that stress scenarios do not result in forced selling of assets backing longer dated liabilities.

Liquidity is actively monitored through the new business process with new business impacts monitored through the Material Change in Business Guideline.

There has been no material change in the liquidity position of the Company over 2022, with the liquidity RAS remaining well in excess of the defined limit and threshold.

### EPIFP

As at 31 December 2022, the expected profit included in future premiums ("EPIFP") is USD 542.7m. The majority of HRI's business has no surrender values and therefore the EPIFP is any negative BEL by Line of Business.

For the "total amount of the expected profit included in future premiums" required by Art. 295 (5) of the Delegated Regulation 2015/35 please refer to the Quantitative Reporting Template S.23.01.01., item R0790. It should be noted that the Company does not use this figure for our liquidity management.

## C.5 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, from personnel and systems, or from external events. Unlike underwriting risks which are deliberately entered into, exposure to operational risk is not desired but is unavoidable. HRI's focus is therefore on minimising operational risk as much as possible.

The risk is strongly associated with human error, systems failure and inadequate controls and procedures. Operational risk, if unmitigated, may result in financial loss, unavailability of services,

information deficiencies or loss, and damage to reputation. The key areas where operational risk has the potential to impact HRI's business are as follows:

- Business continuity
- Business processes and data quality
- Compliance
- Fraud
- Human Resources
- IT
- Outsourcing

HRI maintains an Operational Risk Register, where the key areas of operational risk are defined, assigned to risk owners, monitored and assessed twice a year. The results of the assessment are reported to the Risk Committee. HRI also follows the Group-wide Operational Risk Event Reporting Guideline, whereby all operational risk events are reported to Group Risk Management (GRM) by all branches and subsidiaries in the Group. GRM collate the information in a database (the "Loss and Learn" database) which can then be used for learning purposes across the Group. One of the key aims of reporting operational risk events is to benefit from the learning aspect of these events, which should improve the management of such risks in future.

The Hannover Re Group is part of the Operational Risk data eXchange Association (ORX). The internal loss database was transferred to ORX reporting requirements in 2016.

Additionally, the Self-Assessment of Operational Risks (SAOR) process is a well-established Group-wide process that has been in use for several years. The process requires the operational risk owners in each area to assess the maturity level of each operational risk category by answering questions in a standardised template. It also includes scenario analyses for every category of operational risk which include items such as quantitative questions that require the Risk Owners to estimate the expected frequency and severity of operational risk events over the next ten years and the maximum possible loss in one year under each scenario. The SAOR process is carried out on a semi-annual basis is a key component of the operational risk module of the internal model.

Increased awareness to fraud and phishing attempts has been communicated to all employees and IT security is continuously monitored by Hannover Group IT. HRI has been subjected to and continues to be subjected to numerous phishing attempts. These have all been unsuccessful to date and have been used as training examples for all staff to raise awareness and to ensure everyone remains vigilant.

## C.6 Other material risks

HRI is also exposed to other material risks that are not covered by the categories in the previous sections. These risks include reputational, strategic and emerging risk. These risks are all measured, monitored and rated through HRI's risk register and are regularly reported to the Risk Committee and/or Board, as appropriate. Group-wide frameworks for managing these risks have also been rolled out and adopted by HRI.

### Strategic risk

Strategic risk refers to the risk of being unable to implement appropriate business plans and strategies, make decisions, allocate resources or adapt to changes in the business environment. It can also arise due to external factors such as changes in the accounting rules, changes in taxation and/or regulatory changes.

An assessment of the Strategic Perspectives is presented bi-annually to the Board and covers aspects including profit targets, new business targets, capitalisation, expenses, compliance and investments, amongst others. The external environment that HRI operates in is regularly discussed at the Board meetings from a regulatory, legal, tax and accounting perspective. Strategic risk is also monitored and assessed regularly through the risk register.

As a global reinsurer, HRI is subject to the risk of tax and regulatory changes both here in Ireland and globally in jurisdictions where it writes business.

In October 2021, after negotiations at the Organisation for Economic Co-Operation and Development (OECD), more than 130 member jurisdictions agreed to an outline for new tax rules in relation to a future global minimum corporate tax rate. There are two 'pillars' of the reform: Pillar One changes where large companies pay taxes and Pillar Two introduces the global minimum tax.

Delays in implementation and disagreement on the policy details have pushed the timeline for a full agreement on Pillar One to mid-2023 and implementations of Pillar Two to 2024 at the earliest. The EU unanimously agreed in December 2022 to implement Pillar Two. The EU Directive will need to be imposed into each country's national law by the end of 2023. Companies with an annual turnover of at least €750 million may begin to pay the 15 percent minimum rate starting in 2024.

The proposals on their own are not thought to be a serious risk or concern to the Company. In 2018, HRI's risk profile materially changed following the US Tax Cuts and Jobs Act. Global tax policy will continue to be closely monitored as further adoption and implementation steps take place.

### Emerging risk

The hallmark of emerging risks is that by their nature the substance of such risks is not yet known and it is hard to predict with any certainty, making their implications difficult to assess. Such risks may have a high loss potential. The definition includes both newly emerging and evolving risks.

Risks which fall under the above categories include the following:

### Cyber risk

Cyber risk can be defined as any risks that emanate from the use of electronic data and its transmission, including technology tools such as the internet and telecommunications networks. It also encompasses physical damage that can be caused by cybersecurity incidents, fraud committed by misuse of data, any liability arising from data storage, and the availability, integrity, and confidentiality of electronic information − be it related to individuals, groups/companies.

The COVID-19 pandemic has changed the way that people live and work with cyber security threats either emerging as a result of the pandemic or having been exacerbated by it. It is not only small businesses and individuals facing attacks, as cyber-criminals increasingly target large enterprises and corporations.

As a subsidiary, HRI largely relies on the IT services provided by the Group to mitigate its exposure to cyber risk. A Group-wide Information Security Policy is in place and is annually reviewed and

approved by the Executive Board of Hannover Rück SE. Cyber risk is considered as a component of Information and IT security risk, which is one of the operational risk categories on the risk register. A local Information Security policy has been implemented and an expansion of the Business Continuity Plan to specifically cover cyber risk has been completed.

HRI has been subjected to and continues to be subjected to numerous phishing attempts. These have all been unsuccessful to date and have been used as training examples for all staff to raise awareness and to ensure everyone remains vigilant. While cyber risk can never be fully mitigated, HRI manages it through activities such as mandatory training, monitoring access rights, reviewing incident reports, identifying sensitive and critical data and regular reporting at Committee level. Cyber risk training takes place on an annual basis and is mandatory for all employees.

Increased awareness of phishing attempts has been communicated to all staff with hybrid working leading to a large volume of suspicious emails being received. Warning emails have also been circulated to staff by IT personnel when suspicious emails were notified to them. This awareness and vigilance step was further heightened following Russia's invasion of Ukraine, with the increased threat of cyber attacks during the crisis and in response to sanctions imposed on Russia by the US, Europe and other countries.

From an underwriting perspective, HRI do not provide standalone Cyber coverage to any third party clients. Hannover Re has recently updated underwriting guidelines to specify and limit any cyber exposures. Silent Cyber exposures are avoided in line with these guidelines. Cyber risk is actively tracked by Advanced Solutions Ireland in line with the revised Group guidelines, either by exclusion or approval of known exposure.

Cyber Risk is reflected within the manmade Cat module of the internal model.

### Sustainability risk

Sustainability Risk is captured within Reputational, Strategic and Emerging risks. A globally active reinsurer like Hannover Re will encounter risks relating to sustainability. Managing sustainability risk is balancing strategic goals with internal green strategies and policies. In the context of our risk management, we also consider risks that can arise in connection with environmental, social or governance issues (ESG risks) and are increasingly affecting already existing risk categories.

Environmental protection, human resources, occupational health and safety, public private partnerships, infrastructure development and social affairs as well as closing protection gaps in the regions of a company's operation, can directly impact a company's reputation and financial results. Our compliance with arising regulatory requirements in this respect complements our sustainability procedures.

Sustainability is more than just a buzzword for Hannover Re. Our approach to sustainability is an essential part of our Group strategy, as expressed in our purpose, our values and our robust foundation. Hannover's commitments to sustainability is demonstrated through the Sustainability Strategy and Management Framework in place. The strategy describes at greater length core elements of our sustainable actions and our contribution to a transformation into a sustainable future.

HRI has tailored local policies, strategies and frameworks building upon the Hannover Re Group approach and activities. In 2022, HRI established a local Sustainability Function to advise the HRI OC on all Sustainability areas that could impact on the Company and to manage and control risks within the agreed HR Group Sustainability strategy.

### Climate Change

Climate change has been recognised as an emerging risk for some time but there is an increased focus emerging into how (re)insurance entities are planning for and managing the associated risks of climate change and global warming.

Insurance companies face the dual challenge of addressing escalating climate change risks and shifting industry regulations. HRI may face financial, operational or reputational impacts as a result of environmental risk events, which include environmental issues, regulatory enforcement or costs associated with changes in environmental laws and regulations.

Implications for the insurance sector include:

- underwriting of climate change related risks (and the important question of insurability);
- investment activities;
- reporting and disclosure

There is also a social role for the insurance industry and its responsibility to support the wider societal effort to transition to a lower carbon world, and to influence civic and infrastructure planning decisions now to help avoid an insurability gap in the decades ahead. As a result, reputational risk also arises in relation to how the insurance industry as a whole is reacting to climate change and sustainability as it conducts business.

From an investment and asset perspective, the HRI portfolio consists of a large proportion of highly liquid, highly-rated, secure and low risk assets. There are no direct equity investments in the energy and fossil commodity industry. Furthermore, no physical assets are held. In addition, HRI is a signatory to the UN Principles for Responsible Investment (2020) and the UNEP FI Principles for Sustainable Insurance (PSI) (2021). We have also become a member of the United Nations Environment Programme Finance Initiative (UNEP FI) and joined the Net-Zero Insurance Alliance as part of the Hannover Re Group – committing to a net zero target by 2050 in reinsurance business.

In line with our Sustainability Strategy, we evaluate investment risks associated with different ESG (environmental, social and governance) criteria. The scope includes human rights, corruption or controversial weapons but also environmental issues. Here, we are considering involvements in fossil fuels as well and reducing our exposure accordingly. This means, we actively exclude issuers from our investment portfolio that derive more than 25% of annual revenues from thermal coal extraction and power generation. Similar to our portfolio negative screening in place since 2012, issuers defined as “non-adequate” are identified by our external service provider and are actively reduced while minimizing the market impact. Future investments in such issuers will be avoided.

HRI will continue to embed climate change risks into the risk management system. The ORSA considers the risks faced by HRI as a result of climate change on both assets and liabilities on the balance sheet.

The recent consultation on the CBI’s guidance on Climate Change risk (CP151) ended in October 2022. The Sustainability and Risk functions await feedback from the consultation process.

### Reputational risk

Reputational risk is defined as the risk that adverse publicity regarding HRI's business practices and associations, whether accurate or not, could cause a loss of confidence in the integrity of the Company. The risk of loss of confidence relates to all stakeholders, which include existing and potential clients, brokers, suppliers, supervisors and employees. It has the capacity to damage our existing business and our future potential.

As far as reputational risks are concerned, taking due account of ESG concerns is one of the best possible ways to avoid reputational damage and an associated loss of trust among our stakeholders. Conversely, the measures enshrined in the sustainability strategy are key tools for avoiding reputational risks. As a result, risk management, reputational risk and sustainability risks are closely interlinked. The Sustainability Framework in place, is now the leading framework on managing reputational risks; addressing both issues in a united approach.

## C.7 Any Other Information

There is no other material information regarding the risk profile.

# D. Valuation for Solvency Purposes

### General valuation principles

The valuation of assets and liabilities pursuant to Solvency II is based on economic and market-consistent principles, and takes account of inherent risks.

In line with this concept the assets and liabilities are valued as follows:

- Assets should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Liabilities should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- The fair value of money should be reflected, i.e. all cash flows have to be discounted.
- When valuing liabilities, no value adjustments are made in order to account for the creditworthiness of the insurance or reinsurance company.
- The valuation of assets and liabilities is based on the assumption that the Company will continue its business activity ("going concern principle").
- Individual assets and liabilities are valued separately.
- Concepts of materiality shall apply. Absent or erroneous information pertaining to items shall be deemed significant if it could influence the individual or aggregated business decisions of the recipients.
- Simplifications may be applied when the method is deemed appropriate for the type, scope and complexity of the inherent risk.

The underlying principle used for determining the market values of assets and liabilities, with the exception of technical provisions, is the valuation principle pursuant to International Accounting Standards, as was adopted by the EU Commission pursuant to the Directive (EC) No. 1606/2002. For example, the guideline for determining fair values pursuant to IFRS 13 Fair Value Measurement, serves as a source of orientation.

The cash flow view plays a key role in the valuation of technical provisions:

- The value of technical provisions corresponds to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.
- Technical provisions must be calculated in a prudent, reliable and objective manner.
- The value of technical provisions shall be equal to the sum of a best estimate and a risk margin
- The calculation of the best estimate (so-called "Best Estimate Liability" or "BEL") utilises cash flow projections, which reflect the settlement of insurance and reinsurance liabilities over the course of the term.
- The BEL is supplemented by a risk margin. The calculation of the risk margin is done using a Cost of Capital approach.

Any valuation methods used must always be compatible with Article 75, respectively Articles 77 to 82 and Article 86 of the Directive 2009/138/EC.

### Going Concern

A going concern assessment has been undertaken as part of the 2022 reporting process. The assessment considered the company's business activities, liquidity, solvency and position within the Group.

In addition, the SFCR includes notes on the Company's capital management (Section E) and management of its risks including market, insurance, credit and liquidity risk (Section C).

The going concern assessment included consideration of the Company's current and forecast solvency and liquidity positions over a five-year period through management's 2023-2027 business plan and evaluates the results of stress and scenario testing.

The Company's stress and scenario testing considers the Company's capacity to respond to a series of relevant financial, insurance or operational shocks should future circumstances or events differ from the current assumptions in the business plan, focussing on the impacts on solvency, cash remittances and liquidity. The range of scenarios allow for the potential impacts of COVID-19 both directly on the claims and also on the wider macroeconomic environment. Even in severe downside scenarios, no material uncertainty in relation to going concern has been identified.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

### Assessing active markets

In the course of valuing assets, it is necessary to assess whether a market is active or not. Only when a market is active may the current value be taken directly from these markets or derived from comparable assets traded there, in order to determine the market value of assets. If a market cannot be categorised as active, the market value is to be determined using valuation models. The assessment of whether or not a market can be viewed as an active market hinges on a discretionary decision regarding the type of financial instruments and local markets. At HRI this is however, based on the following predetermined parameters.

- Business transactions occur with sufficient frequency and corresponding volume, so that price information is continuously available
- The products which are traded on the market are homogeneous
- Contractually willing buyers/sellers can, as a rule, be found at any time
- Prices are freely accessible to the public

An active market is deemed not to exist when, due to the complete and long-term decline in buyers and/or sellers, market liquidity is no longer established. Should transactions be verified as resulting exclusively from forced deals, compulsory liquidations or distressed sales, this is just as much an indicator for an inactive market as are high bid/ask spreads.

In the event that an inactive market has been verified, we use valuation models for the calculation of market values. Please refer to section “D.4 Alternative methods for valuation”.

### Note

Due to computational reasons rounding errors of +/- one unit can occur in the tables.

### Solvency II balance sheet as at 31 December 2022

The following two pages show the Solvency II and IFRS balance sheets as at 31 December 2022.

The valuation of these items is further described in subsections "D.1 Assets", “D.2 Technical Provisions”, "D.3 Other liabilities" and “D.4 Alternative methods for valuation”.

| In USD 000's | Solvency II | IFRS |
|---|---|---|
| **Assets** | | |
| Deferred acquisition costs | - | 802,367 |
| Deferred tax assets | 9,659 | 18,511 |
| Property, plant & equipment held for own use | 7,679 | 11,028 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 2,375,486 | 2,354,809 |
| Property (other than for own use) | - | - |
| Holdings in related undertakings, including participations | - | - |
| Bonds | 2,288,203 | 2,277,993 |
| Government Bonds | 1,259,658 | 1,426,236 |
| Corporate Bonds | 925,249 | 748,461 |
| Structured notes | - | - |
| Collateralised securities | 103,296 | 103,296 |
| Collective Investments Undertakings | 33,744 | 33,744 |
| Derivatives | 30,389 | 30,389 |
| Deposits other than cash equivalents | 10,466 | - |
| Other investments | 12,683 | 12,683 |
| Assets held for index-linked and unit-linked contracts | - | - |
| Loans and mortgages | - | 10,209 |
| Loans on policies | - | - |
| Loans and mortgages to individuals | - | - |
| Other loans and mortgages | - | 10,209 |
| Reinsurance recoverables from: | 1,321,648 | 1,504,366 |
| Non-life and health similar to non-life | 1,363,798 | 1,472,530 |
| Non-life excluding health | 1,096,441 | 1,472,530 |
| Health similar to non-life | 267,357 | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | -42,150 | 31,836 |
| Health similar to life | 14,655 | - |
| Life excluding health and index-linked and unit-linked | -56,805 | 31,836 |
| Life index-linked and unit-linked | - | - |
| Deposits to cedants | 5,667,216 | 5,765,537 |
| Insurance and intermediaries receivables | 394,448 | 293,869 |
| Reinsurance receivables | 22,297 | 20,933 |
| Receivables (trade, not insurance) | 1,138 | 1,138 |
| Cash and cash equivalents | 47,022 | 57,488 |
| Any other assets, not elsewhere shown | - | - |
| **Total assets** | **9,846,594** | **10,840,255** |

| In USD 000's | Solvency II | IFRS |
|---|---|---|
| **Liabilities** | | |
| Technical provisions – non-life | 6,375,063 | 7,006,424 |
| Technical provisions – non-life (excluding health) | 5,713,348 | - |
| Technical provisions calculated as a whole | - | - |
| Best Estimate | 5,622,950 | - |
| Risk margin | 90,399 | - |
| Technical provisions - health (similar to non-life) | 661,715 | - |
| Technical provisions calculated as a whole | - | - |
| Best Estimate | 656,000 | - |
| Risk margin | 5,714 | - |
| Technical provisions - life (excluding index-linked and unit-linked) | 892,826 | 1,594,145 |
| Technical provisions - health (similar to life) | 473,639 | - |
| Technical provisions calculated as a whole | - | - |
| Best Estimate | 443,421 | - |
| Risk margin | 30,218 | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | 419,187 | - |
| Technical provisions calculated as a whole | - | - |
| Best Estimate | 356,874 | - |
| Risk margin | 62,313 | - |
| Technical provisions – index-linked and unit-linked | - | - |
| Technical provisions calculated as a whole | - | - |
| Best Estimate | - | - |
| Risk margin | - | - |
| Provisions other than technical provisions | 9,823 | 9,823 |
| Deposits from reinsurers | 680,167 | 699,549 |
| Deferred tax liabilities | - | - |
| Derivatives | 3,621 | 3,621 |
| Debts owed to credit institutions | - | - |
| Financial liabilities other than debts owed to credit institutions | 327,963 | 535,117 |
| Insurance & intermediaries payables | 344,336 | 120,944 |
| Reinsurance payables | 146,123 | 56,711 |
| Payables (trade, not insurance) | 3,839 | 3,839 |
| Subordinated liabilities | 190,783 | - |
| Subordinated liabilities not in Basic Own Funds | - | - |
| Subordinated liabilities in Basic Own Funds | 190,783 | - |
| Any other liabilities, not elsewhere shown | 1 | 1 |
| **Total liabilities** | **8,974,545** | **10,030,174** |
| **Excess of assets over liabilities** | **872,049** | **810,081** |

## D.1 Assets

### D.1.1 Deferred Acquisition costs R0020

The valuation of Deferred Acquisition costs is described in Section D.2 Technical provisions.

### D.1.2 Deferred tax assets R0040

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deferred tax assets | 9,659 | 18,511 |

In the IFRS financial statements balance sheet deferred tax is provided in full in accordance with IAS 12 Income Taxes, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

In the Solvency II balance sheet, deferred taxes may result from the following:

- Taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet); and
- Unused tax loss and tax credits that may be carried forward.

A deferred tax asset (under Solvency II and the statutory account valuations) is recognised only to the extent that it is probable that future tax profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Differences in valuation

The difference in valuation relates to the taxable / deductible temporary differences between the Solvency II balance sheet and the tax base (tax balance sheet).

### D.1.3 Property, plant & equipment held for own use R0060

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Property, plant & equipment held for own use | 7,679 | 11,028 |

The market value of internally-used property is calculated as follows:

The market value of the leasehold improvements is Nil as it is assumed that the improvements will revert to the lessor at the expiration of the lease.

With regard to the fixtures, fittings and equipment the valuation base pursuant to the Solvency II balance sheet is seen as identical with the valuation base used for annual accounts in line with commercial law. A revaluation is not conducted for reasons of materiality.

### Differences in valuation

The difference between the valuation bases found in the Solvency II balance sheet and the IFRS financial statements is attributable to the net book value of the leasehold improvements under IFRS.

## D.1.4 Bonds R0130

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Bonds | 2,288,203 | 2,277,993 |

Government bonds, corporate bonds, structured notes and collateralised securities are predominantly valued on the basis of quoted prices, which have been realised on active markets. If no publicly available price quotations are available or the markets in which they originate are deemed to be inactive, the items are valued on a theoretical basis.

Market quotations are provided by selected price service agencies, trading information systems or intermediaries (brokers) deemed to be trustworthy. The potential sources of price information available are allocated a ranking within a hierarchy. As a rule, price quotations issued by price service agencies are allocated the highest priority, while those provided by intermediaries are allocated the lowest. Exceptions can occur, for example, for selected market segments / currency combinations.

### Differences in valuation

The difference between the Solvency II valuation bases and the IFRS financial statements totalling USD 10.2m results from the reclassification of a surplus note investment with a related party, valued at USD 10.2m, which is classified as "Loans and mortgages" in the comparative IFRS balance sheet and corporate bonds under Solvency II.

## D.1.5 Collective Investment Undertakings R0180

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Collective Investment Undertakings | 33,744 | 33,744 |

Collective investment undertakings consist of High Yield Bond Funds and Debt Funds.

The High Yield Bond Funds are actively managed funds, focused on publicly traded bonds. These assets are predominantly valued on the basis of quoted prices, which have been realised on active markets. If not publicly available price quotations are available or the markets in which they originate are deemed to be inactive, the items are valued on a theoretical basis.

### D.1.6 Derivatives R0190

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Derivatives | 30,389 | 30,389 |

Financial derivatives (e.g. options or forwards) are valued based on quoted market prices. If there are no market prices, the positions are evaluated theoretically.

Foreign exchange forward contracts, swaps and forward purchases can be evaluated by using the discounted cash flow method on the payoff profiles

The discount rates and the interest rate differentials are the two main factors used in calculating the valuation of the derivatives currently held by HRI.

To protect the Company's investment in Life Settlement products, the Company has entered into a reinsurance treaty with a fellow subsidiary which allows the Company to purchase cover on a policy-by-policy basis ("a yield collar"). The yield collars' unrealised value is the difference between the current market value and the cost of the policy where the market value is less than cost.

### D.1.7 Deposits other than cash equivalents R0200

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits other than cash equivalents | 10,466 | 0 |

The deposits other than cash equivalents are short-term highly liquid investments with less than 90 days' maturity from the date of acquisition. The funds are normally invested for periods of less than one month. They are carried at face value which is a reasonably approximate fair value at the reporting date.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of short term bank deposits which are classified as cash and cash equivalents in the IFRS financial statements.

### D.1.8 Other investments R0210

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Other investments | 12,683 | 12,683 |

Life settlements are valued on a policy-by-policy basis, using a discounted cash flow method. The fair value of a policy at the point of purchase is assumed to be equal to the purchase price. The fair-value at future dates is assumed to be the present value of expected future cash flows discounted at the risk-free term structure of spot rates (based on swaps) plus a policy-specific risk margin. The main risks associated with these instruments are longevity and interest rate risk. The yield collars, which are purchased and valued on a policy-by-policy basis, are calculated as the difference between the fair value of the underlying policy and that fair value capped at the annual rate implied in the contract. Yield collars mitigate downside risk but also cap potential gains. The yield collars are classified as derivatives on the Solvency II and IFRS balance sheet.

### D.1.9 Loans and mortgages R0230

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Loans and mortgages | 0 | 10,209 |

The surplus note is with a related special purpose financial captive insurance company. The fair value is the principal balance with interest accrued to contract terms. The main risk associated with this investment is counterparty and credit risk.

#### Differences in valuation

The difference between the Solvency II valuation bases and the IFRS financial statements results from the reclassification of the surplus note investment which is classified as a bond on the Solvency II balance sheet.

### D.1.10 Reinsurance recoverables R0270

The valuation of Reinsurance recoverables is described in Section D.2 Technical provisions.

### D.1.11 Deposits to cedants R0350

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits to cedants | 5,667,216 | 5,765,537 |

These assets primarily consist of funds held on certain contracts representing the collateral contractually withheld by our cedants to cover the technical liabilities HRI has reinsured. Some of these assets are valued at market value using a mark-to-market method. These assets primarily consist of government, semi-government and corporate bonds. Such investments are typically held in trust and managed in accordance with approved investment guidelines. The remainder of these assets are funds held on the cedant's general account with an explicit interest rate change attached

#### Differences in valuation

There are four main reasons for the difference in valuation of Deposits to cedants.

- The Deposits to cedants are valued at fair value Solvency II whereas they are valued at amortised cost in the IFRS financial statements. This resulted in a decrease in the asset under Solvency II of USD 51m.
- Under Solvency II the probability-weighted, expected margin is recognised on deposit accounted business, whereas for IFRS the full margin is recognised.
- For Solvency II future periods within the contract boundary are recognised, whereas under IFRS they are not.
- Contract deposits are included in the liabilities (see "Deposits from reinsurers") under IFRS.

These adjustments resulted in a decrease in the reported Deposits to cedants asset under Solvency II of USD 98.3m.

### D.1.12 Insurance and intermediaries receivables R0360

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Insurance and intermediaries receivables | 394,448 | 293,869 |

The carrying amount of Insurance and intermediary receivables is deemed to be a reasonable approximation of fair value. Balances receivable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The receivable balance is diversified among a range of cedants. The risk of non-payment by cedants is mitigated by the use of offset clauses in the underlying contract. Following our review of the receivable balances, no impairment was necessary.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value results from the reclassification of certain receivables to Technical Provisions in accordance with the due date of the receivable.

### D.1.13 Reinsurance receivables R0370

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Reinsurance receivables | 22,297 | 20,933 |

The carrying amount of Reinsurance receivables is deemed to be a reasonable approximation of fair value. Balances receivable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The receivable balance is diversified among a range of retrocessionaires. The risk of non-payment is mitigated by the use of offset clauses in the underlying contract. Following our review of the receivable balances, no impairment was necessary.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value results from the reclassification of certain receivables to Technical Provisions in accordance with the due date of the receivable.

### D.1.14 Receivables (trade, not insurance) R0380

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Receivables (trade, not insurance) | 1,138 | 1,138 |

The carrying amount of Receivables (trade, not insurance) is deemed to be a reasonable approximation of fair value.

### D.1.15 Cash and cash equivalents R0410

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Cash and cash equivalents | 47,022 | 57,488 |

The Cash and cash equivalents are carried at face value and consist of cash at banks. They are carried at face value which is a reasonable approximation to fair value at the reporting date.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of short term bank deposits which are classified as cash and cash equivalents in the IFRS financial statements.

## D.2 Technical Provisions

The technical provision ("TP") under Solvency II is determined as the sum of the best estimate liability ("BEL") and the risk margin ("RM").

Determining the TP, the risk-free yield curve including a volatility adjuster component in line with European Insurance and Occupational Pensions Authority (EIOPA) requirements are used. A matching adjustment is not applied. Furthermore, the risk-free yield curve is not adjusted as set out in article 308c of the directive 2009/138/EC.

A temporary deduction according to article 308d of the directive 2009/138/EC is not applied.

The concept of calculating the TP "as a whole" is currently not applied to any business written.

HRI has been granted approval by the CBI to use volatility adjustments. This is intended to mitigate the effect of value fluctuations on the bond market. The volatility adjustment according to Article 77 d of the Directive 2009/138/EC was used for calculating the BEL. The following table shows the impact of a non-application of a volatility adjustment on the TP, the Solvency Capital Requirement ("SCR"), the Minimum Capital Requirement ("MCR"), the basic own funds and the amounts of own funds eligible to meet the MCR and the SCR.

Even under a non-application of a volatility adjustment, the solvency ratio is still comfortable.

**Impact of non-application of a volatility adjustment**

| in USD 000's | Amount with Long Term Guarantee measures and transitionals | Impact of volatility adjustment set to zero |
|---|---|---|
| Technical provisions | 7,267,889 | 22,499 |
| Basic own funds | 1,062,831 | -19,867 |
| Eligible own funds to meet Solvency Capital Requirement | 1,168,363 | -22,339 |
| Solvency Capital Requirement | 767,938 | 2,438 |
| Eligible own funds to meet Minimum Capital Requirement | 931,504 | -22,485 |
| Minimum Capital Requirement | 345,572 | 1,097 |

For Solvency II purposes, all contracts have to be evaluated over the whole lifetime ("ultimate view"). In general, a contract boundary is set on that future date where at least one of the following criteria is met:

- The future date where the (re)insurance undertaking has a unilateral right to terminate the contract
- The future date where the (re)insurance undertaking has a unilateral right to reject premiums payable under the contract
- The future date where the (re)insurance undertaking has a unilateral right to amend the premiums or benefits payable under the contract in such a way that the premiums fully reflect the risks.

In case no contract boundaries exist, the projection is based on a look-through approach, i.e. the policies are projected until their natural expiry.

The BEL is shown on a gross basis in the following, i.e. before the reduction of reinsurance recoverables, and the RM is shown on a net basis, i.e. reflecting the risk mitigating effect of retrocessions. This is consistent with the methodology used in the Solvency II balance sheet.

#### Best Estimate Liability (BEL)

The calculation of the BEL is based on the projection of future cash in- and outflows like premiums, claims, and expenses as well as amounts related to payables and receivables with a future due date. Best estimate assumptions are used in the calculation of the BEL. The expenses consist of direct administration expenses and costs of on-going operations.

The projections are done separately for assumed and retroceded business using the same bases, methods and assumptions.

#### Risk Margin (RM)

According to article 37 (1) of the Commission Delegated Regulation (EU) 2015/35, a uniform cost-of-capital approach is used for calculating the risk margin.

The Cost of Capital ("CoC") factor is 6%. The required capital is the SCR under Solvency II according to HRI's internal model. The allocation of the SCR to the lines of business reflects the contribution to the SCR (Art. 37). The distributed capital is run off in future years using appropriate risk drivers for each line of business.

The following have not been used by HRI in the calculation of the Solvency II technical provisions:

- Matching adjustment
- Transitional risk-free interest rate term structure
- Transitional deduction.

### D.2.1 Life & Health: Valuation Principles

S.12.01.02 Life and Health SLT Technical Provisions included in the "Quantitative Reporting Templates" section shows the technical provisions associated with each HRI Life & Health line of business.

#### Valuation Bases

In all cases the technical provisions have been calculated as the sum of the Best Estimate Liability and Risk Margin.

The Best Estimate Liability is calculated as the present value of future cashflows arising within the contract boundary using current best estimate assumptions and the relevant risk-free interest term structure including a volatility adjuster component. The cashflows projected include the following:

- Premiums
- Benefits
- Commissions
- Profit sharing payments
- Expenses

Included in the Best Estimate Liability is an estimation of incurred but not reported claims and outstanding claims where relevant. In addition, the Best Estimate Liability includes payable/receivable amounts that have a future due date.

The Risk Margin is calculated using the cost-of-capital approach as set out in Delegated Acts Solvency II Article 37. The approach used falls under Method 1 of the hierarchy of methods as set out in Guideline 62 of the EIOPA Guidelines on the Valuation of Technical Provisions (i.e. to approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements).

### Life

#### Methods

This line of business covers a significant number of treaties, originating primarily in the UK, Asia, North America and Australasia as well as a small number of treaties coming from the rest of the world. The underlying business covers term, permanent and annuity business through traditional reinsurance arrangements, with and without financing, as well as through more structured financing reinsurance arrangements which are more risk remote.

A combination of seriatim data and model points is used to project the best estimate of future cashflows using actuarial projection programmes.

The Best Estimate Liability also includes cashflows related to administration and overhead expenses generated within HRI.

#### Main Assumptions

The primary assumptions for the traditional risk reinsurance arrangements are mortality and lapse.

The mortality assumption is developed specific to the main regions. For instance, for UK originated business, it has been calibrated to UK industry mortality tables based on own experience with allowance for mortality improvement assumptions included from UK population mortality improvements trends. The mortality assumption for the Asian business has also been developed based on industry mortality tables calibrated to experience.

Lapse assumptions are based on current best estimates, reflecting factors such as duration, issue age, product type, sales channel, risk classes and single/joint life.

The assumptions for the traditional financing are set based on original pricing and historical experience where credible. For the structured transactions, the experience assumptions are generally those developed at pricing but treaty performance relative to expected is monitored and updates made if required.

#### Valuation Differences

The following table shows the difference between the Solvency II technical provisions and the technical provisions reported in the financial statements:

**SII & IFRS Technical provisions**
In USD 000's

| Line of Business | BEL | RM | TP | IFRS Technical Provisions* | Comparison SII and IFRS |
|---|---|---|---|---|---|
| Life | 356,874 | 62,313 | 419,187 | 641,730 | -222,543 |

*IFRS Technical Provision = Benefit reserve + IBNR + O/S claims reserve + UPR + Profit Commission Reserve- DAC

The IFRS reserves in the financial statements have been calculated under US GAAP principles.

For the traditional arrangements, the benefit reserve component is typically calculated using a Net Premium Valuation approach. The benefit reserve component reflects the best estimate assumptions at the start of the contract with a provision for adverse deviation, whereas Solvency II reflects the current best estimate view of assumptions. The best estimate view of these assumptions has evolved over time arising from own emerging experience and industry studies. Due to different requirements, the provision for expenses within the Best Estimate Liability is higher than that within the IFRS reserves.

The Solvency II technical provisions include a risk margin. The IFRS benefit reserve assumptions include a provision for adverse deviation as part of the valuation basis.

The Best Estimate Liability is calculated using current risk free interest rates including a volatility adjustment whereas the benefit reserve is calculated using a valuation interest rate set at the start of the contract. The average valuation interest rate is lower than the current risk free rates.

Deposit related cashflows are based on market values under Solvency II whereas these are included within the benefit reserve at book value, with the market value USD 51m lower.

There are differences between the Solvency II and IFRS technical provisions related to where balances are shown on the respective balance sheets, with payables/receivable amounts of USD (13m) included in the Solvency II technical provisions that are not included with the IFRS technical provisions.

For the structured transactions the IFRS reserves are generally zero. The corresponding Solvency II technical provisions are negative for these deals, representing the expectation of receipt of future fee income, with risk margins reflecting the risk remote structure.

The Incurred but not reported and outstanding claims reserves are consistent between IFRS and Solvency II.

### Health

### Methods

This line of business comprises treaties where the material underlying risks relate to critical illness or disability products originating primarily in Asia but also in the UK and North America.

A combination of seriatim data and model points is used to project the best estimate future cashflows using actuarial projection programmes.

### Main Assumptions

The primary assumptions are morbidity and lapse. Mortality is also important for some treaties in respect of claim terminations.

Assumptions are set based on original pricing, client provided information, historical experience, and industry specific information.

### Valuation Differences

The following table shows the difference between the Solvency II technical provisions and the technical provisions reported in the financial statements:

**SII & IFRS Technical provisions**
In USD 000's

| Line of Business | BEL | RM | TP | IFRS Technical Provisions* | Comparison SII and IFRS |
|---|---|---|---|---|---|
| Health | 443,421 | 30,218 | 473,639 | 414,126 | 59,513 |

The IFRS reserves have been calculated under US GAAP principles.

The benefit reserve component reflects the best estimate assumptions at the start of the contract with a provision for adverse deviation, whereas Solvency II reflects the current best estimate view of assumptions. The best estimate view of these assumptions has evolved over time arising from own emerging experience and industry studies.

The Solvency II technical provisions include a risk margin. The benefit reserve assumptions include a provision for adverse deviation but the IFRS technical provisions do not include a further explicit risk margin similar to the Solvency II methodology.

The Best Estimate Liability is calculated using current risk free interest rates including a volatility adjustment whereas the benefit reserve is calculated using a valuation interest rate set at the start of the contract. The average valuation interest rate is higher than the current risk free rates.

There are differences between the Solvency II and IFRS technical provisions related to where balances are shown on the respective balance sheets, with payables/receivable amounts of USD 34m included in the Solvency II technical provisions that are not included with the IFRS technical provisions.

### Allowing for future management actions

HRI makes no allowance for future management actions within the calculation of the L&H technical provisions.

### Reinsurance Recoverable

The following table shows the reinsurance recoverable amount per line of business:

In USD 000's

| Line of Business | Reinsurance recoverable - Solvency II | Ceded IFRS Technical Provisions* |
|---|---|---|
| Life | -56,805 | 11,655 |
| Health | 14,655 | 79 |

* Ceded IFRS Technical Provision = Benefit reserve + IBNR + O/S claims reserve + UPR + Profit Commission Reserve- DAC

The reinsurance recoverable reflects retrocession in place, both internally within the Hannover Re Group and externally to third parties. Where appropriate, a default adjustment is included.

In general, the same approach is used to calculate the reinsurance recoverable as for calculating the gross Best Estimate Liability, with best estimate future cashflows projected in actuarial systems.

Similar to the assumed technical provisions, there are differences in assumptions and the interest rates used in the calculations.

There are differences between the Solvency II and IFRS technical provisions related to where balances are shown on the respective balance sheets, with payables/receivable amounts of USD 11m included in the Solvency II technical provisions that are not included with the IFRS technical provisions.

### Material Changes in Assumptions

As part of the regular and ongoing review of all assumptions, updates were made to the UK, North America and Asian business to reflect experience. These changes resulted in an overall decrease in the Best Estimate Liability.

### Level of Uncertainty in the Technical Provisions

The main area of uncertainty around the level of the technical provisions relates to the potential deviation of actual experience from the underlying assumptions and the sensitivity of cash flows to changes in those assumptions.

The most material uncertainty comes from the traditional life and health risk business. Small changes in the mortality rates can have significant effects on the claim payments.

Changes in lapse rates are material for certain products as well. The directionality of the lapse effect is dependent on the treaty and type of reinsurance.

Given the risk remoteness of the deals, the structured transactions are a more limited source of uncertainty. The recapture rights of the cedants are an area of uncertainty.

### D.2.2 Property & Casualty: Valuation Principles

S.17.01.02 Non-life Technical Provisions included in Section F Quantitative Reporting Templates shows the technical provisions associated with each HRI Property & Casualty line of business. For management reporting purposes underwriting performance is reviewed on a treaty-by-treaty basis as this is how the business is structured. Therefore, the analysis below is performed strictly to meet the Solvency II narrative reporting requirements.

For the purposes of calculating the Technical Provisions the same approach is applied regardless of line of business, so the description below applies across all lines of business.

#### Methodology

HRI calculates the best estimate liability ("BEL") on a treaty by treaty basis. Because of the structured nature of the business written by HRI, traditional actuarial techniques would not be appropriate, even at a Solvency II segment level, to calculate the best estimate liability at a portfolio level.

In general, the BEL is based on the IFRS reserve minus the expected margin to be earned on the treaty. The expected margin is the weighted average margin derived at the time of pricing, which reflects the present value of the full range of possible outcomes modelled. So the BEL also reflects the weighted average outcome rather than a median scenario. In addition, for older treaties where the margin has been recognised a portfolio level reserve is held to reflect the possibility of negative outcomes. However, if a particular treaty is not performing as expected a treaty specific approach will be adopted.

#### Best Estimate Premium Provision

Premium provisions relate to claims events occurring after the valuation date and during the remaining in-force coverage period of policies. The cash flow projections are comprised of all future claims payments and expected future premiums stemming from these events.

The best estimate includes all future cash flows associated with existing obligations. Premium provisions take account of expected profits during remaining periods on risk and of the time value of money over the period until settlement of relevant cash outflows. Thus, the best estimate may be negative.

#### Best Estimate Claims Provision

All future payments as well as any future premium resulting from those losses which occurred up to the valuation date are taken into account so as to calculate a best estimate claims provision irrespective of loss reporting date. Thus, any cash flow also includes loss payments and premiums for losses which are incurred but not reported at the valuation date. The best estimate claim provision calculation does not include any implicit or explicit redundancy or deficiency of calculated reserves.

Given the payment information up to the due date an ultimate loss estimator and a respective payout pattern is calculated for each treaty so as to project a cash flow of outstanding claims until an ultimate loss is achieved.

### Current assumptions

There are a number of treaties with specific assumptions as to their ultimate loss position. These are updated as experience develops or circumstances change and documented appropriately.

For treaties where the margin has been recognised a portfolio wide reserve is held on a best estimate basis.

Some treaties written by HRI contain features, such as the start of maintenance fees for example, to encourage the cedant behaviour that was anticipated at the inception of the treaty, such as commutation at a certain point. The expected margin reflects these features and the probability of commutation or payment of additional premiums or fees. So expected cedant behaviour is reflected in the BEL and any exceptions due to poor performance for example are reflected accordingly as necessary.

### Expenses

The technical provisions include all cash flows arising from expenses that will be incurred in serving all recognised reinsurance obligations over the lifetime. Furthermore, expenses used for the technical provision calculation include both, allocated and unallocated (overhead) expenses. Allocated expenses are those expenses, which could be directly allocated to individual claims. Overhead expenses include all other expenses, which the undertaking incurs to settle its obligations and which are not directly assignable to settling claims.

### Treaty boundary

For the calculation of technical provisions all expected cash flows allocated to treaties have to be projected into the future. For HRI, all treaties are evaluated over the whole lifetime (“ultimate-view”). Therefore, for the purposes of measurement, the boundary of a reinsurance treaty is the point at which HRI would no longer be required to provide coverage.

Renewals are treated as a new treaty when HRI is no longer required to provide coverage, or the existing treaty does not confer any substantive rights on the ceding company. Obligations that do not relate to premiums which have already been paid do not belong to the treaty, unless HRI can compel the ceding company to pay the future premium.

### Allowing for future management actions

HRI makes no allowance for future management actions within the calculation of the P&C technical provisions.

### Reinsurance Recoverables within technical provisions

The technical provisions held correspond to the probability-weighted average of all future cash flows including cash flows recoverable from reinsurance contracts. This takes account of the time value of money and the adjustment for the expected losses due to the default of the counterparty. The following table shows the reinsurance recoverables associated with each relevant HRI Property & Casualty line of business, in USD 000’s:

| Line of Business | Reinsurance recoverable |
|---|---|
| **Proportional Reinsurance** | |
| Medical expense insurance | 50,123 |
| Income protection insurance | 216,818 |
| Workers' compensation insurance | 416 |
| Motor vehicle liability insurance | 24,645 |
| Other motor insurance | 272,972 |
| Marine, aviation and transport insurance | 20,018 |
| Fire and other damage to property insurance | 715,835 |
| General liability insurance | 47,732 |
| Credit and suretyship insurance | 3,722 |
| Assistance insurance | 10 |
| Miscellaneous financial loss | 3,644 |
| **Non-proportional reinsurance** | |
| Marine, aviation and transport insurance | -39 |
| Fire and other damage to property insurance | 7,902 |
| **Total** | **1,363,798** |

### Risk-free interest rates

HRI does not use any transitional measures or the matching adjustment, but does use the volatility adjustment so the liabilities are discounted at the basic risk-free rate adjusted for the volatility adjustment. The relevant risk free discount rate is applied to each currency.

### Risk margin

The Risk Margin is calculated using the cost-of-capital approach as set out in Delegated Acts Solvency II Article 37. The approach used falls under Method 1 of the hierarchy of methods as set out in Guideline 62 of the EIOPA Guidelines on the Valuation of Technical Provisions (i.e. to approximate the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements).

### Comparison of Net IFRS reserves to Net Solvency II Technical Provisions

The following table shows a comparison of the gross IFRS reserves versus the Solvency II Technical Provisions:

| in USD 000's | Amount |
|---|---|
| IFRS Reserves(1) | 5,249,714 |
| Payables/receivables | -134,611 |
| Adjustments to Solvency II basis(2) | -199,951 |
| Best Estimate Liability | 4,915,152 |
| **Risk margin** | **96,113** |
| Total P&C Net Technical Provisions | |

(1) IFRS Reserves = Claims Reserves + IBNR + UPR +Contingent Commission Reserve – Funds Withheld – DAC

(2) Adjustments are the removal of prudence in the IFRS reserves and discounting

## D.3 Other Liabilities

### D.3.1 Provisions other than technical provisions R0750

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Provisions other than technical provisions | 9,823 | 9,823 |

The following items are listed in the Solvency II balance sheet under non-technical provisions:

- Bonuses
- Other various provisions
- Provision for share awards
- Provision for audit fees and annual report expenses
- Outstanding invoices
- Provision for stock appreciation rights

The carrying amount of other payables and accrued expenses is deemed to be a reasonable approximation to fair value.

### D.3.2 Deposits from reinsurers R0770

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Deposits from reinsurers | 680,167 | 699,549 |

Deposits from reinsurers consists of funds withheld and contract deposits due to/(from) reinsurers.

The funds withheld liabilities primarily consist of funds held on certain contracts representing the collateral contractually withheld by HRI to cover the technical liabilities that the retrocessionaires have reinsured. Some of these liabilities are valued at market value using a mark-to-market method. These liabilities primarily consist of government and corporate bonds. Such investments are typically held in trust and managed in accordance with approved investment guidelines. The remainder of these assets are funds held on general account with an explicit interest rate change attached.

#### Differences in valuation

There are two main reasons for the difference in valuation of Deposits from reinsurers.

The IFRS contract deposits liabilities for the majority of the L&H business are reclassified as the "Best-estimate liability" in the Solvency II balance sheet. The bases, methods and main assumptions used for their valuation are discussed in the technical provisions section (see section D.2).

Under IFRS a contract deposit liability is incurred for deposit accounted fee income that has been received but not yet "earned" in accordance with IFRS. There is no corresponding liability under Solvency II.

### D.3.3 Derivatives R0790

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Derivatives | 3,621 | 3,621 |

Recognition and valuation of obligations pertaining to derivatives are described in "D.1.6 Derivatives R0190".

### D.3.4 Financial liabilities other than debts owed to credit institutions R0810

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Financial liabilities other than debts owed to credit institutions | 327,963 | 535,117 |

Financial liabilities are valued using the expected cash value of future payment streams for the purposes of Solvency II.

#### Differences in valuation

The main reason for the difference is a reclassification of a certain Tier 2 subordinated loan to R0870 Subordinated liabilities in Basic Own Funds for the purposes of Solvency II.

The remaining difference is due to loans and borrowings being measured at amortised cost using the effective interest method in the IFRS financial statements. The Solvency II value includes future interest payments and is discounted.

### D.3.5 Insurance and intermediary payables R0820

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Insurance and intermediary payables | 344,336 | 120,944 |

The carrying amount of Insurance and intermediary payables is deemed to be a reasonable approximation of fair value. Balances payable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The payable balance relates to a number of different cedants.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of certain payables to Technical Provisions in accordance with the due date of the receivable.

### D.3.6 Reinsurance payables R0830

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Reinsurance payables | 146,123 | 56,712 |

The carrying amount of Reinsurance payables is deemed a reasonable approximation of fair value. Balances payable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received. The payable balance relates to a number of different retrocessionaires.

#### Differences in valuation

The difference between the Solvency II value and the IFRS financial statements value result from the reclassification of certain payables to Technical Provisions in accordance with the due date of the receivable.

### D.3.7 Subordinated liabilities R0870

| in USD 000's | Solvency II | IFRS |
|---|---|---|
| Subordinated liabilities | 190,783 | - |

Financial liabilities are valued using the expected cash value of future payment streams for the purposes of Solvency II.

#### Differences in valuation

Tier 2 subordinated loans are classified as R0870 Subordinated liabilities in Basic Own Funds for the purposes of Solvency II. The IFRS financial statements do not make any distinction in the classification of the loans and as such they are classified as R0810 Financial liabilities other than debts owed to credit institutions.

The remaining difference is due to loans and borrowings being measured at amortised cost using the effective interest method in the IFRS financial statements. The Solvency II value includes future interest payments and is discounted.

## D.4 Alternative methods for valuation

Valuation principles are applied pursuant to Solvency II. In addition to the general valuation principles the following valuation hierarchy is applied to the recognition and valuation of assets and other liabilities.

1. Stock exchange prices observed on active markets are utilised as part of the standard valuation method. The use of stock exchange prices should be based on the criteria stipulated for an active market, which are defined in the International Accounting Standards (IAS).

2. If no stock exchange prices in active markets are available for the assets and liabilities to be valued, stock exchange prices from similar assets and liabilities are used. Adjustments are made in order to reflect the differences.

3. In instances where the criteria for the use of stock exchange prices are not fulfilled, alternative valuation methods are utilised (different methods to those described in number 2). If alternative valuation methods are used these should be – to the greatest extent possible –

based on market data, and should contain – to the least extent possible – company-specific influencing factors.

HRI uses alternative valuation methods for some balance sheet items, which are subsequently described in more detail in Section D.4.1 below.

### D.4.1 Further information on alternative valuation methods

For the calculation of market values for assets and other liabilities which are not listed on a stock exchange, or whose relevant markets are deemed to be inactive at the point in time of valuation, we use the following valuation models and methods as an alternative. They represent the standard and recognised methods used for the respective assets, and are used in order to be able to determine a market price in spite of the absence of available valuations from active markets.

| Financial instruments | Parameters | Valuation models / methods |
|---|---|---|
| Unlisted plain-vanilla bonds, loans | Interest rate curves | Present value method |
| Unlisted, structured bonds | Interest rate curve, volatility surfaces | Hull-White, Black-Karasinski, Libor Market Model among others |
| Unlisted CDO/CLO | Risk premiums, default rates, prepayment speed and recovery rates | Present value method |
| Unlisted equities and participations | Acquisition costs, cash flows, EBIT multiples, book value as applicable | Capitalised earnings method, discounted cash flow method, multiples-based approaches |
| Unlisted fixed income funds | Audited net asset values (“NAV”) | Net asset value method |
| Currency forwards | Interest rate curves, spot and forward rates | Interest rate parity model |
| Life settlements | Interest rate curves, spot rates, mortality rates | Discounted cashflow method |

The majority of assets valued using alternative valuation methods are valued on the basis of the present value method. This is a predominantly assumption-free method, with which the future cash flows of securities are discounted with the use of suitable interest rate curves. These curves are derived from appropriate market data observed on publicly accessible markets. Broadly speaking, this procedure is premised on the assumption generally accepted in the market that price differences for comparable securities listed in transparent markets with regard to risk, term and creditworthiness are predominantly the result of issuance-specific characteristics and lower liquidity, and are thus deemed immaterial with regard to their influence on market value.

Specific assumptions are made in the valuation of CLOs. They relate to prepayment rates and retrieval rates. The prepayment rate describes the scope available for the instrument to repay to the bearer parts of the outstanding nominal amount before maturity. The retrieval rate is the proportion of the nominal amount repaid to the bearer subsequent to proceedings triggered by a potential default. Both parameters are estimated with an industry-standard fixed value. They however, do have a comparably limited influence on the valuation. The significant valuation parameters here are either directly observable market data or are derived from market data.

If particular structures are embedded into the security such as, for example, termination rights, further valuation models are also utilised such as, for example, the Hull-White Model or the Libor Market Model. The models calculate, for example, the probability of termination rights being exercised with the help of swaption volatilities. No noteworthy assumptions are utilised here either.

The use of models includes different model risks, which can lead to a degree of valuation uncertainty:

- Modelling risk (appropriateness and suitability of the model)
- Data quality risk (incomplete or obsolete data for the model calibration or parameterisation)
- Risk pertaining to the validity of assumptions and estimations.
- Risks in the model implementation

Through a process of regular validation in which a systematic, quantitative and qualitative assessment of the appropriateness of valuation models and methods is undertaken, model risks can be limited. Furthermore, the model results (for items which are predominantly valued using alternative valuation methods) are continuously subject to plausibility checks as part of daily quality assurance processes.

## D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities for solvency purposes.

# E. Capital Management

## E.1 Own Funds

### E.1.1 Management of own funds

The objective of own funds management is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer on a continuous basis.

The own funds are categorised into three tiers, according to their capacity to absorb losses. Own fund items included in Tier 1 are of the highest quality and, as they are permanently available, demonstrably absorb unexpected losses to enable an undertaking to continue in the case of winding-up, as well as on a going-concern basis. Tier 2 relates to basic own funds, the characteristic of which is that they are able to absorb losses in the case of winding-up of the undertaking (e.g. classic subordinated loans) but not on a going-concern basis. Own funds items not classified as Tier 1 or Tier 2 shall be classified as Tier 3, for example a deferred tax asset or ancillary own funds, which are items of capital other than basic own-funds which can be called up to absorb losses.

The time horizon used for business planning is five years, which aligns with the ORSA and the business plan.

### E.1.2 Tiering

The own funds of HRI split by tier as at 31 December 2022 compared to 31 December 2021 was comprised as follows:

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Tier 1 | 862,390 | 692,956 |
| Tier 2 | 190,783 | 107,457 |
| Tier 3 | 115,191 | 95,951 |
| **Total eligible own funds to meet SCR** | **1,168,364** | **896,364** |

None of the Tier 1 own funds is restricted capital. There is an upper limit 15% of the SCR on the amount of Tier 3 capital that can be counted towards covering the SCR. Tier 1 capital must make up a minimum of 50% of the SCR.

The eligible amount of basic own funds to cover the MCR as at 31 December 2022 compared to 31 December 2021 was comprised as follows:

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Tier 1 | 862,390 | 692,956 |
| Tier 2 | 69,114 | 57,570 |
| **Total eligible own funds to meet MCR** | **931,504** | **750,527** |

There are currently no ring-fenced funds or restrictions on capital fungibility.

### E.1.3 Basic own funds

#### Share capital

The ordinary share capital of HRI as at 31 December 2022 amounts to USD 29.9m (2021: USD 29.9m). At the beginning of the year, the Company has authorised share capital of 1,000,000 voting and dividend bearing registered shares with a nominal value of EUR 100. The Company's issued share capital consists of 273,309 Redeemable Ordinary Shares (2021: 273,309) with a nominal value of EUR 100 at year end. The shares are fully paid.

The ordinary shares and the redeemable shares of the Company rank pari passu in all respects, with one exception in relation to the redeemable shares, which shall be redeemable in whole or in part at any time or times by notice in writing given by the Company.

#### Undenominated Capital Reserve

The Undenominated Capital Reserve at 31 December 2022 is USD 24.7m and relates to shares redeemed during 2018 and 2019.

#### Capital Contribution

The Capital Contribution account, approved by the CBI, related to ordinary share capital at 31 December 2022 is USD 580.5m (2021: USD 330.5m). In 2022 the Company received a capital injection of USD 350m from its immediate parent company, Hannover Rück Beteiligung Verwaltungs-GmbH. This was comprised of USD 250m Tier 1 capital, and an additional USD 100m in subordinated loans.

#### Net deferred tax asset

The net deferred tax asset per the Solvency II balance sheet at 31 December 2022 is USD 9.7m (2021: USD 1.5m).

#### Reconciliation reserve

The reconciliation reserve equals the total Solvency II excess of assets over liabilities reduced by all of the following:

- Share capital
- Net deferred tax asset
- Capital Contribution
- Foreseeable dividends, distributions and charges;

The reconciliation reserve at 31 December 2022 is USD 228.4m (2021: USD 307.7m).

**Structure of basic own funds**

| in USD 000's | 2022 | 2021 |
|---|---|---|
| Tier 1 unrestricted | 862,390 | 692,956 |
| Ordinary share capital | 29,865 | 29,865 |
| Undenominated capital reserve | 24,770 | 24,770 |
| Capital Contribution | 580,468 | 330,468 |
| Reconciliation reserve | 227,287 | 307,853 |
| Tier 1 restricted | - | - |
| Tier 2 | 190,783 | 107,457 |
| Subordinated liability | 190,783 | 107,457 |
| Tier 3 | 9,659 | 1,489 |
| Net deferred tax asset | 9,659 | 1,489 |
| **Total** | **1,062,832** | **801,902** |

### E.1.4 Ancillary own funds (AOF)

Within the Tier 3 own funds is included an AOF item approved by the Central Bank of Ireland. The renewal of this item with amendments as defined below was approved on 23 November 2020. The material terms and conditions of the Tier 3 AOF are as follows:

| | Ancillary Own Funds |
|---|---|
| Counterparty | Hannover Rück SE |
| Initial Consideration | EUR 1 |
| Subordinated loan tranche | USD 15m<br>(USD 1m integral amounts) |
| Total Commitment Sum | The lower of 15% of SCR and 150m<br>(subject to tax and Tier 2 restrictions) |
| Rank | Tier 3 |

Upon drawdown of these Ancillary Own Funds, Hannover Rück SE will provide subordinated loans that qualify as Tier 2 basic own funds items. The method of valuation has not changed over the time period.

### E.1.5 Comparison of IFRS Financial Statements Equity and Solvency II excess of assets over liabilities

The table below shows the difference between the IFRS Financial Statements Equity and Solvency II Excess of assets over liabilities for 2022 and 2021.

| In USD 000's | 2022 | 2021 |
|---|---|---|
| Solvency II Excess of assets over liabilities | 872,049 | 694,447 |
| Total shareholders' equity - IFRS | 810,081 | 690,755 |
| **Difference** | **61,968** | **3,692** |

The difference is further analysed into the key drivers of this revaluation in the table below:

| In USD 000's | 2022 | 2021 |
|---|---|---|
| Difference relating to non-technical positions | 13,175 | -11,070 |
| Difference relating to technical positions | 57,798 | 15,267 |
| Difference relating to deferred tax | -9,005 | -505 |
| **Total** | **61,968** | **3,692** |

The reasons for the difference in valuation on a line by line basis are further described in Section D Valuation for Solvency Purposes.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Solvency Capital Requirement

The Solvency Capital Requirement split by risk categories as at 31 December 2022 with a comparison to 31 December 2021 is below.

| In USD 000's | 2022 | 2021 |
|---|---|---|
| Underwriting risk - Property & Casualty | 728,045 | 650,906 |
| Underwriting risk - Life & Health | 267,556 | 241,748 |
| Market risk | 143,246 | 139,519 |
| Counterparty default risk | 33,845 | 28,446 |
| Operational risk | 91,516 | 98,541 |
| Diversification | 404,803 | 429,509 |
| **Total risk (pre-tax)** | **859,406** | **729,651** |
| Deferred tax | 91,468 | 89,980 |
| **Total risk (post-tax)** | **767,938** | **639,671** |

The Solvency Capital Requirement has been calculated based on the approved internal model. HRI was also granted approval in 2019 to use a dynamic volatility adjustment.

The changes in the SCR over the reporting period were as follows:

- an increase in Property & Casualty underwriting risk due to growth in renewal and new business and related reserve ultimates for Inter-Company Transactions (ICTs).
- an increase in Life & Health underwriting risk mainly due to exposure updates, primarily on the Asia business. Offsetting impacts from increasing interest rates were observed over the year.
- a small increase in market risk mainly as a result of increasing FX risk. Despite increased economic volatility in 2022, market risk capital is relatively stable reflecting the strong asset/liability management framework in place.
- a small increase in counterparty default risk due to higher exposure volumes arising from new business

- a decrease in operational risk capital due to minor model changes and foreign exchange movements over the year.

#### LACDT

Solvency II permits an adjustment to allow the capital relief resulting from an instantaneous shock loss calculated as per the SCR. This means that the instantaneous loss resulting from the SCR stress would enable a (re)insurance firm to allow for tax relief in respect of such losses.

Loss-absorbing capacity of deferred taxes (LACDT) reduces the SCR because in a scenario where HRI make losses under a 1-in-200 year event, those losses carried forward will offset future profits for tax purposes. Losses carried forward are recognised in the ECM. For HRI, the LACDT is capped at 12.5% of the loss arising due to the SCR shock. Solvency II imposes restrictions on the build-up of the deferred tax assets. The restrictions are based on the recoverability within a reasonable time frame. This implies that the deferred tax asset can only be recognised in future as long as the future profits are available against which the deferred tax can be deducted.

### E.2.2 Minimum Capital Requirement

The Minimum Capital Requirement at the end of 2022 was USD 345.6m (2021: USD 287.9m). The ratio of eligible own funds for the Minimum Solvency Capital Requirement was 270% (2021: 261%).

The MCR is currently equal to the cap which is the maximum level of the MCR i.e. 45% of the SCR.

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

This is not applicable to HRI.

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

### E.4.1 Technical Specifications on the Internal Model

HRI documents the uses of the internal model in a Use Test Register. The key local applications are:

- assessing the overall required capital including the diversification benefit
- in risk budgeting and allocation
- monitoring of risk appetite statements
- for strategic decisions
- in pricing and new business through the Capital Impact Assessment (CIA) process
- testing risk mitigation options
- to quantify the severity and frequency of the risks faced by HRI.

There are also locally important uses at a Group level such as setting margins and investment benchmarks and informing the strategic asset allocation.

The complete risk landscape of HRI consists of the primary categories of underwriting risks (Property & Casualty, Life & Health), market risks, counterparty default risks, operational risks and other risks.

The scope of the internal model is such that the risk categories addressed quantitatively by the model are Life & Health underwriting risk, Property & Casualty underwriting risk, Market risk, Counterparty default risk and Operational risk. These risks and their interactions are accounted for in the representation of target variables through the application of stochastic simulation models. There are no separate modules for other risks in the internal model for the following reasons:

- In contrast to existing risks, emerging risks concern potential risks that can develop at short notice. It is more appropriate to assess these risks on a qualitative basis. Capital requirements arising from emerging risks would only occur when a qualitative assessment leads to the conclusion that the risks could materialise.
- Liquidity risk relates to the short-term payments which could necessitate the sale of assets. A financial loss can occur if the sales process leads to deterioration in the market price as a consequence of the scale of the transaction or due to illiquid markets. It is assumed that the Company is not in a position to execute transactions which could lead to a shift in the market. Market illiquidity is covered within the calibration of economic scenarios, and is therefore covered by market risk.
- Reputational risk and strategic risk do not affect the available capital over a one-year horizon, but rather the franchise value of the Company and Group exclusively. They are therefore excluded from the scope of the internal model.

It should be noted that concentration risk is taken into account in the calculation of required capital for every risk category.

### E.4.2 Implementation of the Internal Model

A stochastic model is used to project own funds under a range of different scenarios. The Solvency Capital Requirement is derived from the 99.5 percentile of the resulting distribution. The internal model currently covers all business units and risk categories.

### E.4.3 Comparison of the Internal Model with the Standard Formula

Generally speaking, the internal model represents a probability calculation approach, while the standard formula is factor-based. For natural and man-made catastrophes, the internal model uses exposure data for all risks whereas the standard formula only uses exposure data for EU proportional business. Premium figures are used for all other areas. Retrocessions and reinsurance cover are applied precisely in the internal model, whereas the standard formula only permits the use of approximate values. The appropriate treatment of risk mitigating features, such as profit commissions and ratio caps for ASI business, are also fully allowed for within the internal model whereas the standard formula ignores these features. Further differences arise from correlation assumptions and the presentation of retrocessions. The latter cannot be expressed exactly in the standard formula.

In the internal model, the premium and reserve risk on the Property & Casualty line of business is modelled by estimating marginal distributions for every risk factor, with their mutual dependencies assessed on the basis of Company-specific historical data or expert judgement. This results in more refined segmentation than under the standard formula. It also leads to non-linear dependency structures, whereas a correlation approach would be used under the standard formula. The internal model covers all risks from provisions relating to incepted unearned premiums within the reserve risk sub-module instead of the premium risk sub-module. The volume measure for the reserve risk of a particular segment is the best estimate ultimate claims provision relating to that segment instead of the best estimate outstanding ultimate claim provision as set out in the regulations.

For Life & Health underwriting risk, the standard formula does not sufficiently allow for the portfolio and diversification effects of a globally active reinsurer. It also does not allow for diversification between geographies. Relatively static scenarios or factors are used to determine the necessary amount of capital for every risk category within market risk. The internal model allows for diversification between geographies and thus generates a more comprehensive set of scenarios in an integrated way. While the standard formula explicitly allows for concentration risk, this risk is implicitly represented in the internal model where applicable.

Default risks in the internal model follow a stochastic model for credit spreads. This produces a complete distribution of random variables, which represents the counterparty default risk. The standard formula calculates the required capital for the counterparty default risk on the basis of multiples of standard deviations of the respective loss distribution. The internal model uses a comprehensive matrix in which the transitions between the individual valuations are described, as opposed to the standard formula, which is premised on the probability of default for every valuation class and on certain correlation assumptions between the counterparties. The internal model includes a fixed recovery rate for every counterparty, and permits the full use of collaterals. In the standard formula, the recovery rate and the use of collaterals depends on the economic situation of the counterparty. For new business, the internal model uses the fully stochastic exposure at default, subject to any risk mitigation measures, while the standard formula uses the difference between the SCRs with and without the corresponding measures as the constant exposure at default.

The risk measure used is the change in own funds as used to calculate the SCR over a one year time horizon. The confidence level used is the 1-in-200 year, or 99.5%, level, in line with Solvency II guidance.

#### Data

All data used in the internal model is subject to the data standards for internal models. This design is appropriate in order to be able to supply timely data which is free from significant errors. HRI relies on data which is also used in other business applications to ensure consistent information and data usage within the company. Examples include the individual data sets from cash flow projections underlying the calculation of the Best Estimate Liability and the IFRS accounting methods, through which a reference point is provided for other established reporting processes. Subsequently, many individual data sets are subject to numerous quality assessments and both internal and external auditing.

The plausibility and credibility of information and data is established by way of repeated discussion with the suppliers. Calibration assumptions are reported and made transparent in calibration reports, which are discussed with the suppliers of information and the recipients of model results. The effect of influencing parameters is presented in sensitivity analyses. In particular, significant assumptions which are based on expert assessments are documented separately.

Relevant historical company data and internal company data is used to calibrate the model, particularly for underwriting risk. Long-term market data is used for the calibration of market and counterparty risk. The key reliance is the Economic Scenario Generator from Moody's Analytics and there is back testing on the results of the output against market data. Moody's Analytics provides quarterly updates of the real world calibration parameters to reflect changes in the market and their views on long term targets.

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

### E.5.1 Non-Compliance with Minimum Capital Requirement

There have been no instances of non-compliance with the Minimum Capital Requirement.

### E.5.2 Significant Non-Compliance with Solvency Capital Requirement

There have been no instances of non-compliance with the Solvency Capital Requirement.

## E.6 Any other information

There is no other material information regarding capital management.

# Abbreviations and Glossary

| | |
|---|---|
| AOF | Ancillary Own Funds |
| ASI | Advanced Solutions Ireland |
| BaFin | Bundesanstalt für Finanzdienstleistungsaufsicht, Federal Financial Supervisory Authority |
| BEL | Best Estimate Liability |
| BOF | Basic Own Funds |
| CBI | Central Bank of Ireland |
| CDO | Collateralised Debt Obligation |
| CLO | Collateralised Loan Obligation |
| CEO | Chief Executive Officer |
| CFs | Control Functions |
| CoC | Cost of Capital |
| DAC | Deferred Acquisition Cost |
| EBIT | Earnings before interest and taxes |
| EIOPA | European Insurance and Occupational Pensions Authority |
| EPIFP | Expected profits included in future premiums |
| F&P | Fitness and Probity |
| FOGs | Financial options and guarantees |
| GAAP | Generally Accepted Accounting Principles |
| HGB | Handelsgesetzbuch, German Commercial Code |
| HRI | Hannover Re (Ireland) Designated Activity Company |
| IBNR | Incurred But Not Reported |
| HRM | Human Resource Management |
| IAS | International Accounting Standard |
| IFRS | International Financial Reporting Standards |
| L&H | Life and Health |
| MCR | Minimum Capital Requirement |
| NAV | Net asset value |
| ORSA | Own Risk and Solvency Assessment |
| P&C | Property and Casualty |
| PCFs | Pre-approval Control Functions |
| RM | Risk margin |
| SCR | Solvency Capital Requirement |
| SE | Societas Europaea |
| SLA | Service Level Agreement |
| TP | Technical Provisions |
| UPR | Unearned Premium Reserve |

# Quantitative Reporting Templates

All values are in USD 000's if not otherwise stated.

If a value amounts to less than USD 0.5, we show "0" in the respective cell. Empty cells represent the fact that HRI has no value to state.

Rounding differences of +/- one unit can occur in the following tables.

## S.02.01.02: Balance sheet

| S.02.01.02: Balance sheet, page 1 | | Solvency II |
|---|---|---|
| **Assets** | | **C0010** |
| Intangible assets | **R0030** | - |
| Deferred tax assets | **R0040** | 9,659 |
| Pension benefit surplus | **R0050** | 0 |
| Property, plant & equipment held for own use | **R0060** | 7,679 |
| Investments (other than assets held for index-linked and unit-linked contracts) | **R0070** | 2,375,486 |
| Property (other than for own use) | **R0080** | 0 |
| Holdings in related undertakings, including participations | **R0090** | 0 |
| Equities | **R0100** | 0 |
| Equities - listed | **R0110** | 0 |
| Equities - unlisted | **R0120** | 0 |
| Bonds | **R0130** | 2,288,203 |
| Government Bonds | **R0140** | 1,259,658 |
| Corporate Bonds | **R0150** | 925,249 |
| Structured notes | **R0160** | 0 |
| Collateralised securities | **R0170** | 103,296 |
| Collective Investments Undertakings | **R0180** | 33,744 |
| Derivatives | **R0190** | 30,389 |
| Deposits other than cash equivalents | **R0200** | 10,466 |
| Other investments | **R0210** | 12,683 |
| Assets held for index-linked and unit-linked contracts | **R0220** | 0 |
| Loans and mortgages | **R0230** | 0 |
| Loans on policies | **R0240** | 0 |
| Loans and mortgages to individuals | **R0250** | 0 |
| Other loans and mortgages | **R0260** | 0 |
| Reinsurance recoverables from: | **R0270** | 1,321,648 |
| Non-life and health similar to non-life | **R0280** | 1,363,798 |
| Non-life excluding health | **R0290** | 1,096,441 |
| Health similar to non-life | **R0300** | 267,357 |
| Life and health similar to life, excluding health and index-linked and unit-linked | **R0310** | -42,150 |
| Health similar to life | **R0320** | 14,655 |
| Life excluding health and index-linked and unit-linked | **R0330** | -56,805 |
| Life index-linked and unit-linked | **R0340** | 0 |
| Deposits to cedants | **R0350** | 5,667,216 |
| Insurance and intermediaries receivables | **R0360** | 394,448 |
| Reinsurance receivables | **R0370** | 22,297 |
| Receivables (trade, not insurance) | **R0380** | 1,138 |
| Own shares (held directly) | **R0390** | 0 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | **R0400** | 0 |
| Cash and cash equivalents | **R0410** | 47,022 |
| Any other assets, not elsewhere shown | **R0420** | 0 |
| **Total assets** | **R0500** | **9,846,594** |

| S.02.01.02: Balance sheet, page 2 | | Solvency II |
|---|---|---|
| **Liabilities** | | **C0010** |
| Technical provisions – non-life | **R0510** | 6,375,063 |
| Technical provisions – non-life (excluding health) | **R0520** | 5,713,348 |
| Technical provisions calculated as a whole | **R0530** | 0 |
| Best Estimate | **R0540** | 5,622,950 |
| Risk margin | **R0550** | 90,399 |
| Technical provisions - health (similar to non-life) | **R0560** | 661,715 |
| Technical provisions calculated as a whole | **R0570** | 0 |
| Best Estimate | **R0580** | 656,000 |
| Risk margin | **R0590** | 5,714 |
| Technical provisions - life (excluding index-linked and unit-linked) | **R0600** | 892,826 |
| Technical provisions - health (similar to life) | **R0610** | 473,639 |
| Technical provisions calculated as a whole | **R0620** | 0 |
| Best Estimate | **R0630** | 443,421 |
| Risk margin | **R0640** | 30,218 |
| Technical provisions – life (excluding health and index-linked and unit-linked) | **R0650** | 419,187 |
| Technical provisions calculated as a whole | **R0660** | 0 |
| Best Estimate | **R0670** | 356,874 |
| Risk margin | **R0680** | 62,313 |
| Technical provisions – index-linked and unit-linked | **R0690** | 0 |
| Technical provisions calculated as a whole | **R0700** | 0 |
| Best Estimate | **R0710** | 0 |
| Risk margin | **R0720** | 0 |
| Contingent liabilities | **R0740** | 0 |
| Provisions other than technical provisions | **R0750** | 9,823 |
| Pension benefit obligations | **R0760** | 0 |
| Deposits from reinsurers | **R0770** | 680,167 |
| Deferred tax liabilities | **R0780** | 0 |
| Derivatives | **R0790** | 3,621 |
| Debts owed to credit institutions | **R0800** | 0 |
| Financial liabilities other than debts owed to credit institutions | **R0810** | 327,963 |
| Insurance & intermediaries payables | **R0820** | 344,336 |
| Reinsurance payables | **R0830** | 146,123 |
| Payables (trade, not insurance) | **R0840** | 3,839 |
| Subordinated liabilities | **R0850** | 190,783 |
| Subordinated liabilities not in Basic Own Funds | **R0860** | 0 |
| Subordinated liabilities in Basic Own Funds | **R0870** | 190,783 |
| Any other liabilities, not elsewhere shown | **R0880** | 1 |
| **Total liabilities** | **R0900** | **8,974,545** |
| **Excess of assets over liabilities** | **R1000** | **872,049** |

## S.05.01.02: Premiums, claims and expenses by line of business ("Cover")

S.05.01.02: Cover, page 1

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compen-sation 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 |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 |
| **Premiums written** | | | | | | | | | | |
| Gross - Direct Business | R0110 | | | | | | | | | |
| Gross - Proportional reinsurance accepted | R0120 | 56,497 | 246,867 | 53,371 | 1,261,823 | 1,293,777 | 114,153 | 2,194,440 | 347,533 | 580,356 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | 31,278 | 177,198 | 590 | 22,274 | 264,214 | 12,214 | 736,452 | 43,442 | 336 |
| Net | R0200 | 25,220 | 69,670 | 52,781 | 1,239,548 | 1,029,563 | 101,939 | 1,457,989 | 304,091 | 580,019 |
| **Premiums earned** | | | | | | | | | | |
| Gross - Direct Business | R0210 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0220 | 52,453 | 190,259 | 53,166 | 1,236,341 | 1,195,416 | 109,061 | 1,908,912 | 293,955 | 563,493 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | 24,284 | 134,598 | 395 | 15,829 | 174,266 | 10,976 | 545,172 | 25,010 | 323 |
| Net | R0300 | 28,169 | 55,661 | 52,771 | 1,220,512 | 1,021,150 | 98,086 | 1,363,740 | 268,945 | 563,169 |
| **Claims incurred** | | | | | | | | | | |
| Gross - Direct Business | R0310 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0320 | 258,770 | 422,827 | 35,302 | 767,122 | 793,047 | 64,866 | 1,383,609 | 181,587 | 213,555 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | 209,415 | 378,069 | 331 | 17,040 | 125,887 | 1,246 | 340,756 | 24,376 | -1,831 |
| Net | R0400 | 49,355 | 44,758 | 34,971 | 750,082 | 667,160 | 63,620 | 1,042,852 | 157,211 | 215,386 |

S.05.01.02: Cover, page 2

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compen-sation 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 |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross - Direct Business | R0410 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0420 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers' share | R0440 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | R0500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | -9,664 | 25,816 | 20,575 | 541,125 | 376,423 | 25,085 | 528,091 | 79,090 | 299,452 |
| **Other expenses** | R1200 | | | | | | | | | |
| **Total expenses** | R1300 | | | | | | | | | |

S.05.01.02: Cover, page 3

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of Business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assistance | Miscella-neous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | |
| Gross - Direct Business | R0110 | | | | | | | | |
| Gross - Proportional reinsurance accepted | R0120 | 0 | 25 | 9,124 | | | | | 6,157,966 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | 33,262 | 69,436 | 841 | 210,988 | 314,528 |
| Reinsurers' share | R0140 | 0 | 24 | 4,859 | 0 | 8 | 1,045 | 7,128 | 1,301,060 |
| Net | R0200 | 0 | 1 | 4,265 | 33,262 | 69,429 | -203 | 203,860 | 5,171,434 |
| **Premiums earned** | | | | | | | | | |
| Gross - Direct Business | R0210 | 0 | 0 | 0 | | | | | |
| Gross - Proportional reinsurance accepted | R0220 | 0 | 25 | 6,899 | | | | | 5,609,980 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | |
| Reinsurers' share | R0240 | 0 | 24 | 2,996 | 0 | 8 | 1,040 | 7,121 | 942,041 |
| Net | R0300 | 0 | 1 | 3,903 | 25,494 | 66,494 | -35 | 203,203 | 4,971,264 |

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| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of Business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assistance | Miscella-neous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Claims incurred** | | | | | | | | | |
| Gross - Direct Business | R0310 | 0 | 0 | 0 | | | | | |
| Gross - Proportional reinsurance accepted | R0320 | 0 | 16 | 4,092 | | | | | 4,124,792 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | |
| Reinsurers' share | R0340 | 0 | 15 | 2,016 | 0 | 0 | 0 | 9,320 | 1,106,641 |
| Net | R0400 | 0 | 1 | 2,076 | 17,172 | 36,230 | -3,696 | -4,283 | 3,072,895 |
| **Changes in other technical provisions** | | | | | | | | | |
| Gross - Direct Business | R0410 | 0 | 0 | 0 | | | | | 0 |
| Gross - Proportional reinsurance accepted | R0420 | 0 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | | | | |
| Reinsurers' share | R0440 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | R0500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | 0 | 1 | 736 | 9,271 | 23,996 | 4,571 | 668 | 1,925,233 |
| **Other expenses** | R1200 | | | | | | | | 0 |
| **Total expenses** | R1300 | | | | | | | | 1,925,233 |

S.05.01.02: Cover, page 5

| | | Line of Business for: life insurance obligations | | | | | | Life reinsurance obligations | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| **Premiums written** | | | | | | | | | | |
| Gross | R1410 | | | | | | | 282,867 | 400,167 | 683,034 |
| Reinsurers' share | R1420 | | | | | | | 0 | 41,593 | 41,593 |
| Net | R1500 | | | | | | | 282,867 | 358,575 | 641,441 |
| **Premiums earned** | | | | | | | | | | |
| Gross | R1510 | | | | | | | 329,092 | 398,595 | 727,687 |
| Reinsurers' share | R1520 | | | | | | | 0 | 41,593 | 41,593 |
| Net | R1600 | | | | | | | 329,092 | 357,002 | 686,094 |
| **Claims incurred** | | | | | | | | | | |
| Gross | R1610 | | | | | | | 220,150 | 389,773 | 609,923 |
| Reinsurers' share | R1620 | | | | | | | 0 | 43,506 | 43,506 |
| Net | R1700 | | | | | | | 220,150 | 346,268 | 566,417 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross | R1710 | | | | | | | 0 | 0 | 0 |
| Reinsurers' share | R1720 | | | | | | | 0 | 0 | 0 |
| Net | R1800 | | | | | | | 0 | 0 | 0 |
| **Expenses incurred** | R1900 | | | | | | | 122,651 | 57,212 | 179,863 |
| **Other expenses** | R2500 | | | | | | | | | 0 |
| **Total expenses** | R2600 | | | | | | | | | 179,863 |

## S.05.02.01: Premiums, claims and expenses by country ("Country")

| S.05.02.01: Country, page 1 | | Home country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| | R0010 | | CHINA | GERMANY | UNITED KINGDOM (GIBRALTAR) | MALAYSIA | UNITED STATES | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | R0110 | | | | | | | |
| Gross - Proportional reinsurance accepted | R0120 | | 1,310,401 | 2,725,529 | 483,482 | 1,150,097 | 149,151 | 5,818,660 |
| Gross - Non-proportional reinsurance accepted | R0130 | | 0 | 8,113 | 37,807 | 0 | 248,925 | 294,845 |
| Reinsurers' share | R0140 | | 0 | 1,094,531 | 0 | 0 | 0 | 1,094,531 |
| Net | R0200 | | 1,310,401 | 1,639,111 | 521,288 | 1,150,097 | 398,077 | 5,018,974 |
| **Premiums earned** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Direct Business | R0210 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0220 | | 1,257,737 | 2,719,153 | 484,013 | 772,562 | 140,922 | 5,374,387 |
| Gross - Non-proportional reinsurance accepted | R0230 | | 0 | 8,113 | 32,543 | 0 | 239,353 | 280,009 |
| Reinsurers' share | R0240 | | 0 | 735,169 | 0 | 0 | 0 | 735,169 |
| Net | R0300 | | 1,257,737 | 1,992,097 | 516,555 | 772,562 | 380,276 | 4,919,228 |
| **Claims incurred** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Direct Business | R0310 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0320 | | 879,087 | 1,636,951 | 203,671 | 1,161,634 | 103,205 | 3,984,548 |
| Gross - Non-proportional reinsurance accepted | R0330 | | 0 | 1,467 | 31,887 | 0 | 15,106 | 48,460 |
| Reinsurers' share | R0340 | | 0 | 1,096,755 | 0 | 0 | 361 | 1,097,116 |
| Net | R0400 | | 879,087 | 541,663 | 235,558 | 1,161,634 | 117,950 | 2,935,892 |
| **Changes in other technical provisions** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Direct Business | R0410 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Proportional reinsurance accepted | R0420 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross - Non-proportional reinsurance accepted | R0430 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | R0440 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | R0500 | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | | 307,999 | 907,596 | 279,309 | 277,835 | 65,822 | 1,838,561 |
| **Other expenses** | R1200 | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total expenses** | R1300 | | 0 | 0 | 0 | 0 | 0 | 1,838,561 |

S.05.02.01: Country, page 2

| | | 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 | | UNITED STATES | HONG KONG | UNITED KINGDOM | CHINA | CANADA | |
| | | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 |
| **Premiums written** | | | | | | | | |
| Gross | R1410 | | 77,807 | 165,396 | 89,689 | 223,775 | 48,092 | 604,759 |
| Reinsurers' share | R1420 | | 0 | 0 | 0 | -49,337 | 37,853 | -11,483 |
| Net | R1500 | | 77,807 | 165,396 | 89,689 | 273,112 | 10,238 | 616,242 |
| **Premiums earned** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross | R1510 | | 77,807 | 164,476 | 89,689 | 270,534 | 48,092 | 650,598 |
| Reinsurers' share | R1520 | | 0 | 0 | 0 | -49,337 | 37,853 | -11,483 |
| Net | R1600 | | 77,807 | 164,476 | 89,689 | 319,871 | 10,238 | 662,082 |
| **Claims incurred** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross | R1610 | | 112,844 | 148,725 | 93,378 | 165,574 | 48,678 | 569,200 |
| Reinsurers' share | R1620 | | 0 | 0 | 0 | -71,700 | 38,813 | -32,887 |
| Net | R1700 | | 112,844 | 148,725 | 93,378 | 237,274 | 9,865 | 602,087 |
| **Changes in other technical provisions** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross | R1710 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | R1720 | | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | R1800 | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R1900 | | 5,919 | 24,299 | 16,412 | 111,352 | -3,544 | 154,439 |
| **Other expenses** | R2500 | | | | | | | 0 |
| **Total expenses** | R2600 | | | | | | | 154,439 |

## S.12.01.02: Life and Health SLT Technical Provisions ("TP Life")

TP Life, page 1

| | | Insurance with profit participation | Index-linked and unit-linked insurance | | |
|---|---|---|---|---|---|
| | | | | Contracts without options and guarantees | Contracts with options or guarantees |
| | | C0020 | C0030 | C0040 | C0050 |
| **Technical provisions calculated as a whole** | **R0010** | | | | |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | **R0020** | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | | |
| **Best Estimate** | | | | | |
| **Gross Best Estimate** | **R0030** | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | | | |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | | | | |
| **Risk Margin** | **R0100** | | | | |
| **Amount of the transitional on Technical Provisions** | | | | | |
| Technical Provisions calculated as a whole | **R0110** | | | | |
| Best estimate | **R0120** | | | | |
| Risk margin | **R0130** | | | | |
| **Technical provisions - total** | **R0200** | | | | |

TP Life, page 2

| | | Other life insurance | | |
|---|---|---|---|---|
| | | | Contracts without options and guarantees | Contracts with options or guarantees |
| | | C0060 | C0070 | C0080 |
| **Technical provisions calculated as a whole** | **R0010** | | | |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | **R0020** | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | |
| **Best Estimate** | | | | |
| **Gross Best Estimate** | **R0030** | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | | |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | | | |
| **Risk Margin** | **R0100** | | | |
| **Amount of the transitional on Technical Provisions** | | | | |
| Technical Provisions calculated as a whole | **R0110** | | | |
| Best estimate | **R0120** | | | |
| Risk margin | **R0130** | | | |
| **Technical provisions - total** | **R0200** | | | |

TP Life, page 3

| | | 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) |
|---|---|---|---|---|
| | | C0090 | C0100 | C0150 |
| **Technical provisions calculated as a whole** | **R0010** | | | |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | **R0020** | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | |
| **Best Estimate** | | | | |
| **Gross Best Estimate** | **R0030** | | 356,874 | 356,874 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | -56,805 | -56,805 |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | | 413,679 | 413,679 |
| **Risk Margin** | **R0100** | | 62,313 | 62,313 |
| **Amount of the transitional on Technical Provisions** | | | | |
| Technical Provisions calculated as a whole | **R0110** | | 0 | 0 |
| Best estimate | **R0120** | | 0 | 0 |
| Risk margin | **R0130** | | 0 | 0 |
| **Technical provisions - total** | **R0200** | | 419,187 | 419,187 |

TP Life, page 4

| | | Health insurance (direct business) | | |
|---|---|---|---|---|
| | | | Contracts without options and guarantees | Contracts with options or guarantees |
| | | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | | | |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | **R0020** | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | |
| **Best Estimate** | | | | |
| **Gross Best Estimate** | **R0030** | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | | |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | | | |
| **Risk Margin** | **R0100** | | | |
| **Amount of the transitional on Technical Provisions** | | | | |
| Technical Provisions calculated as a whole | **R0110** | | | |
| Best estimate | **R0120** | | | |
| Risk margin | **R0130** | | | |
| **Technical provisions - total** | **R0200** | | | |

TP Life, page 5

| | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | Total (Health similar to life insurance) |
|---|---|---|---|---|
| | | C0190 | C0200 | C0210 |
| **Technical provisions calculated as a whole** | **R0010** | | | |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | **R0020** | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | |
| **Best Estimate** | | | | |
| **Gross Best Estimate** | **R0030** | 0 | 443,421 | 443,421 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | 0 | 14,655 | 14,655 |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | 0 | 428,765 | 428,765 |
| **Risk Margin** | **R0100** | 0 | 30,218 | 30,218 |
| **Amount of the transitional on Technical Provisions** | | | | |
| Technical Provisions calculated as a whole | **R0110** | 0 | 0 | 0 |
| Best estimate | **R0120** | 0 | 0 | 0 |
| Risk margin | **R0130** | 0 | 0 | 0 |
| **Technical provisions - total** | **R0200** | 0 | 473,639 | 473,639 |

## S.17.01.02: Non-Life Technical Provisions

| S.17.01.02: TP Non-Life, page 1 | | Direct business and accepted proportional reinsurance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compen-sation 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 |
| **Technical provisions calculated as a whole** | R0010 | | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0050 | | | | | | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | |
| **Best estimate** | | | | | | | | | | |
| **Premium provisions** | | | | | | | | | | |
| Gross | R0060 | 22,592 | 74,494 | 206 | 247,978 | 193,541 | 39,968 | 472,543 | 138,577 | 111,411 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | 11,570 | 63,682 | 142 | 6,330 | 92,230 | 6,333 | 226,667 | 12,817 | 183 |
| Net Best Estimate of Premium Provisions | R0150 | 11,022 | 10,813 | 64 | 241,649 | 101,311 | 33,635 | 245,876 | 125,760 | 111,228 |
| **Claims provisions** | | | | | | | | | | |
| Gross | R0160 | 54,307 | 202,261 | 32,801 | 962,775 | 767,786 | 113,800 | 1,435,737 | 375,056 | 270,078 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 38,554 | 153,136 | 274 | 18,315 | 180,742 | 13,686 | 489,167 | 34,915 | 3,539 |
| Net Best Estimate of Claims Provisions | R0250 | 15,753 | 49,125 | 32,526 | 944,460 | 587,044 | 100,114 | 946,570 | 340,141 | 266,539 |
| **Total Best estimate - gross** | R0260 | 76,899 | 276,755 | 33,006 | 1,210,753 | 961,327 | 153,768 | 1,908,280 | 513,633 | 381,489 |
| **Total Best estimate - net** | R0270 | 26,776 | 59,937 | 32,590 | 1,186,109 | 688,355 | 133,749 | 1,192,445 | 465,900 | 377,767 |
| **Risk margin** | R0280 | 643 | 862 | 528 | 18,909 | 13,560 | 2,798 | 28,283 | 9,575 | 11,145 |

S.17.01.02: TP Non-Life, page 2

| | | Direct business and accepted proportional reinsurance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compen-sation 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 |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Best estimate | R0300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Risk margin | R0310 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Technical provisions - total** | | | | | | | | | | |
| Technical provisions - total | R0320 | 77,542 | 277,617 | 33,535 | 1,229,663 | 974,887 | 156,565 | 1,936,563 | 523,208 | 392,634 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 50,123 | 216,818 | 416 | 24,645 | 272,972 | 20,018 | 715,835 | 47,732 | 3,722 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 27,418 | 60,799 | 33,118 | 1,205,018 | 701,915 | 136,547 | 1,220,728 | 475,475 | 388,912 |

S.17.01.02: TP Non-Life, page 3

| | | 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 |
| **Technical provisions calculated as a whole** | **R0010** | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0050** | | | | | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | |
| **Best estimate** | | | | | | | | | |
| **Premium provisions** | | | | | | | | | |
| Gross | **R0060** | 0 | 4 | 4,024 | 40,938 | 39,806 | 0 | 97,651 | 1,483,732 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0140** | 0 | 3 | 2,332 | 0 | 0 | -1 | -577 | 421,709 |
| Net Best Estimate of Premium Provisions | **R0150** | 0 | 1 | 1,692 | 40,938 | 39,806 | 1 | 98,228 | 1,062,022 |
| **Claims provisions** | | | | | | | | | |
| Gross | **R0160** | 0 | 7 | 5,325 | 228,402 | 192,607 | 3,772 | 150,504 | 4,795,218 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0240** | 0 | 7 | 1,312 | 0 | 0 | -37 | 8,479 | 942,089 |
| Net Best Estimate of Claims Provisions | **R0250** | 0 | 0 | 4,014 | 228,402 | 192,607 | 3,809 | 142,025 | 3,853,129 |
| **Total Best Estimate - gross** | **R0260** | 0 | 11 | 9,349 | 269,340 | 232,413 | 3,772 | 248,154 | 6,278,950 |
| **Total Best Estimate - net** | **R0270** | 0 | 1 | 5,706 | 269,340 | 232,413 | 3,811 | 240,252 | 4,915,152 |
| **Risk margin** | **R0280** | 0 | 0 | 94 | 3,681 | 2,696 | 58 | 3,281 | 96,113 |

S.17.01.02: TP Non-Life, page 4

| | | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assis-tance | Miscella-neous financial loss | Non-propor-tional health reinsu-rance | Non-propor-tional casualty reinsu-rance | Non-pro-portional marine, aviation and trans-port reinsu-rance | Non-propor-tional property reinsu-rance | |
| | | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Best Estimate | R0300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Risk margin | R0310 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Technical provisions - total** | | | | | | | | | |
| Technical provisions - total | R0320 | 0 | 11 | 9,443 | 273,021 | 235,108 | 3,830 | 251,435 | 6,375,063 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 0 | 10 | 3,644 | 0 | 0 | -39 | 7,902 | 1,363,798 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 0 | 1 | 5,800 | 273,021 | 235,108 | 3,869 | 243,533 | 5,011,264 |

## S.19.01.21: Non-life insurance claims

| Accident year / Underwriting year | Z0020 | UWY |
|---|---|---|

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

| S.19.01.21: page 1 | | Development year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10&+ |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 |
| Prior | R0100 | | | | | | | | | | | 1,874,687 |
| N-9 | R0160 | 222,692 | 89,023 | 127,012 | 19,044 | 9,163 | 12,000 | 4,530 | 3,322 | 4,062 | 809 | |
| N-8 | R0170 | 182,292 | 33,629 | 110,711 | 12,778 | -1,361 | 1,652 | 3,883 | 1,562 | 939 | | |
| N-7 | R0180 | 546,714 | 464,215 | 46,769 | 17,660 | 11,835 | 2,514 | 2,539 | 7,883 | | | |
| N-6 | R0190 | 468,665 | 449,415 | 49,355 | 18,205 | 10,810 | 4,251 | 4,290 | | | | |
| N-5 | R0200 | 321,973 | 617,009 | 60,875 | 23,962 | 27,459 | 9,871 | | | | | |
| N-4 | R0210 | 488,114 | 920,673 | 149,771 | 68,063 | 37,478 | | | | | | |
| N-3 | R0220 | 379,462 | 919,503 | 302,847 | 100,960 | | | | | | | |
| N-2 | R0230 | 719,450 | 934,853 | 246,943 | | | | | | | | |
| N-1 | R0240 | 859,698 | 1,062,881 | | | | | | | | | |
| N | R0250 | 1,076,081 | | | | | | | | | | |

| S.19.01.21: page 1 | | In current year | Sum of years (cumulative) |
|---|---|---|---|
| | | C0170 | C0180 |
| Prior | R0100 | 4,052 | 4,052 |
| N-9 | R0160 | 809 | 491,658 |
| N-8 | R0170 | 939 | 346,084 |
| N-7 | R0180 | 7,883 | 1,100,129 |
| N-6 | R0190 | 4,290 | 1,004,992 |
| N-5 | R0200 | 9,871 | 1,061,149 |
| N-4 | R0210 | 37,478 | 1,664,099 |
| N-3 | R0220 | 100,960 | 1,702,773 |
| N-2 | R0230 | 246,943 | 1,901,246 |
| N-1 | R0240 | 1,062,881 | 1,922,579 |
| N | R0250 | 1,076,081 | 1,076,081 |
| **Total** | **R0260** | **2,552,189** | **12,274,841** |

**Gross undiscounted Best Estimate Claims Provision**
(absolute amount)

| S.19.01.21: page 2 | | Development year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10&+** |
| | | **C0200** | **C0210** | **C0220** | **C0230** | **C0240** | **C0250** | **C0260** | **C0270** | **C0280** | **C0290** | **C0300** |
| Prior | **R0100** | | | | | | | | | | | 63,738 |
| N-9 | **R0160** | 0 | 0 | 0 | 81,995 | 53,037 | 15,741 | 50,858 | 53,011 | 42,640 | 26,176 | |
| N-8 | **R0170** | 0 | 0 | 72,497 | 46,851 | 29,688 | 58,951 | 37,429 | 24,801 | 20,076 | | |
| N-7 | **R0180** | 0 | 126,578 | 49,949 | 72,426 | 97,249 | 111,488 | 108,102 | 96,752 | | | |
| N-6 | **R0190** | 255,955 | 66,072 | 53,950 | 68,145 | 54,881 | 43,485 | 36,001 | | | | |
| N-5 | **R0200** | 214,101 | 114,807 | 127,778 | 92,967 | 61,897 | 52,438 | | | | | |
| N-4 | **R0210** | 383,824 | 474,993 | 208,887 | 127,002 | 83,608 | | | | | | |
| N-3 | **R0220** | 1,406,977 | 1,112,751 | 717,453 | 524,736 | | | | | | | |
| N-2 | **R0230** | 1,111,808 | 977,599 | 539,042 | | | | | | | | |
| N-1 | **R0240** | 1,314,599 | 1,837,731 | | | | | | | | | |
| N | **R0250** | 1,809,784 | | | | | | | | | | |

| S.19.01.21: page 2 | | Year end (discounted data) |
|---|---|---|
| | | **C0360** |
| Prior | **R0100** | 61,342 |
| N-9 | **R0160** | 25,651 |
| N-8 | **R0170** | 19,812 |
| N-7 | **R0180** | 93,274 |
| N-6 | **R0190** | 35,537 |
| N-5 | **R0200** | 51,659 |
| N-4 | **R0210** | 81,268 |
| N-3 | **R0220** | 498,681 |
| N-2 | **R0230** | 509,817 |
| N-1 | **R0240** | 1,732,074 |
| N | **R0250** | 1,686,104 |
| **Total** | **R0260** | **4,795,218** |

## S.22.01.21: Impact of long term guarantees measures and transitionals

| S.22.01.21: Impact of long term guarantees measures and transitionals | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|---|---|---|---|---|---|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 7,267,889 | - | - | 22,499 | |
| Basic own funds | R0020 | 1,062,831 | - | - | -19,867 | |
| Eligible own funds to meet Solvency Capital Requirement | R0050 | 1,168,363 | - | - | -22,339 | |
| **Solvency Capital Requirement** | **R0090** | **767,938** | **-** | **-** | **2,438** | |
| Eligible own funds to meet Minimum Capital Requirement | R0100 | 931,504 | - | - | -22,485 | |
| **Minimum Capital Requirement** | **R0110** | **345,572** | **-** | **-** | **1,097** | |

## S.23.01.01: Own funds

| S.23.01.01: Own funds, page 1 | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 29,865 | 29,865 | | | |
| Share premium account related to ordinary share capital | R0030 | 0 | 0 | | | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | 0 | 0 | | | |
| Subordinated mutual member accounts | R0050 | 0 | | | | |
| Surplus funds | R0070 | 0 | | | | |
| Preference shares | R0090 | 0 | | | | |
| Share premium account related to preference shares | R0110 | 0 | | | | |
| Reconciliation reserve | R0130 | 227,287 | | | | |
| Subordinated liabilities | R0140 | 190,783 | | | 190,783 | 0 |
| An amount equal to the value of net deferred tax assets | R0160 | 9,659 | | | | 9,659 |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | 605,238 | 605,238 | 0 | 0 | 0 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | | | | | |
| **Total basic own funds after deductions** | **R0290** | **1,062,831** | 862,390 | 0 | 190,783 | 9,659 |

| S.23.01.01: Own funds, page 2 | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | | | | | |
| Unpaid and uncalled preference shares callable on demand | R0320 | | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | | | | | |
| Other ancillary own funds | R0390 | 115,191 | | | 0 | 115,191 |
| **Total ancillary own funds** | **R0400** | **115,191** | | | 0 | 115,191 |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 1,178,022 | 862,390 | 0 | 190,783 | 124,850 |
| Total available own funds to meet the MCR | R0510 | 1,053,173 | 862,390 | 0 | 190,783 | |
| Total eligible own funds to meet the SCR | R0540 | 1,168,363 | 862,390 | 0 | 190,783 | |
| Total eligible own funds to meet the MCR | R0550 | 931,504 | 862,390 | 0 | 69,114 | |
| **SCR** | **R0580** | **767,938** | | | | |
| **MCR** | **R0600** | **345,572** | | | | |
| **Ratio of Eligible own funds to SCR** | **R0620** | **1.52** | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | **2.70** | | | | |

S.23.01.01: Own funds, page 3 / Reconciliation reserve

| | | C0060 |
|---|---|---|
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | **R0700** | 872,049 |
| Own shares (held directly and indirectly) | **R0710** | |
| Foreseeable dividends, distributions and charges | **R0720** | |
| Other basic own fund items | **R0730** | 644,762 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | **R0740** | |
| **Reconciliation reserve** | **R0760** | **227,287** |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) - Life business | **R0770** | 542,728 |
| Expected profits included in future premiums (EPIFP) - Non-life business | **R0780** | |
| **Total Expected profits included in future premiums (EPIFP)** | **R0790** | **542,728** |

## S.25.03.21: Solvency Capital Requirement – for undertakings on Full Internal Model

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|---|---|---|
| **C0010** | **C0020** | **C0030** |
| 101 | Market risk according to IM | 143,246 |
| 102 | Counterparty default risk according to IM | 33,845 |
| 103 | Life underwriting risk according to IM | 267,556 |
| 104 | Non-life underwriting risk according to IM | 728,045 |
| 105 | Operational risk according to IM | 91,516 |
| 107 | LAC TP according to IM | 0 |
| 108 | LAC DT according to IM | -91,468 |

| Calculation of Solvency Capital Requirement | | C0100 |
|---|---|---|
| Total undiversified components | **R0110** | 1,172,741 |
| Diversification | **R0060** | -404,803 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional) | **R0160** | 0 |
| **Solvency capital requirement excluding capital add-on** | **R0200** | **767,938** |
| Capital add-ons already set | **R0210** | 0 |
| **Solvency capital requirement** | **R0220** | **767,938** |
| **Other information on SCR** | | 0 |
| Amount/estimate of the overall loss-absorbing capacity of technical provisions | **R0300** | 0 |
| Amount/estimate of the overall loss-absorbing capacity to deferred taxes | **R0310** | -91,468 |
| Total amount of Notional Solvency Capital Requirements for remaining part | **R0410** | 0 |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | **R0420** | 0 |
| Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | **R0430** | 0 |
| Diversification effects due to RFF nSCR aggregation for article 304 | **R0440** | 0 |

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

| Calculation of loss absorbing capacity of deferred taxes | | LAC DT |
|---|---|---|
| | | **C0130** |
| Amount/estimate of LAC DT | **R0640** | -91,468 |
| Amount/estimate of LAC DT justified by reversion of deferred tax liabilities | **R0650** | |
| Amount/estimate of LAC DT justified by reference to probable future taxable economic profit | **R0660** | -91,468 |
| Amount/estimate of LAC DT justified by carry back, current year | **R0670** | |
| Amount/estimate of LAC DT justified by carry back, future years | **R0680** | |
| Amount/estimate of Maximum LAC DT | **R0690** | -107,426 |

## S.28.01.01: Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**Linear formula component for non-life insurance and reinsurance obligations**

| | | C0010 |
|---|---|---|
| MCRNL Result | R0010 | 1,028,606 |

| S.28.01.01: MCR, page 1 | | 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 | 26,776 | 25,220 |
| Income protection insurance and proportional reinsurance | R0030 | 59,937 | 69,670 |
| Workers' compensation insurance and proportional reinsurance | R0040 | 32,590 | 52,871 |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 1,186,109 | 1,239,548 |
| Other motor insurance and proportional reinsurance | R0060 | 688,355 | 1,029,563 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 133,749 | 101,939 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 1,192,445 | 1,457,989 |
| General liability insurance and proportional reinsurance | R0090 | 465,900 | 304,091 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 377,767 | 580,019 |
| Legal expenses insurance and proportional reinsurance | R0110 | 0 | 0 |
| Assistance and proportional reinsurance | R0120 | 0 | 0 |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 5,706 | 4,265 |
| Non-proportional health reinsurance | R0140 | 269,340 | 33,262 |
| Non-proportional casualty reinsurance | R0150 | 232,413 | 69,429 |
| Non-proportional marine, aviation and transport reinsurance | R0160 | 3,811 | -203 |
| Non-proportional property reinsurance | R0170 | 240,252 | 203,860 |

**Linear formula component for life insurance and reinsurance obligations**

| | | C0040 |
|---|---|---|
| MCRL Result | R0200 | 552,870 |

**Total capital at risk for all life (re)insurance obligations**

S.28.01.01: MCR, page 2

| | | 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 | 842,445 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 764,540,179 |

**Overall MCR calculation**

| | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 1,581,605 |
| SCR | R0310 | 767,938 |
| MCR cap | R0320 | 345,572 |
| MCR floor | R0330 | 191,985 |
| Combined MCR | R0340 | 345,572 |
| Absolute floor of the MCR | R0350 | 4,163 |
| **Minimum Capital Requirement** | R0400 | 345,572 |

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