



ALD RE PUBLIC LIMITED COMPANY

SOLVENCY & FINANCIAL
CONDITION REPORT

2023

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Executive Summary

ALD Re PLC (“ALD Re” or the “Company”) is a non-life reinsurer based in Ireland and regulated by the Central Bank of Ireland. The Company was established in 2005 by ALD Automotive (“ALD Group”). ALD Re’s principal activity is to provide reinsurance coverage for third party motor vehicle liability insurance, own damage risks and other related covers associated with the vehicles provided under lease contracts to large corporates, SMEs, professionals and private customers of ALD Group.

ALD Group is a global leader in mobility solutions providing full-service leasing and fleet management services across 44 countries to a client base of large corporates, SMEs, professionals and private individuals. A leader in its industry, ALD places sustainable mobility at the heart of its strategy, delivering innovative mobility solutions and technology-enabled services to its clients, helping them focus on their everyday business.

ALD Re provides reinsurance coverage to approximately 500,000 vehicles within the ALD Group, with risks in over 20 countries. The majority of the business reinsured is in the EU, with some business reinsured in Norway, Switzerland, Chile and Mexico.

ALD Re is part of the ALD Group¹, which is majority owned by Société Générale with a 52.6% shareholding. Former LeasePlan shareholders hold 30.75% and the balance is a free float on the Paris stock change of 16.6%.

In May 2023 ALD S.A successfully completed the acquisition of 100% of LeasePlan Corporation N.V from a consortium led by TDR Capital, for a total consideration of €4.8 billion paid through a combination of cash and ALD shares. Following the closing of the acquisition of LeasePlan, ALD has become a Financial Holding Company, a regulated institution supervised by the European Central Bank.

Following the completion of this transaction the ALD Group now includes two Irish entities that are licensed and supervised by the Central Bank of Ireland, ALD Re and Euro Insurances. Following a review of the two businesses in respect of the strategy of the ALD Group the decision was made to take all necessary steps to merge ALD Re into Euro Insurances.

In the period to 31 December 2023 much work has been completed in respect of obtaining the regulatory and legal approvals needed to put into effect the proposed merger. However, the key elements of the merger process are expected to be completed during the first half of 2024 and these include the approval of the Central Bank of Ireland to a portfolio transfer of ALD Re’s reinsurance business, a non-objection from the CBI to a change of business plan for Euro Insurances and the required approval of the Irish High Court as required under the Companies Act.

This report has been prepared in accordance with Solvency II requirements relating to the reporting and public disclosure of information and seeks to provide stakeholders with an insight into the Company’s overall financial condition. The report covers the business and performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate administrative body that has responsibility for these matters is the Company’s Board of Directors with the support of its sub-committees, the Executive Management Team and the Company’s control functions. This report has been prepared in accordance with a Board approved policy on Reporting and Public Disclosure

¹ ALD and its consolidated entities are now known as “Ayvens” for trading purposes.

and has been reviewed by management, the Audit Committee and Board. The Board approved the report on 28 March 2024.

Subsequent Events post year end

There has been no significant events post year end that impact on 2023.

Business and Performance

Based on the financial statements for the financial year ended 31 December 2023, prepared for the first time under International Financial Reporting Standards (“IFRS”), the Company’s after-tax profit was €45.8m compared with the restated prior financial year (2022: €65.5m). The change in the underlying result is explained by:

- The underwriting performance (“insurance service result” in the financial statements) during 2023 of €56.5m (restated 2022: €78.6m) has decreased since the prior year mainly due to the fact that the 2022 result included positive releases in relation to COVID whereas the positive benefits from COVID are now fully recognised and no such releases were booked in the 2023 financial year.
- Investment return has increased considerably since the prior year. Financial year 2023 has seen a positive investment return through the P&L of €5.2m compared with a negative return in the prior year of €5.1m. The main driver of this positive movement is the rising interest rate during 2023.

Total Equity at 31 December 2023 was €168.7m (restated 2022: €154.4m). Total dividends paid during the year amounted to €40m (2022: €60m). A final dividend of €45m for the 2023 financial year has been approved by the Board subject to the 30-day notification period to the Central Bank of Ireland, made on 1 March 2024. In early March acknowledgement was received from the Central Bank of Ireland, which confirmed that the dividend notification was reviewed, and no further information was required.

Further detail is provided in Section A.

System of Governance

The Company has a robust System of Governance in place which includes a Risk Management Framework, a system of Internal Control together with Key Functions² to ensure the sound and prudent management of the business.

The Board of Directors (“The Board”) has overall responsibility for the System of Governance and for effective and prudent oversight and is supported by an organisational structure incorporating clearly defined roles and responsibilities. All members of the Board and its sub-committees continued to actively participate in meetings during 2023. The Company continues to develop its systems, operational and governance processes to support its business.

Further detail is provided in Section B.

Risk Profile

The material risks to which the Company is exposed to include underwriting, market, credit, liquidity,

² Internal Audit, Actuarial, Compliance and Risk Management

operational and other material risks, such as strategic risk. The Company maintains effective processes for assessing, mitigating and reporting on its risk exposure.

An assessment of the underlying risk profile of the Company confirms that it is adequate for the business, it remains within risk appetite and is unchanged from prior years.

The shift from a prolonged period of low inflation to a period of high inflation creates uncertainty and inflation continued to be a key area of focus for the business in 2023. The potential impact of inflationary pressures is assessed and monitored on an ongoing basis with mitigants, and containment measures put in place as appropriate. Close monitoring of inflation will continue with action taken as appropriate to mitigate the risk.

The performance of the investment portfolio improved during the year with positive returns of €5.2m compared with a negative return in 2022 of €5.1m.

Further detail on each risk category is provided in Section C.

Valuation for Solvency Purposes

The emergence of COVID-19 had a significant favorable impact on the claims experience for the 2020, 2021 and 2022 accident years, driven by lower frequency levels offset to an extent by increasing severity of claims. The level of uncertainty in projecting ultimate claims for these accident years has reduced in comparison to the prior year-end as more claims have settled during the year. Furthermore, significant levels of inflation have been experienced globally during 2022 and 2023 and it is difficult to predict the level of claims inflation that will be experienced going forward which adds uncertainty, in particular when calculating the Premium Provisions. This uncertainty is addressed by applying expert judgement and selecting ultimate claims on the conservative end of the range of best estimates where appropriate and justifiable based on the level of uncertainty in the calculation.

There have been no other significant changes or events during the reporting period impacting the valuation for solvency purposes for year-end 2023.

Capital Management

In accordance with the Solvency II Directive, the Company has calculated its Solvency Capital Requirement (“SCR”) to be €81.4. The Company has eligible own funds of €182m (Tier 1) giving an SCR coverage of 224%.

As further explained in Section E, there has been a decrease in the SCR, and a reduction in the own funds since year end 2022. The decrease in the SCR is primarily due to a reduction in the non-life underwriting risk charge. The Minimum Capital Requirement (“MCR”) is calculated as being €27.6m resulting in a MCR coverage of 659%. There has been no instance of non-compliance with the SCR or MCR during the period. Further detail is provided in Section E.

There were no significant changes to the Company or significant events during the reporting period impacting on capital management.

Other

The Company is an active founding member of InsTech.ie, a non-profit organisation which is dedicated to connecting technology and insurance to develop the InsurTech ecosystem and position Ireland as a vibrant test site for insurance innovation. Through membership of this community, the Company benefits by partnering with innovative companies who can help enhance our customers journey and drive the approach towards understanding mobility risks, embracing them proactively whilst contributing as subject matter experts on the wider ecosystem.

A. BUSINESS AND PERFORMANCE

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A.1 Business

Name and Legal Form

ALD Re PLC (“ALD Re” or “the Company”) is a public limited company but not listed. ALD Re is a regulated motor reinsurer.

ALD Re’s direct parent undertaking is ALD S.A, effective from 26th February 2024. ALD S.A is the parent company to the ALD Group.

ALD S.A. is a 52.6% subsidiary of Société Générale with 30.75% held by previous LeasePlan shareholders and 16.6% publicly owned (Paris Stock Exchange). ALD S.A. registered address is 1-3 Rue Eugène et Armand Peugeot, Corosa, 92500 Rueil- Malmaison, Paris, France. Société Générale has its registered office at 29, boulevard Haussmann, 75009 Paris (France) and is listed on the Paris Stock Exchange.

Supervision

ALD Re is authorised by the Central Bank of Ireland which is the supervisory authority responsible for financial supervision in Ireland. The Central Bank of Ireland is located at New Wapping Street, North Wall Quay, Dublin 1, Ireland.

External Auditor

The Company’s independent external auditor is EY whose registered address is Harcourt Centre, Harcourt Street Dublin 2, Ireland. EY was first appointed in 2017.

Significant Events

There have been no significant events during the year ended 31 December 2023 that had a material impact on the Company or its results for the financial year.

A.2 Underwriting Performance

The Company provides proportional reinsurance cover on the following lines of business as defined by Directive 2009/138/EC (the Solvency II Directive):

- Motor vehicle liability insurance
- Other motor vehicle insurance
- Ancillary covers (Including income protection, legal expenses, fire & other property damage, miscellaneous financial loss)

The Company monitors all lines of business on a country-by-country basis and on an aggregate basis for financial statement purposes. Figure 1 provides the underwriting result by line of business, reconciled to the financial statement profit after tax. The majority of the business reinsured is in the EU, with some business reinsured in Norway, Switzerland, Chile and Mexico.

Figure 1: Underwriting result by Line of Business | Values €'000

	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Fire & other damage to property insurance	Legal expenses insurance	Miscellaneous financial loss	Total 2023	Total 2022
Premium written								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	4,180	101,975	72,663	254	1,302	518	181,431	182,156
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	2,366	256	-	-	-	2,621	2,278
Net	4,180	99,609	72,407	254	1,302	518	178,670	179,878
Premium earned								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	1,803	107,239	86,641	254	448	350	196,800	187,863
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	2,366	256	-	-	-	2,621	2,278
Net	1,803	104,873	86,385	254	448	350	194,179	185,584
Claims incurred								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	188	58,261	70,157	177	362	201	129,347	73,434
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	206	-	-	-	-	206	157
Net	188	58,056	70,157	177	362	201	129,141	73,277
Changes in other technical provisions								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Expenses incurred								
	326	12,432	6,502	37	74	51	19,423	26,880
Net Premium, Claims & Expenses (Insurance Results)	1,294	34,445	9,726	40	12	98	45,615	79,427
Gross investment return							6,141	(4,373)
Revaluation gain							585	74
Per financial statements								
Profit on ordinary activities before tax							52,341	75,128
Tax on ordinary activities							(6,540)	(3,553)
Profit for the financial year							45,801	65,575

The following Key Performance Indicators (KPIs) per the Financial statements, are used to monitor the underwriting performance:

- Gross written premium
- Combined operating ratio
- Loss ratio
- Expense ratio

Figure 2 provides a summary of the Company’s KPIs based on the 2023 audited financial statements including prior year comparatives.

Figure 2: Key Performance Indicators by Financial Year | Values €'000

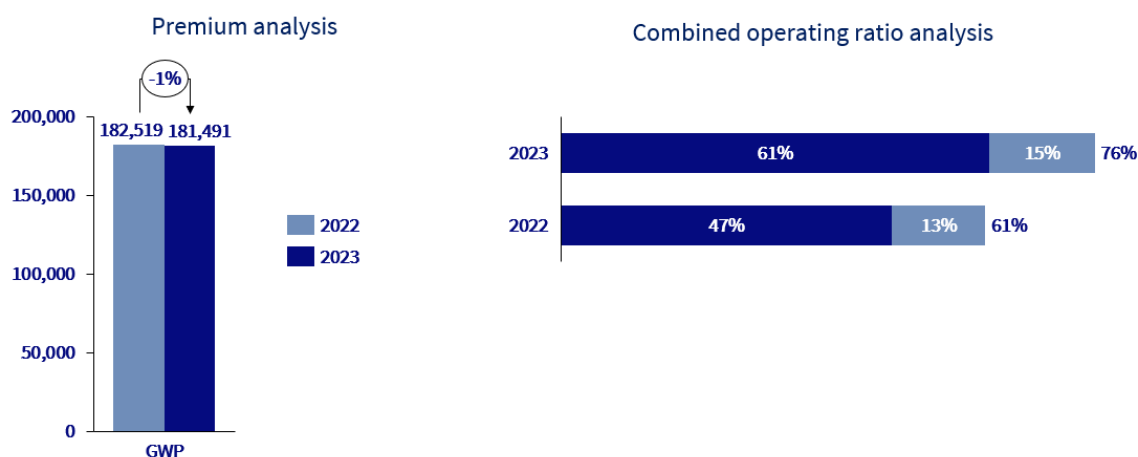


Figure 2 includes the results recognised in the financial year ended 31 December 2023 in relation to all accident years (i.e., the current accident year and any reserve strengthening / release in relation to prior accident years).

Gross premium written remained relatively unchanged during 2023. Approximately 92% of premium earned relates to business within the EU.

The underwriting performance, as per Figure 1, has been strong with an insurance service result of €56.5m. The claims ratio has experienced an increase of 13.9% on the prior year increasing to 61.1%. The claims ratio in the financial year is a reflection of current accident years claims cost but also the impact of adjustments in relation to prior accident years. In relation to the current accident year the claims ratio is 66.6% which is a slight deterioration on prior year accident year of 2.6%. This is mainly driven by inflation assumptions incorporated into the 2023 claims costs. In the prior financial year the Company continued to see significant positive impacts of COVID from 2020 & 2021 accident years which were booked in the 2022 financial year. This had an overall impact of reducing the loss ratio to 47.2%’

However, the 2023 financial year no longer reflects any COVID benefit and therefore any positive prior year development booked in the 2023 financial year has less of an impact on the overall loss ratio compared that booked in financial year 2022.

The Company continues to focus on claims best practice and strong underwriting discipline. The experience of favourable claims run-off on in prior years is experienced in most territories in which the Company provides reinsurance. The Directors have approved a reserving policy.

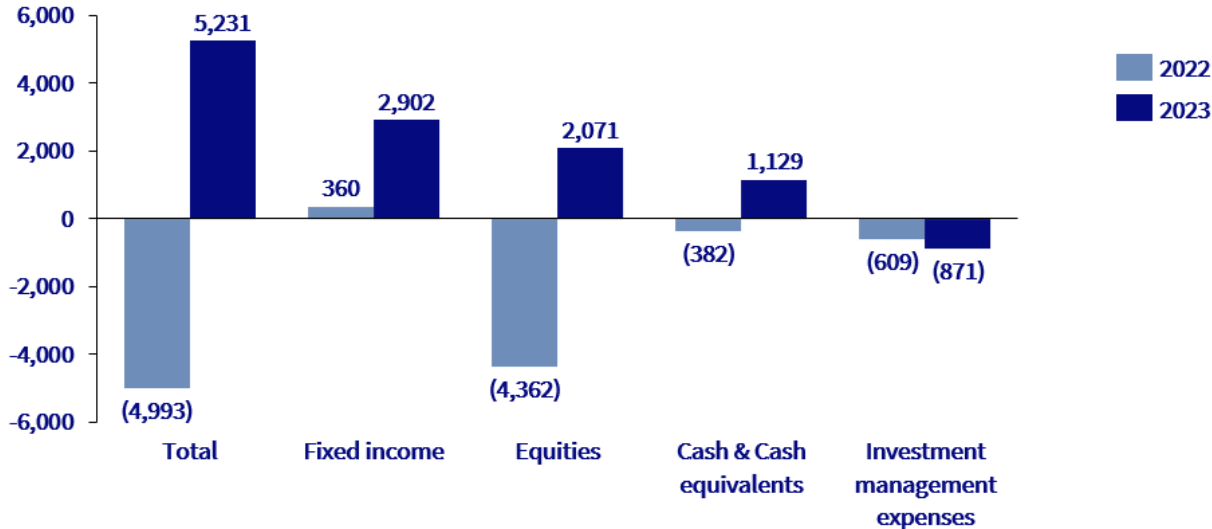
The expense ratio of 15.1% has increased 1.7% on the prior year. The expense ratio consists of the acquisition cost ratio and administrative expense ratio. The overall increase in the ratio is driven by the additional resources the Company put in place to deliver on the integration project as a result of the acquisition of Leaseplan. The Company continues to strongly focus on control of its operating cost base.

A.3 Investment Performance

Investment return for the year was €5.2m (2022: (€5.1m)) which is an improvement compared with the prior financial year. This improvement is driven mainly by an increase in interest rates during 2023. The fixed income portfolio performed positively during 2023 primarily due to the impact of rising interest rates on bond valuations. The net unrealised gains/losses on the Company’s bond portfolio resulting from mark to market adjustments are disclosed in the Statement of Comprehensive Income. In 2023 the Company had a net unrealised gain on available-for-sale assets of €9.7m compared with a net unrealised loss of €18.4m in 2022.

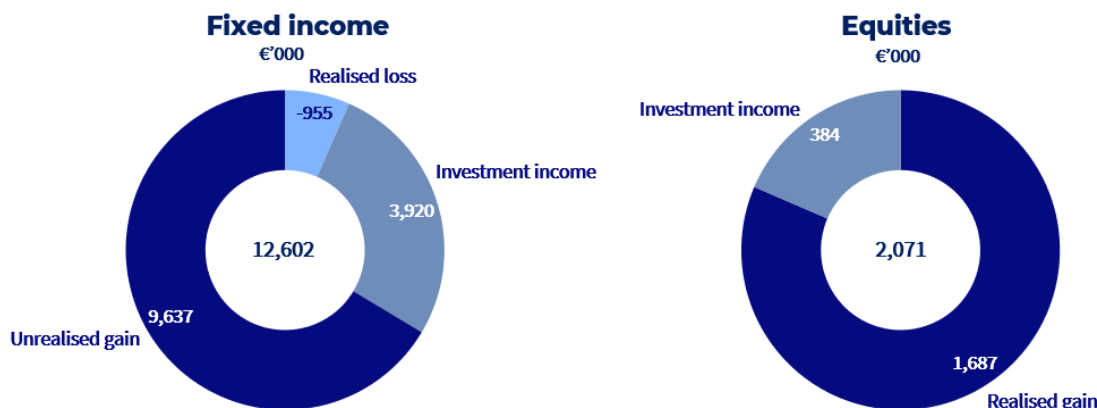
An analysis of the net investment return by investment classes is provided in the Figure 3.

Figure 3: Investment performance



The components of the fixed income and equities are further analysed below.

Figure 4: Components of Fixed Income and Equities



Gains and Losses Recognised Directly Through Equity

The Company has recognised an unrealised gain on its fixed income securities of €9.7m (gross of tax) through the Statement of Comprehensive Income (2022: unrealised loss of €18.4m). The intention is to hold fixed income securities until maturity; however trading may occur in specific circumstances defined in the Investment Strategy.

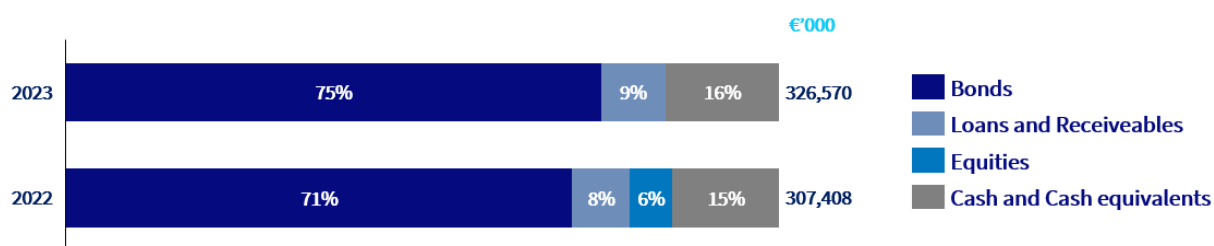
Securitisation

The Company’s Investment Risk Policy significantly restricts the ability to invest in securitisation products.

Asset Composition

The asset composition of the Company’s investment portfolio at the financial year end, per Figure 5, shows the total value of the financial assets and cash is €326.6m (2022: €307.4m).

Figure 5: Asset composition



Included in the current year numbers “Loans and receivables” is a loan to an ALD Group entity (“Group Loan”), comprising of a term loan which in accordance with IFRS was classified as a “loan and receivable”. The Loan to the Group entity was €30m at year end (2022: €25m).

A.4 Performance of Other Activities

The Company has no other income outside of that recognised through its profit and loss account and statement of comprehensive income. The Company has no material leasing arrangements to note.

A.5 Any Other Information

There is no other material information to report.

B. SYSTEM OF GOVERNANCE

The Company’s governance structure reflects the nature, scale and complexity of its business and complies with the Central Bank of Ireland’s Corporate Governance Requirements for Insurance Undertakings 2015 and the System of Governance requirements of the Solvency II regulations.

The System of Governance consists of a framework through which the Company is directed and controlled. The Board of Directors (the Board) has overall responsibility for the System of Governance and for effective and prudent oversight. The Board is responsible for setting the business strategy and overseeing its implementation.

The Board is supported by an organisational structure incorporating clearly defined roles and responsibilities with certain responsibilities reserved exclusively for the Board. The Board delegates its authority, within agreed Terms of Reference, to Sub-Committees of the Board, the Risk and Audit Committee, as shown in Figure 6 with composition of the Board shown in Figure 7. Further detail is provided in Section B.1.

Figure 6: Board and Sub-Committee Structure

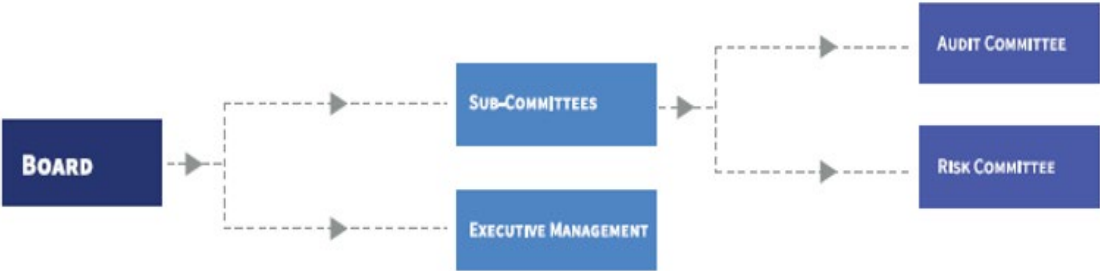
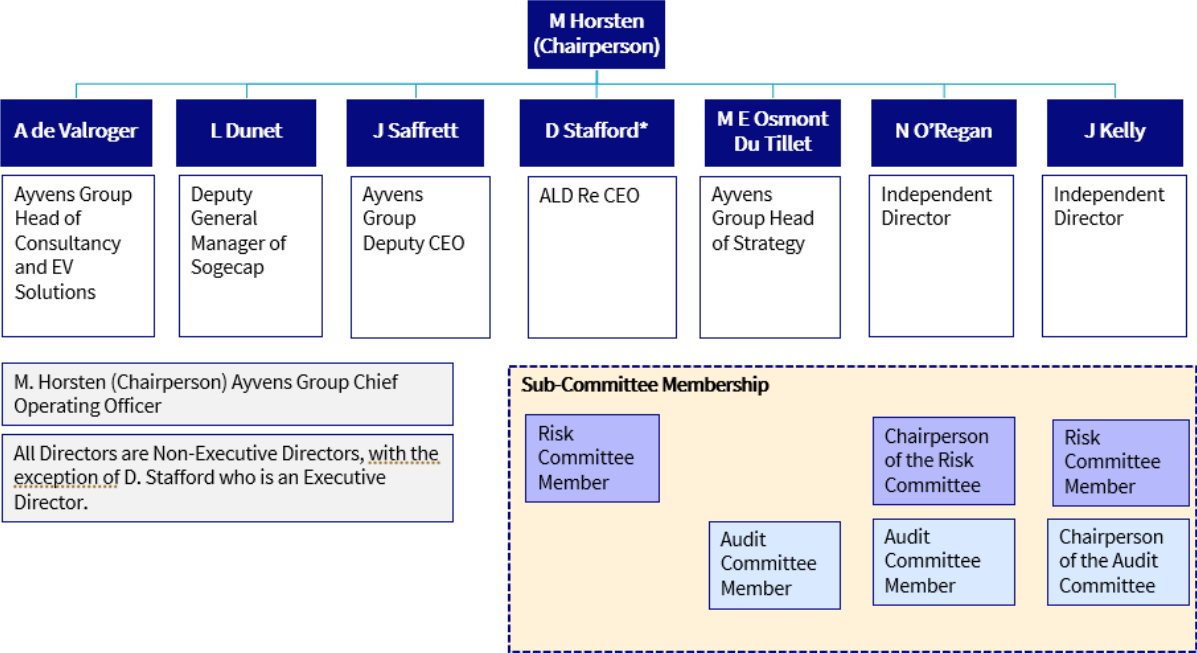


Figure 7: Board and Sub-Committee Membership



The Executive Management Team are responsible for implementing the strategy and for managing the business in accordance with the agreed strategy. The Executive Management team comprises the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Head of Claims.

The framework adopted includes a Board approved risk management strategy, policies and an internal control system, all of which are reviewed annually. An Own Risk and Solvency Assessment (ORSA) process is also conducted annually.

The Company has four independent control functions - Risk, Compliance, Actuarial and Internal Audit. These functions operate independently from the business with access to the Board, Risk and Audit Committees. They form part of the second and third lines of defence within the Risk Management Framework.

B.1 General Information on the System of Governance

Overview

The Board's role and responsibilities are set out in detail in the Company's Board Charter. Its role can be summarised as follows:

- To organise and direct the affairs of the Company in a manner designed to further its best interests, whilst complying with its fiduciary duties and all relevant legal and regulatory requirements and corporate governance standards.
- To be the focal point of the Corporate Governance regime and be ultimately accountable and responsible for the performance and conduct of the Company and its compliance with legal and regulatory requirements.
- To have regular and robust interactions with its sub committees and the Executive Management Team and to receive relevant information to enable it to fulfil its duties.

The Board is made up of five Non-Executive Directors, two Independent Non-Executive Directors and one Executive Director. The Board meets at least four times per year and is chaired by a Non-Executive Director.

The Risk Committee operates under delegated authority from the Board. Its role is to advise the Board on risk appetite and tolerance for future strategy, taking account of the Board's overall risk appetite and the current financial position of the Company. The Risk Committee draws on the work of the Audit Committee, Internal Audit and work performed by the Executive Management Team to manage and control risks within the agreed strategy. The Risk Committee meets at least four times per year and is chaired by an Independent Non-Executive Director.

The Audit Committee operates under delegated authority from the Board. Its role is to support the Board in considering activities that expose or may expose the Company to material financial or other risks and to assist the Board in fulfilling its oversight responsibilities. The Audit Committee meets at least four times per year and is chaired by an Independent Non-Executive Director.

Independent Control Functions

The Company has four independent control functions:

- A Risk Function, managed by the Chief Risk Officer, who is responsible for the implementation of the Risk Management Framework. The Chief Risk Officer has a direct reporting line to the Board, Risk and Audit Committees.

- A Compliance Function, managed by the Head of Compliance, who is responsible for the implementation of the Compliance Framework. The Head of Compliance internally reports to the Chief Risk Officer, and has a reporting line to the Board and Audit Committees.
- An Actuarial Function, managed by the Head of Actuarial Function (HoAF), who is responsible for the calculation of technical provisions and the provision of opinions on technical provisions, underwriting, reinsurance and the ORSA. The HoAF role is outsourced to a third party who reports to the Board and Audit Committee and internally to the CEO, as the responsible PCF.
- Internal Audit Function, managed by the Head of Internal Audit which is outsourced to the Regional Chief Audit Executive from the Société Générale Group, provides independent and objective assurance to the Board on the adequacy and effectiveness of the System of Governance. The Head of Internal Audit reports to the Board and Audit Committee.

All control functions are operationally independent from the business and have the necessary authority and resources to perform their duties.

The Board reviews the System of Governance annually and is satisfied that the structures in place are appropriate for the nature, scale, and complexity of its business.

Remuneration, Employee Benefits and Practise

In order to maintain pace with business and the regulatory environment in which it operates, the Company strives to attract and retain high quality staff in key roles by offering competitive pay packages and an attractive and challenging work environment.

The Company has adopted a Board approved Remuneration Policy which sets out the practices to support the long-term interests of the company including its values, the strategy, business objectives and risk management practices. In particular, the Remuneration Policy aims to promote sound and effective risk management, aligned to the risk strategy and risk appetite and does not encourage excessive risk taking.

The Company's remuneration packages include both fixed and variable components. The Company considers that the components are appropriately balanced to ensure that the fixed component represents a larger proportion of the total remuneration. The variable component is based on a performance assessment of each individual, combined with overall the performance of the Company and that of the Group to which the Company belongs. The variable component may contain a deferred component that considers an appropriate time horizon.

The Company offers all employees the choice of making contributions into a defined contribution pension scheme, which the Company will also contribute to. Once the contribution has been paid, the Company has no further obligations. The defined contribution scheme is independently managed by a third party.

The Company's remuneration practices do not include any supplementary pension or early retirement schemes for members of the Board, key function holders or other employees.

Material Transactions

The Company transacts with Société Générale group companies at arm's length in its day-to-day business of providing reinsurance coverage to the insured vehicles of ALD Group. This includes transactions with Group insurance companies.

The Company contracts at arm's length with Société Générale group companies for services, including investment management services and IT support.

In addition, as noted in A.3 investment performance, lending to ALD Group occurs (See C.2 Market Risk for further detail).

B.2 Fit and Proper Requirements

Fitness and Probity Policy

The Company has a Board approved policy on Fitness and Probity³, which specifies the skills, knowledge, and expertise required for persons who effectively run the company. The requirements of this policy are aligned to the specific regulatory requirements issued by the Central Bank of Ireland, including The Central Bank Reform Act 2010 (Section 50), the Central Bank of Ireland's Fitness and Probity Standards, the Central Bank (Individual Accountability Framework) Act 2023 ("IAF Act") and the IAF Guidance

The Company places a high level of importance on appointing persons who are fit and proper and this policy sets out the approach to conduct assessments to determine an individual's suitability to perform a pre-approved or control function role and to meet the fitness and probity standards, demonstrating that they are:

- Competent and capable;
- Honest, ethical and can act with integrity; and
- Financially sound.

All pre-approved control functions (PCF) require Board approval and Central Bank of Ireland approval prior to appointment.

Candidate Due Diligence

The Company is required to determine an individual's suitability for a role and to follow robust recruitment and selection controls to ensure it only selects candidates that meet the Fitness and Probity Standards. These controls include appropriate screening of candidates and the completion of the Central Bank of Ireland's Individual Questionnaire by all PCF preferred candidates prior to their engagement. The screening includes, amongst other things, educational qualifications, professional body memberships, work experience and employer references; bankruptcy and debt judgments; conflicts, regulatory sanctions, reprimand and complaints.

Ongoing Due Diligence

The Company operates a continuous monitoring programme with due diligence checks and self-declarations to enable it to confirm that it is compliant with the fitness and probity requirements. This programme incorporates training, periodic screening and a refresh of due diligence files, and annual confirmation of compliance with the Fitness and Probity Standards. It seeks to ensure that all relevant

³ ALD Re's Fitness and Probity Policy includes the new Individual Accountability Framework ("IAF") Policy addendum approved by the Board in December 2023.

persons adhere to, on an ongoing basis, their obligations and confirms they agree to abide by those standards.

Individual Accountability Framework

The Company has implemented a framework, including a Board approved IAF policy, to ensure transparency and accountability of specific individuals in controlled function positions. The IAF Policy which is appended the Company's existing Fitness and probity Policy sets out the requirements, obligations and standards to be met, and the processes and procedures to be adhered to including; conduct standards, enhanced fitness and probity regime (including fitness and probity certification process), performance management and disciplinary and escalation processes to be followed in case of breaches.

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

The Risk Management Strategy is derived from the Company strategy and business objectives and this constitutes the basis for which the Risk Management Framework is developed. The Risk Management Strategy expresses the Company's attitude towards the recognition and handling of risk.

The Risk Management Strategy seeks to:

- Ensure that the Risk Management Framework is fully implemented and reflects the nature, scale and complexity of the risks inherent in the business;
- Promptly identify, measure, manage, monitor and report on risks impacting the achievement of strategic, operational and financial objectives;
- Promote a sound risk management culture through disciplined and informed risk taking.

Risk Management Framework

Risks are managed on a day-to-day basis in accordance with the Risk Management Framework, where risks are identified, measured, managed, monitored and reported on as part of the risk management cycle. The Risk Committee receives regular reports from the Chief Risk Officer on the outcome of quarterly risk assessments undertaken by management as part of this cycle of activities.

The Risk Management Framework is intended to reduce but not eliminate the potential risks or issues that may impact the Company. Similarly, it cannot protect, with certainty, against the failure of the Company to meet its business objectives or guard against material errors, losses, fraud or breaches of laws. Taking this into account, the Risk Management Framework is intended to provide reasonable assurance that the Company will, on an ongoing basis, be able to conduct its business in an orderly manner.

Risk Appetite

The Risk Appetite Statement approved by the Board reflects the type and level of risk the Company is prepared to accept in pursuit of its strategy and business objectives. Risk appetite enables the Company to make informed business decisions whilst having regard to the key risks that the Company is or may be exposed to. Risks are managed within the risk limits and tolerances set in the Risk Appetite Statement.

Risk Policies

The Board has approved risk policies for each of the following areas:

- Retrocession Risk

- Underwriting Risk
- Reserving Risk
- Investment Risk
- Asset-Liability Management and Liquidity Risk
- Operational Risk
- Capital Management Risk
- Own Risk and Solvency Assessment

The policies set out the requirements to be met for each risk type including the process and procedures to be followed, roles and responsibilities and reporting requirements. Policies are owned and approved by the Board and are reviewed annually.

Risk Management Function

The Risk Management Function is an independent control function which sits in the Second Line of Defence. Its main responsibilities include:

- Developing and embedding of the Risk Management Framework;
- Monitoring and reporting on risk exposure;
- Promoting a sound risk management culture.

These responsibilities are discharged through:

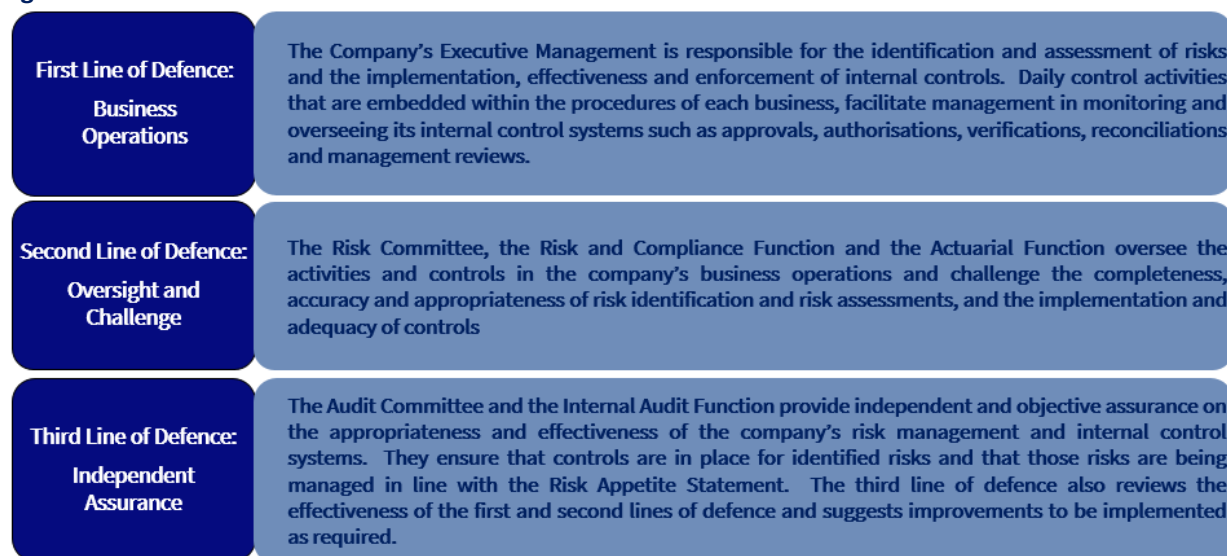
- Reviewing and challenging the adequacy and completeness of risk assessments and the implementation of controls;
- The preparation and execution of a risk-based monitoring plan;
- Reporting to the Risk Committee and Board on key risks and compliance with risk appetite;
- Advising the Risk Committee and Board on decision making in respect of material changes to the risk profile and setting of the risk appetite statement.

Three Lines of Defence

The Company employs a “three lines of defence” approach to managing risk across the Company, allowing the key functions to review and independently challenge the business and report its findings to the Board and Sub-Committees.

Roles and responsibilities for the management of risk and controls is shown in Figure 8.

Figure 8: Three Lines of Defence



Own Risk and Solvency Assessment

The Own Risk Solvency Assessment (ORSA) is an integral part of the Risk Management System and provides the Board with an understanding of the risks the Company is or may be exposed to in pursuit of its strategy together with the capital requirement to cover those risks.

The objectives of the ORSA process are to:

- Maintain sufficient capital over the plan period⁴ to run the business;
- Determine additional capital requirements to cover specific risk(s) faced by the business;
- Utilise the ORSA process to contribute to decision making.

The ORSA process is conducted annually and represents the approach to consider and assess risks to the business, determine the capital requirements to cover such risks and to ensure that the company meets its overall solvency needs. The process is an iterative one with the results and insights used as a key input to decision making and planning.

The Board takes an active role in the ORSA process including steering how the assessment is to be performed and reviewing and challenging the results. A Board approved ORSA policy is used to guide the process, a summary of which is detailed in Figure 9.

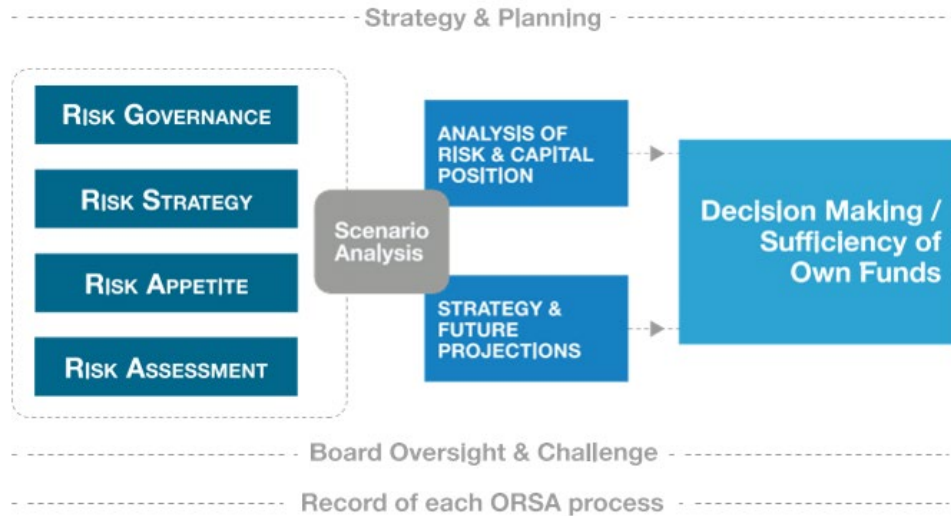
The process incorporates the following key activities:

- To identify, measure, monitor, manage and report on the short and long term risks the Company faces and to determine its solvency needs;
- To form an integral part of the strategy setting and business planning process by undertaking scenario analysis to assess the capital adequacy of the business plan taking account of the nature and complexity of the inherent risks and considering the impacts from the external environment;
- To assist in setting the amount of risk the Company is willing to accept; and

⁴ Three-year period

- To contribute to the decision-making processes by identifying the capital implications of specific forward-looking strategic initiatives.

Figure 9: ORSA Process



The interrelationship between the ORSA process and the setting of business objectives, risk appetite and decision making is illustrated in Figure 10, with each component informing and supporting the setting of other components.

Figure 10: ORSA with planning and decision-making processes



B.4 Internal Control System

An effective system of internal control is a critical component of the Risk Management System. The internal control system comprises a coherent, comprehensive and continuous set of processes that are performed on an ongoing basis to support the achievement of the following objectives:

- the effectiveness and efficiency of operations;
- the availability and reliability of financial and non-financial information;
- compliance with laws, regulations and administrative provisions.

The internal control system consists of six inter-related components:

- **Control environment:** This is the foundation of the internal control system and sets the tone for all other components. Factors include integrity and ethics, organisational structure, leadership and guidance, Board oversight, effective remuneration practices.
- **Internal control framework:** The company operates a three line of defence approach to the identification and execution of controls, oversight and challenge on control assessments and assessments of the effectiveness of the control environment.
- **Risk assessment:** The identification and assessment of controls follows a regular cycle of review to ensure controls remain effective in mitigating risks.
- **Control activities:** actions undertaken to design and execute controls to mitigate the risk and the timely assessment of controls to ensure they remain effective.
- **Information and communication:** clear roles and responsibilities in relation to the design and execution of controls, the sharing of information on the performance of controls to support decision making and lessons learned on control weaknesses.
- **Monitoring:** active monitoring to ensure controls continue to operate effectively.

The Company also has independent control functions referred to in Section B.1.

Compliance Function

The Compliance Function is an independent control function who provide direction, support, challenge and advice to assist management in monitoring and managing compliance risk. The Compliance Function operates as part of the second line of defence and reports to the Board and Audit committee.

Its main responsibilities include:

- establishing and maintaining a compliance framework;
- Promoting a compliance culture with a solid understanding of compliance standards, procedures and guidelines;
- Identifying, measuring, monitoring, managing and reporting on compliance risk exposure, including breaches, issues and risk events;
- Advising on new developments, emerging obligations or amendments to compliance regulations / legislation.

The responsibilities are discharged through:

- Identifying and documenting relevant compliance obligations in the Compliance Manual;
- Preparing and executing a risk-based compliance monitoring plan;
- Enhancing awareness by providing ongoing training on compliance matters;
- Reporting regularly to the Audit Committee and Board on compliance issues;
- Advising the Board and Audit Committee on compliance matters.

B.5 Internal Audit Function

The Internal Audit Function is an independent control function who provides objective assurance on the robustness of the Risk Management System and the appropriateness and effectiveness of the system of internal control across the Company.

Its main responsibilities include:

- Independently, critically evaluating and reporting on the effectiveness of internal control;

- Evaluating compliance with policies, procedures, best practice, legislation and regulations;
- Putting in place follow-up procedures and timeframes to ensure remedial actions are appropriately implemented.

The responsibilities are discharged through:

- Preparing and executing a risk based Internal Audit plan;
- Completing individual audits on areas identified in the risk-based plan;
- Reporting on the adequacy of risk management and internal control to the Executive Management Team and the Audit Committee;
- Monitoring and reporting on the implementation of recommendations accepted by the Executive Management Team.

The Internal Audit Function does not have direct responsibility, authority or involvement in the activities they review. The Internal Audit Function forms part of the Third Line of Defence, is objective and impartial in performing its assignments and is not subject to instructions from the Board when evaluating and reporting on audit results.

B.6 Actuarial Function

The Head of Actuarial Function manages the Actuarial Function and is responsible for:

- Calculating and providing an opinion on Solvency II technical provisions
- Providing an opinion on the underwriting policy and reinsurance arrangements
- Contributing to the effective implementation of the Risk Management System which includes providing an opinion on each ORSA process.

The key activities of the Actuarial Function are in line with the Central Bank of Ireland guidelines on the Domestic Actuarial Regime.

B.7 Outsourcing

The Company operates with a Board approved Outsourcing Policy which outlines the approach to consider the outsourcing of critical and important functions or activities. The policy sets out the processes and procedures to be followed as part of the outsourcing lifecycle together with the roles, responsibilities and reporting requirements. This policy is approved annually by the Board.

The Company outsources activities and enters into outsourcing arrangements only where there is a sound commercial / strategic basis for doing so and where the risk can be effectively managed. The Company remains accountable for meeting its obligations relating to outsourced activities and this is incorporated in the internal control system. To ensure the effective control of outsourced activities and to appropriately manage the associated risks the Company retains internal competence and expertise to manage and monitor outsourcing arrangements.

The outsourcing lifecycle incorporates the following components / activities:

- Provider due diligence
- Outsource Agreement

- Management and monitoring of arrangements with risk and controls assessed
- Contingency Planning and Exit Strategy in place
- Annual assessment of outsourcing arrangements

Summary of Critical and Important functions and activities		
Activity	Description	Service Provider
Investment Services	Provision of Investment Management support including the identification of appropriate assets for investment	Société Générale Bank and Trust S. A
Internal Audit	Provision of Internal Audit services	Société Générale Regional Audit Function
IT Services	Provision of IT infrastructure support services and information security support	Cap Gemini Ireland and ALD S.A
Core Insurance system	Claims and premium information system – Alder	ALD S.A
Regulatory Reporting	Provision of QRT reporting software solution (ABACUS)	Regnology (formerly Bearing Point)
Head of Actuarial Function	Provision of HoAF activities	Willis Towers Watson

All outsourced providers are located within the EU, with the exception of Internal Audit who are located in the UK. Specific members of the Executive Management Team have been allocated responsibility for each outsourced arrangement.

B.8 Any Other Information

ALD S.A successfully completed the acquisition of 100% of LeasePlan Corporation N.V from a consortium led by TDR Capital, for a total consideration of €4.8 billion paid through a combination of cash and ALD shares. Following the closing of the acquisition of LeasePlan, ALD has become a Financial Holding Company, a regulated institution supervised by the European Central Bank.

Following the completion of this transaction the overall ALD Group now includes two Irish entities that are licensed and supervised by the Central Bank of Ireland, ALD Re and Euro Insurances. Following a review of the two businesses in respect of the strategy of the ALD Group the decision was made to take all necessary steps to merge ALD Re into Euro Insurances.

In the period to 31 December 2023 much work has been completed in respect of obtaining the regulatory and legal approvals needed to put into effect the proposed merger. However, the key elements of the merger process are expected to be completed during the first half of 2024 and these include the approval of the Central Bank of Ireland to a portfolio transfer of ALD Re’s reinsurance business, a non-objection from the CBI to a change of business plan for Euro Insurances and the required approval of the Irish High Court as required under the Companies Act.

C. RISK PROFILE

The Company provides cover for third party motor liability business (long tail), motor own damage business (short tail) and other related covers associated with the vehicles provided under lease contracts. The material risks it is or may be exposed to include:

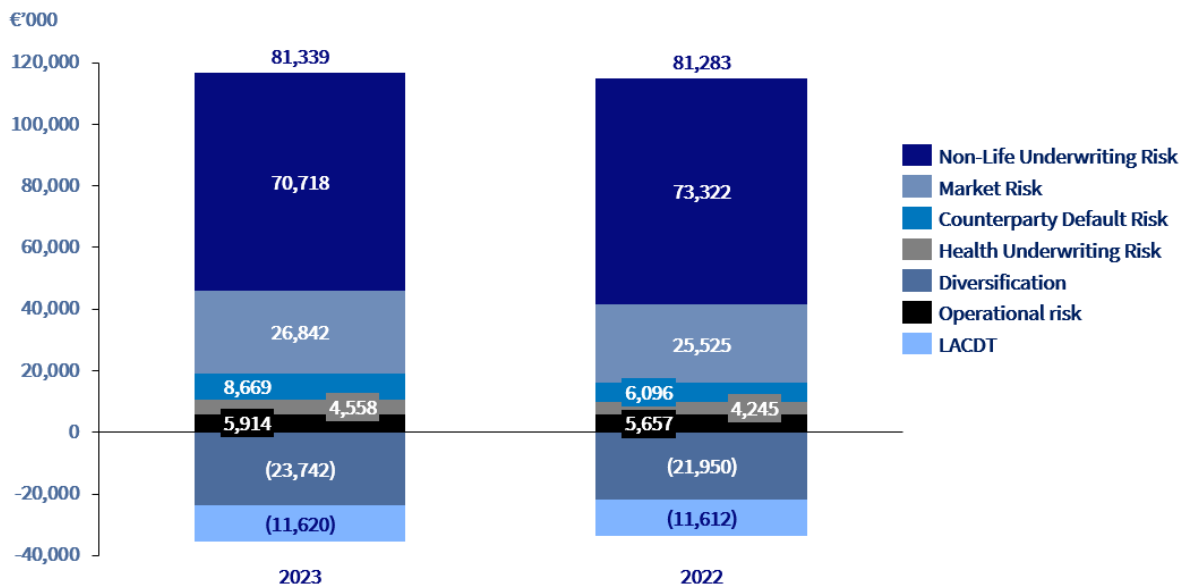
- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

This section describes each of these risks in turn including an overview of the risk exposure with detail on how the risk is managed.

The composition of the standard formula SCR risk charge as at 31 December 2023 is shown in Figure 11, with underwriting and market risk being the key drivers of the risk charge. Underwriting risk is driven by the volume of business written and bound and the level of claims provisions held. Market risk is driven by the type, amount and credit quality of investments held.

Figure 11: SCR composition | Values in €'000

See Section E.2 for SCR analysis.



As part of the ORSA process an assessment of the appropriateness of the Standard Formula for the Company's risk profile was conducted and it was deemed materially appropriate for the risks to which the company is exposed to.

C.1 Underwriting Risk

Underwriting risk is the risk of failing to generate adequate return due to actual experience being different to expected experience when the insurance risk was underwritten including inadequate pricing or reserving.

Cover is provided for the following lines of business:

- Third party Motor Vehicle Liability insurance (“MTPL”)
- Other Motor Insurance (“MOD”)
- Ancillary covers including income protection, legal expenses, fire and other property damage and miscellaneous financial loss

The Company covers risks in over 20 countries which provides a broad geographical spread and offsets, to some extent, heavy exposure in the larger territories. The Company aims to maximise insurance coverage in each territory whilst utilising experience, research and judgement to ensure a robust and progressive underwriting process.

The Company is exposed to typical pan-European motor reinsurer underwriting risks and uncertainties around pricing and the timing, frequency and severity of claims arising from legal and/or environmental change. Whilst the Company is exposed to large losses (MTPL loss and certain own damage catastrophic loss) the exposure is generally capped at a specified amount per loss.

Changes in mobility risks of the future are monitored closely including MTPL/MOD for private lease contracts, electrification, mobility sharing platforms, connected and autonomous vehicles. The Company participates in new product development opportunities, up to pre-defined limits set by the Board, with the intention of collecting data and better understanding the risks.

Underwriting

The Company operates with a Board approved Underwriting Policy which sets out the underwriting objectives and strategy together with the responsibilities, processes and reporting requirements to manage this risk. Other Board approved policies such as the Retrocession Risk Policy supports the Underwriting Risk Policy in assessing, managing, and mitigating specific elements of underwriting risk.

The Company takes a conservative approach to managing underwriting risk which is actively managed and mitigated in accordance with the risk management cycle set out in Section B. Underwriting risk is monitored through risk appetite with key risk indicators in place and no breaches during the year.

The Company monitors the effectiveness of the mitigating techniques to manage underwriting risk through:

- Regular reviews, monitoring and reporting on programme key performance indicators including pricing, vehicle exposure, frequency and severity of claims with actions taken to rectify issues;
- Governance and oversight of the risk provided quarterly to an Underwriting & Retrocession Forum;
- Risk and control assessments conducted quarterly and reported to the Executive Management Team, Risk Committee and the Board.

Inflation risk continued to be a key area of focus for the business to manage in 2023 creating challenges on pricing and the cost of claims, particularly own damage claims. Mitigants and containment measures were put in place as appropriate.

Reserving

Reserving risk is the risk of loss or of an adverse change in the value of insurance liabilities due to inadequate data, methodologies and assumptions, the uncertain nature of claims development and failures in processes and procedures.

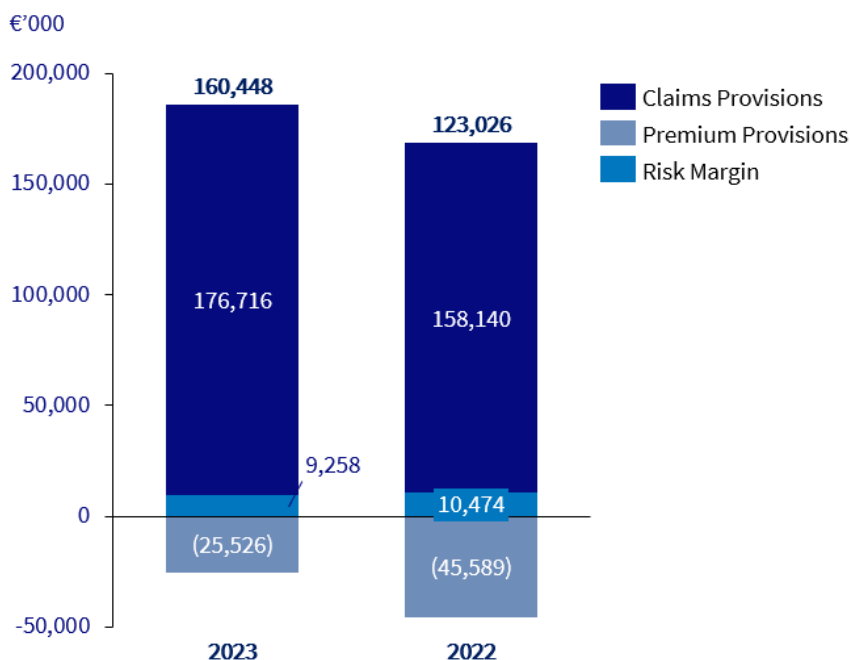
The Company operates with a Board approved IFRS 17 Reserving Policy and a Solvency II Technical Provision Policy which sets out the responsibilities, processes and reporting requirements to manage this risk.

The Company takes a conservative approach to managing reserving risk which is actively managed in accordance with the risk management cycle set out in Section B. Reserving risk is monitored through risk appetite with key risk indicators in place and no breaches reported during the year.

Solvency II claims provisions are determined by applying appropriate actuarial techniques and are calculated in line with Solvency II requirements. They are calculated on a discounted best estimate basis and include an allowance for Solvency II expenses and an Events Not In Data ('ENID') loading to reflect the requirement that the claims provision best estimate should reflect all possible outcomes. The estimation and measurement of claims provisions is a key factor in determining the Company's results and financial position. The sudden shift from a prolonged period of low inflation to a period of high inflation creates uncertainty on the severity of claims and on the use of historical claims development patterns to estimate claims provisions therefore adjustments were made during the year to add appropriate inflation assumptions to both the projected future claims and Solvency II expenses. Additional external assurance on reserving is received on an annual basis.

Figure 12. shows the gross technical provisions as at 31 December 2023 as valued in accordance with the Solvency II Directive. Details of the movements can be found in Section D.2 Technical Provisions.

Figure 12 : Gross Technical Provisions | Values €'000



Overall, the Solvency II Technical Provisions have increased by €37m at 2023 year-end compared to 2022 year-end driven by an increase of €18.2m in claims provisions and €20m in premium provisions, slightly offset by a decrease of €1.3m in the risk margin.

The Company monitors the effectiveness of mitigating techniques to manage reserving risk through the following:

- Monthly monitoring of actual versus expected claims experience to identify emerging trends, metrics or differences in historical patterns;
- Conducting benchmarking and exposure-based analysis as appropriate;
- Regular review of reserve methods and assumptions;
- Periodic reviews of claims provisions and the application of a robust reserving methodology;
- Provision estimates subjected to rigorous review and challenge by the Executive Management Team at the quarterly Reserving Forum, quarterly Solvency II SCR and Technical Provisions Forum the Audit Committee and Board;
- An independent assessment of the effectiveness of retrocession arrangements conducted by the Head of Actuarial Function;
- Opinions provided by the Head of Actuarial Function on the underwriting policy, the adequacy of technical provisions and the ORSA process;
- Regular monitoring of reserve movements through risk appetite;
- External assurance through independent reserve reviews; and
- Regular reporting on the outcome of risk and control assessments to the Executive Management Team, Risk Committee and Board.

As part of the ORSA process a range of stress tests and scenarios were conducted which considered exposure to material underwriting and reserving risk and assessed the impact of deterioration / change in underwriting performance with reductions in average premium, ultimate claims deterioration, higher claims costs from inflation, programme exit and climate change. The impact of these stresses highlighted resilience to a range of combined stresses and did not result in a material reduction of the SCR below 100%. Nonetheless management actions were detailed.

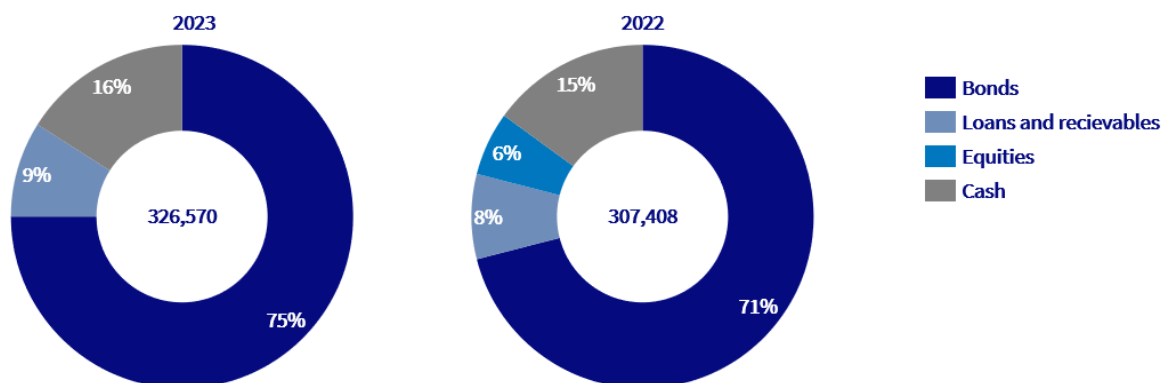
C.2 Market Risk

Market risk is the risk of loss or of an adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and/or the volatility of the market price of assets and liabilities.

Market risk comprises concentration, equity, interest rate, spread and currency risks. The Company's exposure to market risk is predominantly in its investment portfolio. The Company's invests in:

- Corporate and government bonds
- Loans and receivables
- Equities
- Cash and cash equivalents

Figure 13: Asset allocation | Values €'000



The term loan to a Group entity, classified as a ‘loan and receivable in accordance with IFRS, increased in 2023 to €30m (2022: €25m).

The Company operates with a Board approved Investment Risk Policy and Investment Strategy which sets out the responsibilities, processes and reporting requirements to manage this risk.

Market risk is actively managed by Société Générale Bank and Trust S.A in accordance with the approved Investment Risk Policy and Investment strategy which seeks to protect regulatory capital and policyholder assets and thereafter maximise investment return. The overarching principle is to hold assets of an appropriate nature, currency and duration to meet liabilities as they fall due.

The components of market risk are managed as follows:

- **Concentration risk:** The Company seeks to limit its exposure to concentration risk by setting pre-defined limits for certain securities, countries and issuers and the monitoring of exposure through key risk indicators. There are no significant concentrations to note.
- **Equity risk:** The Company seeks to limit its exposure to equity risk by setting pre-defined limits for investments and only investing in equities quoted on regulated exchanges.
- **Interest rate risk:** The Company has limited exposure to interest rate risk in respect of its fixed income securities as the asset duration is generally short term and assets are held to maturity. The Company seeks to maintain an interest rate gap to limit interest rate risk and there were no breaches of this limit in 2023. The impact of a +1% increase in interest rates on the value of fixed income securities is €2.7m and a -1% decrease in interest rates on the value of fixed income securities is €13.0m. The impact of a +/-1% change in interest rates on the SCR, available capital and SCR coverage, has been considered. The impact is deemed not to have a material impact on the risk profile of the Company. Asset and liability matching is used to minimise the impact of fluctuations in interest rates causing a mismatch in the value of assets and liabilities.

- **Spread Risk:** The Company seeks to limit its exposure to spread risk by investing in investment grade securities for assets covering technical provisions and required capital.
- **Currency risk:** The Company seeks to limit its exposure to currency risk by ensuring its financial assets are largely matched to the same currencies as insurance contract liabilities.

The Company monitors the effectiveness of the mitigating techniques to manage market risk through:

- i) Regular monitoring of pre-defined limits and key risk indicators through risk appetite
- ii) Quarterly reporting by the Investment Manager on performance of the investment portfolio and compliance with the Investment Risk Policy and Strategy
- iii) Regular reporting on the outcome of risk and control assessments to the Executive Management Team, Risk Committee and Board

As part of the ORSA process various stresses were conducted which considered exposure to market risk including the impact of shocks (bonds) and a reduction in the value of the portfolio together with default on the loan to a Group entity. The impact of these stresses did not result in a material reduction of the SCR below 100%, nonetheless management actions were detailed.

C.3 Credit Risk (Default)

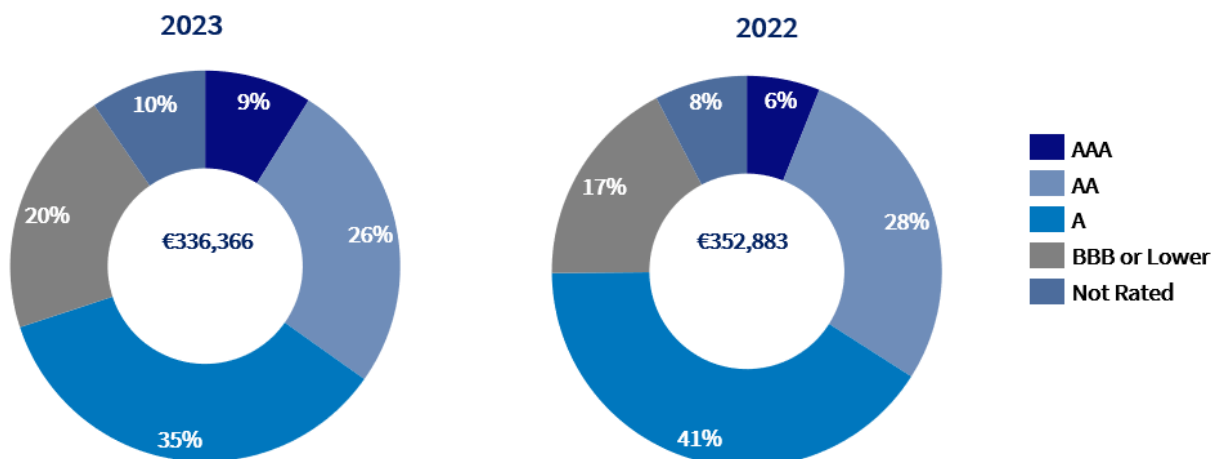
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk can arise from fluctuations in the credit standing of counterparties.

The Company is or may be exposed to credit risk through the following:

- non-investment grade assets
- amounts due from reinsurance arrangements
- premium receivables
- cash holdings with banking counterparties
- a loan and receivable in respect of a Group entity

The Company operates with a Board approved Investment Risk Policy and Strategy which sets out the responsibilities, processes and reporting requirements to manage credit risk. To effectively manage credit risk the Company only deals with investment grade counterparties with the exception of assets not used to cover technical provisions or required capital. Limits are in place for aggregate exposure to a single counterparty for assets covering technical provisions and required capital with no significant exposure at present. The total credit exposure at 31 December 2023 is as shown in Figure 14 below.

Figure 14: Financial asset quality & concentration (including due from reinsurers) | Values in €'000



Credit risk is actively managed and mitigated in accordance with the risk management cycle set out in Section B. Credit risk is monitored through risk appetite with key risk indicators and pre-defined limits in place with no significant concentration to note. There were no material changes to the Company’s credit risk exposure during the year and no breaches of credit risk appetite.

The Company monitors the effectiveness of the mitigating techniques to manage credit risk through:

- Regular reviews and monitoring of counterparties credit ratings;
- Monitoring of cash holdings;
- Risk and control assessments conducted quarterly and reported to the Executive Management Team, Risk Committee and the Board.

As part of the ORSA process a scenario was conducted which considered exposure to credit risk through default on loan to a Group entity. The impact of these scenarios did not result in a material reduction of the SCR below 100%, nonetheless management actions were detailed.

C.4 Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they fall due and can arise from a mismatch between the maturing of assets and the timing of cashflows or the inability to sell assets to meet liabilities.

The Company operates with a Board approved Asset Liability Management & Liquidity Risk Policy which sets out the responsibilities, processes and reporting requirements to manage this risk. Liquidity risk is actively managed and mitigated in accordance with the risk management cycle set out in Section B to ensure that the Company has sufficient access to the funds necessary to cover reinsurance claims.

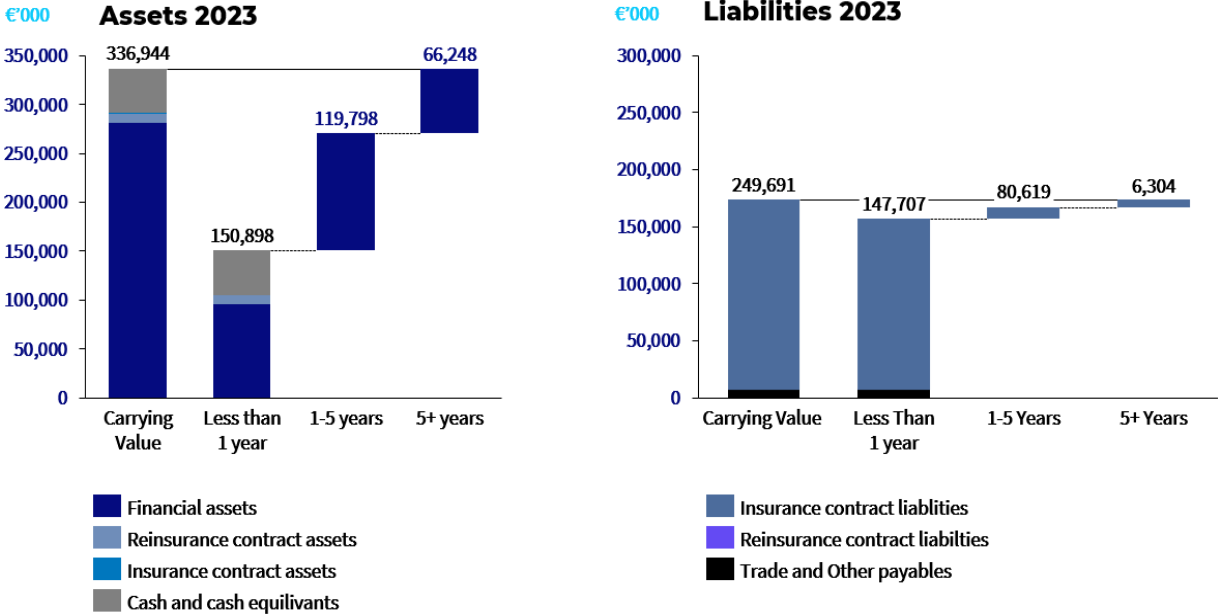
The Company’s exposure to liquidity risk is deemed low as it maintains a high-quality, well-balanced and liquid portfolio to meet its liabilities and obligations as they fall due with the duration of its investments matched with that of its reinsurance liabilities. In practice, most of the Company’s assets are marketable securities which could be converted into cash if required, thus there is no significant risk concentration in illiquid assets. There were no material breaches of the liquidity risk appetite in the reporting period.

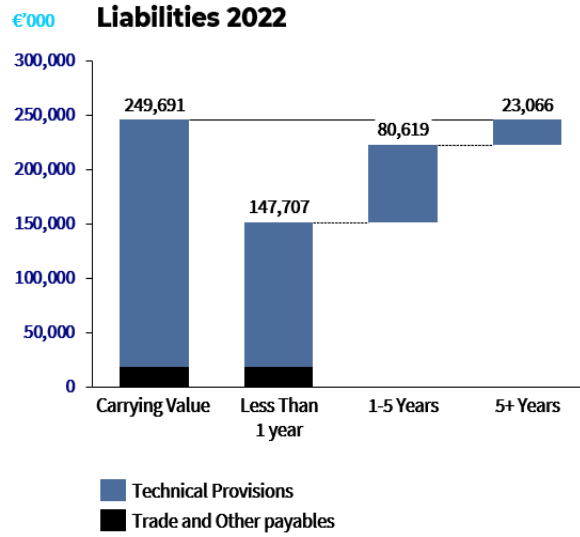
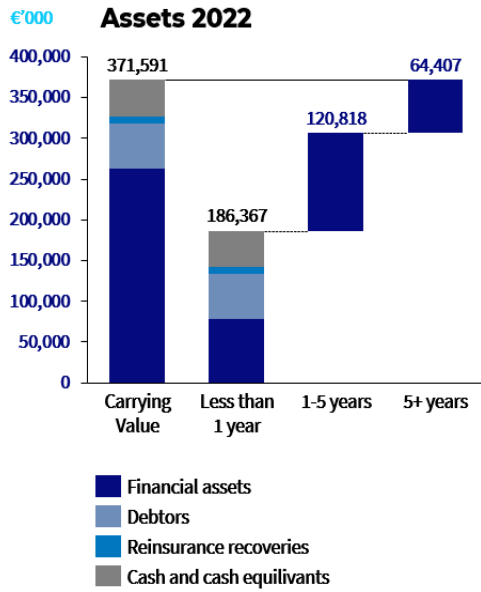
The Company believes that it will generate sufficient cash from premium receipts to pay claims, acquisition costs and operating expenses. To the extent that underwriting cash flows are not sufficient to cover operating cash outflow in any year, the Company may utilise cash flows generated from its investments and ultimately liquidate assets from its investment portfolio.

The Company monitors the effectiveness of the mitigating techniques to manage liquidity risk through:

- i) Regular monitoring of pre-defined limits and key risk indicators through risk appetite
- ii) Regular reporting on the outcome of risk and control assessments to the Executive Management Team, Risk Committee and Board

Figure 15: Asset & Liability Matching





Prudent Person Principle

The Company applies the Prudent Person Principle in managing market, credit, liquidity and operational risks.

The Company's Investment Risk Policy is consistent with the Prudent Person Principle, and the Company;

- Will only invest in assets the risks of which can be properly identified, measured, monitored, managed and controlled.
- Will only invest all assets, in particular those covering the MCR and SCR, in such a way as to ensure the security, quality, liquidity and availability of the portfolio.
- Will invest assets held to cover the technical provisions in a manner appropriate to the nature and duration of its insurance and reinsurance liabilities.
- Will diversify in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings or geographical area and excessive accumulation of risks as a whole in respect of MCR and SCR and Technical Provisions.

Key risk indicators are set out in the Investment Risk Policy and these are monitored on a monthly basis to ensure the Prudent Person Principle is applied.

Expected Profit in Future Premiums

The expected profit included in future premiums at year end 2023 is estimated to be €28.2m (2022: €44.5m).

C.5 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems, people or external events (whether deliberate, accidental or triggered by natural occurrence).

Operational risks which the Company is or may be exposed to include, but are not limited to, the following:

1. **Delivery & Execution:** The risk of failing to deliver on its strategy and serve its customers by failing to effectively execute internal processes in a timely manner or deterioration or changes in the distribution network (fronter reliance).
2. **Change Management:** The risk that projects (underpinning strategic objectives) are not appropriately implemented.
3. **Systems & IT security:** The risk of systems disruption or failure, that systems are inadequate to support the business, risk of loss or damage arising from cyber security incidents including unauthorised access to information or the use, disclosure, disruption, modification or destruction of information within systems.
4. **Talent acquisition and retention:** The risk of inadequate capacity to meet business needs, inadequate recruitment practices, development, management or retention of employees in a challenging labour market.
5. **Data:** The risk that the Company does not have appropriate processes and procedures in place to ensure the accuracy, completeness and appropriateness of data.
6. **Compliance:** The risk of legal, administrative or disciplinary sanctions together with the financial loss the Company may suffer arising from regulatory reporting issues or a failure to comply with all relevant laws and regulations.
7. **Outsourcing:** The risk of failure of an outsourced service provider to perform a critical and important function or activity or the ineffective management / oversight of an outsourced provider.

The Company operates with a Board approved Operational Risk Policy which sets out the responsibilities, processes and reporting requirements to manage this risk. Other Board approved policies such as the Fraud, IT and Outsourcing Policies support the Operational Risk Policy in assessing, managing, and mitigating specific operational risks.

Operational risks are actively managed and mitigated in accordance with the risk management cycle set out in Section B. Operational risk is monitored through risk appetite with key risk indicators defined and mitigation plans in place for risks deemed material. There were no material breaches of the operational risk appetite during 2023. A monitoring process is in place for operational risk incidents and near miss events which incorporates the identification, recording and assessment of incidents / events with root cause analysis and reporting. Contingency plans are in place to reduce the likely impact from major events (e.g., premises become unusable, IT system failure, failure of key outsourced provider, loss of key staff).

The Company monitors the effectiveness of the mitigating techniques to manage operational risk through:

- Regular reporting on the outcome of risk and control assessments to the Executive Management Team, Risk Committee and the Board;
- Quarterly reporting of operational risk events and near misses to the Risk Committee;
- Regular updates on operational performance and resilience provided to the Executive Management Team, the Risk Committee and the Board.

As part of the ORSA process a qualitative assessment is conducted on operational risks and the Company considers the additional capital required to cover such risks over and above that required for the SCR standard formula calculation. No scenario, occurring in isolation, was identified which would materially reduce the SCR coverage below 100% and no additional capital was deemed necessary to cover operational risk in 2023.

C.6 Other Material Risks

The Company considers the impacts on its business from changes in the environment in which it operates including macro-economic factors, external events (geopolitical conflict) and market dynamics.

Strategic risk is the risk of uncertainties impacting the strategic objectives of the Company. This includes external events. Reliance is placed on market insurers and ALD Group's network of entities for the distribution channel. This distribution network is a key part of the business model and is a key part of the successful growth of the company. Strategic risk is managed by the Board and the Executive Management Team. Strategic risk management follows the process set out in Section B.

Following the successful completion of the acquisition of 100% of LeasePlan Corporation by ALD S.A the overall ALD Group now includes two Irish entities that are licensed and supervised by the Central Bank of Ireland, ALD Re and Euro Insurances. Following a review of the two businesses in respect of the strategy of the ALD Group the decision was made to take all necessary steps to merge ALD Re into Euro Insurances.

In the period to 31 December 2023 much work has been completed in respect of the regulatory and legal approvals needed to put into effect the proposed merger. However, the key element of the merger process will be completed during the first half of 2024 and these include the approval of the Central Bank of Ireland to a portfolio transfer of ALD Re's reinsurance business and a change of business plan for Euro Insurances and the required approval of the Irish High Court as required under the Companies Act.

The Company monitors the effectiveness of the mitigating techniques to manage strategic risk through:

- i) Review of its strategy and objectives as part of the business planning cycle
- ii) Regular reporting on the outcome of risk and control assessments to the Risk Committee and Board

C.7 Any Other Information

No other information to note in this section.

D. Valuation for Solvency Purposes

The main differences in the valuation of assets and liabilities between IFRS 17 and Solvency II is the underlying calculation and treatment of technical provisions, insurance receivables, unearned premiums and deferred acquisition costs.

D.1 Assets

The following are the Company's assets as at 31 December 2023 as reported in the IFRS financial statements and as valued in accordance with the Solvency II Directive with the main differences identified.

Figure 16: Assets

Asset Class	Value per IFRS Basis	Valuation and Reclassification for Solvency II purposes	Valuation adjustment	Value per Solvency II	2022 Value per Solvency II	Notes
	€'000	€'000	€'000	€'000	€'000	
Financial Assets						
Corporate Bonds	206,913	1,411		208,324	187,414	1.1
Loans and receivables	30,000	105		30,105	25,022	
Government Bonds	38,581	213		38,794	32,695	1.1
Equities	-			-	18,708	1.2
Cash and cash equivalents	50,575	(5,510)		45,065	44,467	1.3
Collective Investment Undertakings		5,492		5,492	172	1.4
Total Financial Assets	326,070	1,710	-	327,780	308,477	
Other Assets						
Reinsurance recoverables	-		7,469	7,469	7,073	1.5
Deposits to cedants	500			500	500	1.6
Insurance receivables	-		34,610	34,610	21,164	1.7 / 2.2
Insurance contract assets	834		(834)	-		1.7 / 2.2
Reinsurance contract assets	8,967		(8,967)	-		
Other assets	5,792	(3,302)	(46)	2,444	328	1.8
Total Other Assets	16,093	(3,302)	32,232	45,024	29,066	
Total Assets	342,163	(1,592)	32,232	372,804	337,543	

Notes

1.1 Fixed income securities (corporate bonds and government bonds) are valued at fair value under IFRS. Solvency II valuation basis prescribes market value plus accrued interest.

1.2 Equities were divested during the 2023.

1.3 Cash & Cash equivalents (including the Cash at Bank) are valued at amortised cost under IFRS. Solvency II valuation basis prescribes market value plus accrued interest.

1.4 The Company invests in liquidity funds (money market funds) which are classified as cash under IFRS. Given that there are a number of underlying assets in these funds, the look through approach has been adopted under Solvency II. The valuation of the funds under IFRS is fair value and Solvency II is market value. Accrued interest is negligible, so the value reported in the valuation adjustment column is nil. This is classified as a collective investment undertaking under Solvency II.

1.5 Solvency II valuation allows for the retrocession recoveries on retrocession contracts. The valuation on a Solvency II basis is lower than the IFRS basis as the Solvency II Premium Provision recoverable has a negative balance reflecting the expected future cost of retrocession. Under Solvency II, the retrocession recoveries are discounted and are adjusted to reflect the risk of counterparty default.

1.6 Deposits to Cedants are valued at amortised cost under IFRS and market value Solvency II.

1.7 Under IFRS, the premium receivables are deemed cashflows that are incorporated in the measurement and assessment of insurance contracts. Under Solvency II, only the amounts past due are treated as a premium receivable debtor on the Solvency II balance sheet. Any premium amount which is not due to be paid until after the valuation date is accounted for as a future cash inflows within the premium provisions within technical provisions.

1.8 Accrued interest included in “other assets” under IFRS is reallocated among the financial assets under Solvency II.

2.2 Premium Provisions under IFRS are included the cashflows that determine the measurement and calculation of insurance contracts. Premium provisions under Solvency II consider the discounted future cashflows of the contracted business, including cashflows relating to claims, expenses of servicing the contracted business, and future premium receipts. The Company’s Premium Provision is negative, as typically premiums are not received in full at inception of the policy and instead are normally settled on a monthly basis.

D.2 Technical Provisions

Technical Provisions Results

Figure 17 displays the Company's Solvency II technical provisions by class of business on a gross and net of retrocession basis as at 31 December 2023 as valued in accordance with the Solvency II Directive.

Figure 17: Technical Provisions at 31 December 2023

Solvency II Class of business (€000s)	Gross of Retrocession				
	Claims Provisions	Premium Provisions	Gross Best Estimate	Risk Margin	Gross Technical Provisions
Income Protection Insurance	1,007	-1,046	-39	55	16
Motor Vehicle Liability Insurance	147,143	-22,007	125,136	7,627	132,763
Other Motor Insurance	26,330	-1,724	24,606	1,452	26,057
Legal Expenses Insurance	1,927	-487	1,440	106	1,546
Fire and other damage to property Insurance	89	0	89	5	94
Miscellaneous Financial Loss	221	-262	-41	12	-29
Total	176,716	-25,526	151,190	9,257	160,448

Solvency II Class of business (€000s)	Claims Provisions Recoverable	Premium Provisions Recoverable	Recoverable Best Estimate
Income Protection Insurance	0	0	0
Motor Vehicle Liability Insurance	8,816	-1,047	7,769
Other Motor Insurance	0	-299	-299
Legal Expenses Insurance	0	0	0
Fire and other damage to property Insurance	0	0	0
Miscellaneous Financial Loss	0	0	0
Total	8,816	-1,346	7,469

Solvency II Class of business (€000s)	Net of Retrocession				
	Claims Provisions	Premium Provisions	Net Best Estimate	Risk Margin	Net Technical Provisions
Income Protection Insurance	1,007	-1,046	-39	55	16
Motor Vehicle Liability Insurance	138,327	-20,960	117,367	7,627	124,994
Other Motor Insurance	26,330	-1,425	24,905	1,452	26,357
Legal Expenses Insurance	1,927	-487	1,440	106	1,546
Fire and other damage to property Insurance	89	0	89	5	94
Miscellaneous Financial Loss	221	-262	-41	12	-29
Total	167,900	-24,179	143,721	9,257	152,978

Figure 18: Technical Provisions compared to prior year-end

(€000s)	Solvency II Technical Provisions		
	31 Dec 2023	31 Dec 2022	Change
Gross Best Estimate	151,190	112,551	38,639
Claims Provisions	176,716	158,140	18,576
Premium Provisions	-25,526	-45,589	20,063
Risk Margin	9,257	10,474	-1,217
Gross SII Technical Provisions	160,448	123,026	37,422
Net Best Estimate	143,721	105,478	38,243
Claims Provisions	167,900	149,697	18,203
Premium Provisions	-24,179	-44,219	20,039
Risk Margin	9,257	10,474	-1,217
Net SII Technical Provisions	152,978	115,952	37,026

Overall, on a net of retrocession basis, the Solvency II best estimate has increased by €37m during the year, driven by an increase of €18.2m in claims provisions, mainly due to growth from recent new programmes, with some increase also due to deteriorations in certain programmes. The premium provisions have increased by €20m due to ALD Re no longer being the preferred group insurer and expected reduction in future premiums. These increases have been slightly offset by a decrease of €1.3m in the risk margin.

Figure 19: Technical Provisions (IFRS 17 vs Solvency main differences)

Technical Provisions	Value per IFRS 17 basis	Valuation and Reclassification for Solvency II purposes	Solvency II Valuation adjustment	Value per Solvency II	2022 Value per Solvency II	Note
Claims provisions	204,277	0	-27,561	176,716	158,140	2.1
Motor vehicle liability insurance	170,461	0	-23,318	147,143	132,102	
Other motor insurance	30,133	0	-3,803	26,330	23,390	
All other lines	3,683	0	-440	3,243	2,648	
Premium provisions	-38,807	-31,588	44,870	-25,526	-45,589	2.2
Motor vehicle liability insurance	-29,043	-23,640	30,675	-22,007	-33,860	
Other motor insurance	-7,830	-6,374	12,480	-1,724	-8,790	
All other lines	-1,935	-1,575	1,715	-1,795	-2,939	
Risk Margin	0	0	9,257	9,257	10,474	2.3
TOTAL	165,470	-31,588	26,565	160,448	123,026	

Notes

2.1 The Solvency II valuation is calculated in accordance with Articles 77 to 82 of the Solvency II Directive and includes additional liabilities not included under Best Estimate, including a reserve for Events Not In Data and the expenses of servicing the Company's (re)insurance obligations. Under Solvency II, the Claims Provisions are also discounted to reflect the time value of money.

2.2 Premium Provisions under Solvency II consider the discounted future cashflows of the contracted business, including cashflows relating to claims, expenses of servicing the contracted business, and future premium receipts. The Company's Premium Provision is negative, as typically premiums are not received in full at inception of the policy and instead are normally settled on a monthly basis.

2.3 The Risk Margin is the additional amount, in excess of the best estimate, that another undertaking would require in order to take over the Company's (re)insurance obligations. The Risk Margin is calculated based on a Cost of Capital approach using the prescribed 6% cost of capital.

Basis, Methods and Assumptions

The Solvency II technical provisions are made up of two main components, the best estimate and the risk margin. The best estimate is further comprised of two components, the Claims Provision and the Premium Provision. This section outlines the basis, methods and assumptions applied in calculating each of these components.

In calculating the best estimate, the Company segments the portfolio into homogeneous reserving groups – groups of business where the claims exhibit similar claims characteristics. This is in order to support a more accurate projection of ultimate claims costs. Typically, the segmentation is based on a combination of country, type of cover provided (e.g., motor vehicle liability or own damage) and size of the claim. However, there is a balance required between having too granular a segmentation of similar claims and having sufficient historical claims data to produce statistically reliable results. The methodology applied to calculate the best estimate for each reserving group is similar, however, the assumptions may vary.

Best Estimate – Claims Provision

The Claims Provision is the amount held in respect of all cashflows relating to claim events which have occurred on or before the valuation date. This is primarily composed of case estimates on reported claims, an estimate for Incurred But Not Reported ('IBNR') claims and an estimate for Incurred But Not Enough Reported ('IBNER') claims. The IBNR and IBNER components are estimated by the actuarial function using standard actuarial techniques such as:

- **Development Factor Method:** This is where a claims development pattern is determined based off historical claims data and the ultimate claims cost is projected assuming the historical claims development pattern appropriately reflects the future claims development.
- **Exposure Based Methods:** This method involves applying an expected loss ratio to premium or an expected claims cost per vehicle to a unit of vehicle exposure. The key assumption here is in determining the expected loss ratio or the expected claims cost per vehicle. These are typically based on assessing historical experience but will also incorporate an element of expert judgement, particularly in relation to future inflationary trends.

In selecting an appropriate ultimate claims cost for each accident year within a reserving segment, the Actuarial Function considers the results from a range of projection methods, the uncertainty in the calculation (including that arising from distortions in claims trends since the emergence of Covid-19), the data quality and expert judgement.

The Claims Provision includes an allowance for Solvency II expenses expected to be incurred in meeting the insurance obligations. This includes an allowance for claims management, acquisition expenses, policy administration, investment management and general overheads. The allowance is calculated by assessing historical and planned levels of expenses incurred by the Company.

The Claims Provision also includes an allowance for Events Not In Data ('ENIDs') which is considered a bridging adjustment to translate the best estimate from being derived based on historical data only to be a best estimate based on all possible outcomes in line with Solvency II requirements. This allowance is

calculated by considering various scenarios that could occur but have not occurred historically and so are not present in the historical data.

Best Estimate – Premium Provision

The Premium Provision is the amount held in respect of all cashflows relating to future claim events on contracts existing at the valuation date. Existing contracts include Bound But Not Incepted ('BBNI') business which are contracts that have not incepted yet but that the Company is a party to and is obligated to provide the cover.

The cashflows considered include premium, claims, expenses and ENIDs in respect of these existing contracts.

For premium, all cashflows which do not fall due for payment at the valuation date are included in premium provisions (i.e., are reclassified from being a premium receivable asset to a negative premium provision liability). Premium cashflows in respect of BBNI business is based off approved business plan figures.

For estimating future claims, a loss ratio is applied to premium. This loss ratio is based on expert judgment while considering historical loss ratios, the business plan and other factors such as expected levels of claims inflation and planned rate changes.

The expense and ENID components are calculated using a similar approach to that described above for Claims Provisions.

Discounting

Both the Claims Provisions and Premium Provisions are discounted using the risk-free rates as at 31 December 2023 published by EIOPA, in line with Solvency II requirements. The Claims Provisions and Premium Provisions cashflows are projected using historical payment patterns and discounted using the rates for the currency corresponding to the cashflows.

Retrocession Recoverables

The Company has retrocession contracts in place to protect against large individual bodily injury claims and also in to protect against accumulations of claim from own damage covers from natural catastrophe events. The Actuarial Function has estimated a retrocession recoverable amount on both Claims Provisions and Premium Provisions by assessing the probability of projected claims to breach the retrocession retention limits. The Company has calculated an adjustment for reinsurer default using the simplified calculation permitted under Article 61 of the Commission Delegated Regulation 2015/35. The adjustment is not material as the retrocessionaires have strong credit ratings.

Risk Margin

The Risk Margin is the amount in excess of the best estimate that an undertaking would require to take over and meet the Company's (re)insurance obligations. It is equivalent to the total cost of capital of having to provide an amount to the undertaking equal to the SCR required at each future year in order to meet the (re)insurance obligations existing at the valuation date. The Company has adopted a simplified method permitted under Article 58 of the Commission Delegated Regulation 2015/35 to calculate the Risk Margin. The SCR for the fourth and subsequent future years are approximated in line with the run-off of the Company's best estimate. The SCR at each future year is multiplied by the prescribed 6% cost of capital in line with Solvency II requirements.

Key Areas of Uncertainty

The projection of the best estimate itself is inherently an uncertain process. The key areas of uncertainty in the valuation of the technical provisions include:

- Changes in the frequency and severity trends of claims events since 2020 as a result of the Covid-19 pandemic and resulting changes in driver behavior.
- Inflationary factors impacting the severity of claims during a period of high inflation following a period of prolonged low inflation and so is not represented in historical claims development. In order to address the uncertainty surrounding future claims inflation levels, appropriately conservative assumptions are selected where justified by the level of uncertainty in the calculation.
- Changes in the frequency and severity of claims driven by demographic, legal, medical, technological, social and environmental changes, policyholder choices, or economic developments. An economic downturn can give rise to a change in consumer behaviour in terms of vehicle usage, driving habits and propensity to claim.
- Electric vehicles are a significant growth area for the Company. The risk profile of these vehicles is expected to be different to that of the standard fleet. As the historical exposure and claims data is limited, there is uncertainty around quantifying the difference in risk profile.
- Climate change increases the potential for natural catastrophic events.
- Data uncertainties arising from delays in the receipt of data.
- Potential for large losses on motor vehicle liability programmes which can be difficult to project due to high severity and low frequency nature of these claims, which can distort claims development patterns and can also take a long time for these claims to settle.
- Appropriateness of expert judgements applied in estimating technical provisions, in particular expected loss ratios and expected cost per vehicle in calculating Claims Provisions and the premium volume and loss ratio applied to determine the future claims component of Premium Provisions.

Other

The Company does not apply the matching adjustment (Article 77b of the Solvency II Directive), volatility adjustment (Article 77d), transitional risk-free interest rate-term structure (Article 308c) or the transitional deduction (Article 308d).

There have been no material changes in assumptions in the calculation of technical provisions compared to the previous year-end.

D.3 Other Liabilities

The following are the Company's other liabilities as at 31 December 2023 as reported in the IFRS financial statements and as valued in accordance with the Solvency II Directive with the main differences identified.

Figure 20: Other liabilities

Other Liability	Value per IFRS basis	Valuation and Reclassification for Solvency II purposes	Valuation Adjustment	Value per Solvency II	2022 Value per Solvency II	Notes
Deferred Tax Liability	1,949	1,573	(2,170)	1,352	3,676	1.1
Other	4,765		24,287	29,052	25,030	1.2
Total	6,714	1,573	22,117	30,404	28,705	

Notes

- 1.1 The deferred tax liability changes due to differences in the tax value of assets and liabilities between IFRS and Solvency II bases.
- 1.2 The majority of this balance relates to claims payable.

D.4 Alternative Methods for Valuation

The Company does not use any alternative methods for valuation other than those specified in Solvency II.

D.5 Any Other Information

The Head of Actuarial Function has provided an opinion to the Board that the Technical Provisions of ALD Re comply in all material respects with the Solvency II Directive.

E. CAPITAL MANAGEMENT

The Company uses the standard formula as defined by EIOPA to calculate the SCR. It has been deemed appropriate for use given the risk profile.

All the Company's Own Funds are Tier 1 unrestricted (€182m) and eligible to cover the Solvency Capital Requirement ("SCR") of €81.4m and the Minimum Capital Requirement ("MCR") of €27.6m. The SCR coverage ratio is 224% (2022: 229%) and the MCR coverage ratio is 659% (2022: 730%).

The ORSA process, as outlined in Section B, considers the capital required to cover risks the business is exposed to over the business plan period and the adequacy of capital to withstand a range of stresses and scenarios. The ORSA process provides reasonable assurance that the Company can withstand the risks the Company is or may be exposed to over the business plan horizon.

E.1 Own Funds

Overview

The management of capital considers the Company's strategy and business model, its risk profile, financial condition and sensitivity to changing conditions that arise from time to time.

The Company operates with a Board approved Capital Management policy, setting out the approach to manage capital in a manner that optimises the relationship between risk and return whilst ensuring capital remains within risk appetite. This policy specifies the objectives, responsibilities, processes and reporting requirements relating to the management of capital.

The capital management objectives of the Company are to:

1. Maintain a strong capital base to support its business model.
2. Manage capital efficiently to ensure the availability of capital to meet its obligations as they fall due.
3. Hold an appropriate amount and quality of capital to meet regulatory requirements together with a buffer deemed appropriate to cover specific risks the business is or may be exposed to.

The ORSA process, described in Section B, is performed annually and considers the capital management objectives. The Company's dividend policy is a key capital management tool which allows for growth and planned change whilst ensuring capital management objectives and risk appetite are maintained.

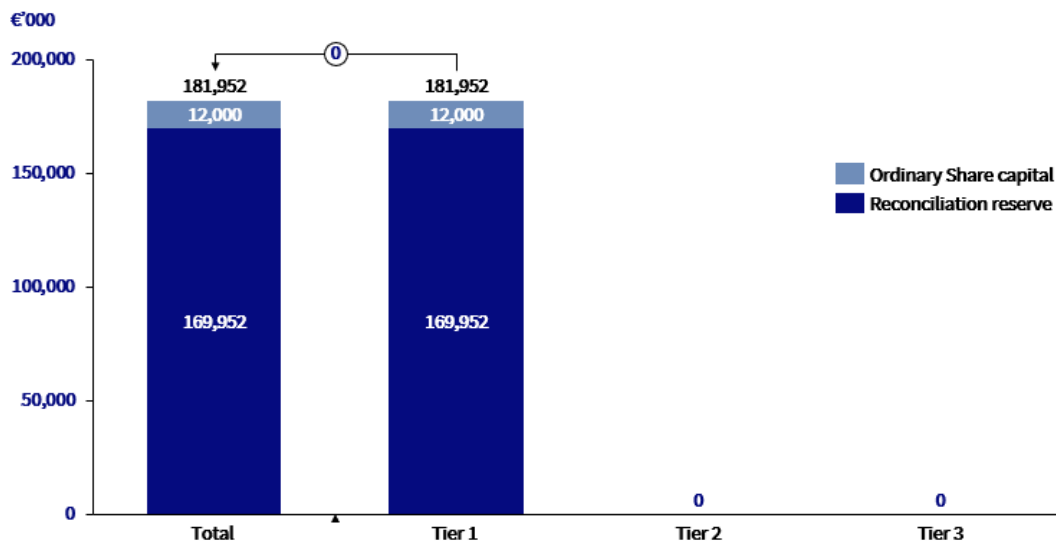
An annual assessment of the Company's Own Funds is completed incorporating;

- an assessment of Own Funds to meet the capital eligibility criteria over the business plan horizon (currently a three-year period 2024 - 2026); and
- an assessment of the proposed Own Funds items per the Company's medium-term Capital Management Plan.

The Company measures and calculates its capital using the Standard Formula, as defined by EIOPA. The Solvency Capital Requirement (SCR) measures the amount of capital required to be held to cover a 1/200-year event over a 1-year horizon and reflects the risk profile of the company. The MCR, which is lower than the SCR, is the minimum level of regulatory capital required. See further details in section E.2.

Eligible Own Funds

Figure 21: Own Funds by Tier



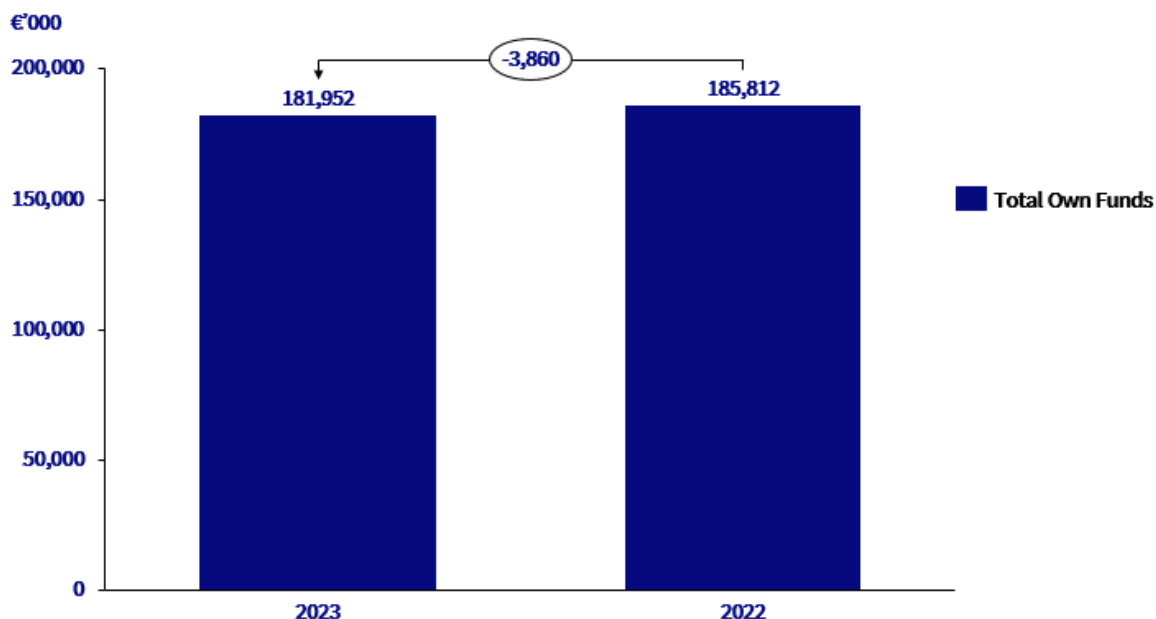
The Company's Own Funds are Tier 1, unrestricted and there has been no change in the tiering structure during 2023.

The ordinary share capital is made up of fully paid share capital.

The reconciliation reserve is made up of retained earnings and valuation differences arising from differing treatment under IFRS and Solvency II. The retained earnings, per IFRS, is dependent on the underwriting, investment and any unrealised profits or losses arising from investments for the year. Investments over time contain inherent uncertainty on asset market values and can be potentially volatile. These are described in further detail in Section D.

The Ordinary share capital and reconciliation reserve are fully available to absorb losses.

Figure 22: Own Funds Comparison to prior year



Overall, Own Funds has decreased by €3.9m with the key movements as follows:

Retained earnings

- The company generated a profit after tax of €45.8m and had a €8.5m unrealised gain (net of tax) on available-for-sale assets.
- During 2023, the company declared and paid a €40m dividend
- In addition, there were some changes arising from the adoption of IFRS 17
 - An increase, a transition adjustment following a change from GAAP to IFRS 17, of €13.4m as at 1 January 2023.

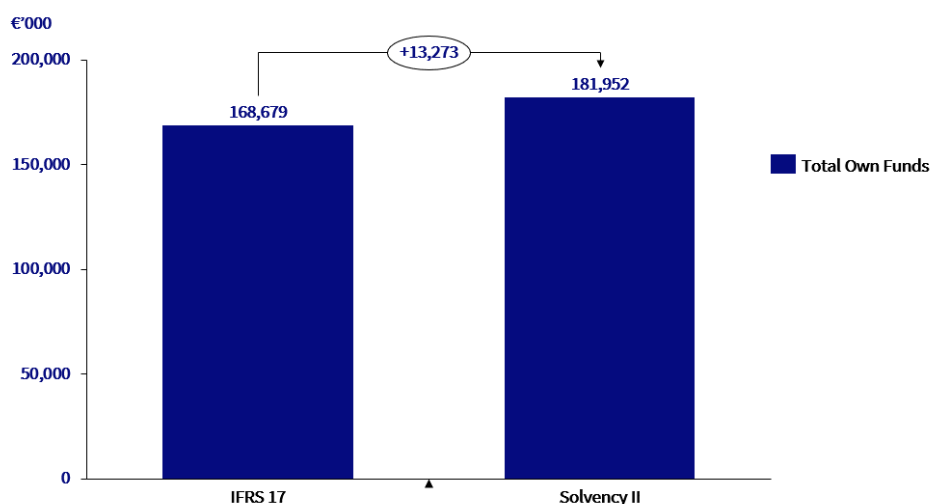
IFRS 17 Valuation basis change

- In addition, there is a (€31.3m) difference in the valuation basis, adopting IFRS 17 financial statements equity movement to solvency II own funds.

The Company has no plans to raise debt by issuing new shares in the short or medium term. All shares issued are fully paid up.

Figure 23 shows the differences between Capital and Reserves per IFRS and Own Funds under Solvency II as at 31 December 2023.

Figure 23: Capital and Reserves under IFRS 17 and Own Funds under Solvency II



The main difference in the valuation is the underlying calculation and treatment of technical provisions, and deferred taxes. The differences between the two valuation bases is outlined in Section D. Figure 24 is a quantitative analysis of the explanation of material differences between equity as per Financial Statements and excess of assets over liabilities under Solvency II.

Figure 24: Material differences between equity per the Financial Statements and Own Funds under Solvency II

Explanation of material differences between equity as per Financial Statements and excess of assets over liabilities under Solvency II	2023 (€'000)
Equity per Financial statements	
Ordinary Share capital	12,000
Fair value reserve	(11,012)
Profit and Loss Account	167,691
Total Equity	168,679
Adjustments for Solvency II	
Difference in Technical provisions & related differences	15,247
Deferred tax	(1,974)
Other	0
Solvency II Own Funds (excess of assets over liabilities under Solvency II)	181,952

The Solvency II Own Funds are invested in cash deposits, fixed income securities and Group loans and the investment of Own Funds is governed by the Company's Investment Policy and the Investment Strategy.

Transitional Arrangements

None of the Company's Own Funds are subject to the transitional arrangements referred to in articles 308b (9) and 308b (10) of the Solvency II Directive.

Ancillary Own Funds

The Company has no ancillary own funds.

Deductions and Restrictions

No deductions are applied to Own Funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Overview

The amounts of the Company's Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR") as at 31 December 2023 are specified below, being an MCR of €27.6m (2022: €25.5m) and an SCR of €81.4m (2022: €81.3).

The decrease in the SCR during the year is discussed in detail below. The MCR amount has remained stable.

The SCR is the higher of the two measures and represents the amount of capital that must be held to ensure that the Company has sufficient capital to withstand an extreme scenario. This indicator measures the capability of the Company to manage all the risks considered inherent to the (re)insurance industry. The extreme scenario is calibrated to be at a level of a 1 in 200 year event, over a 1-year time horizon.

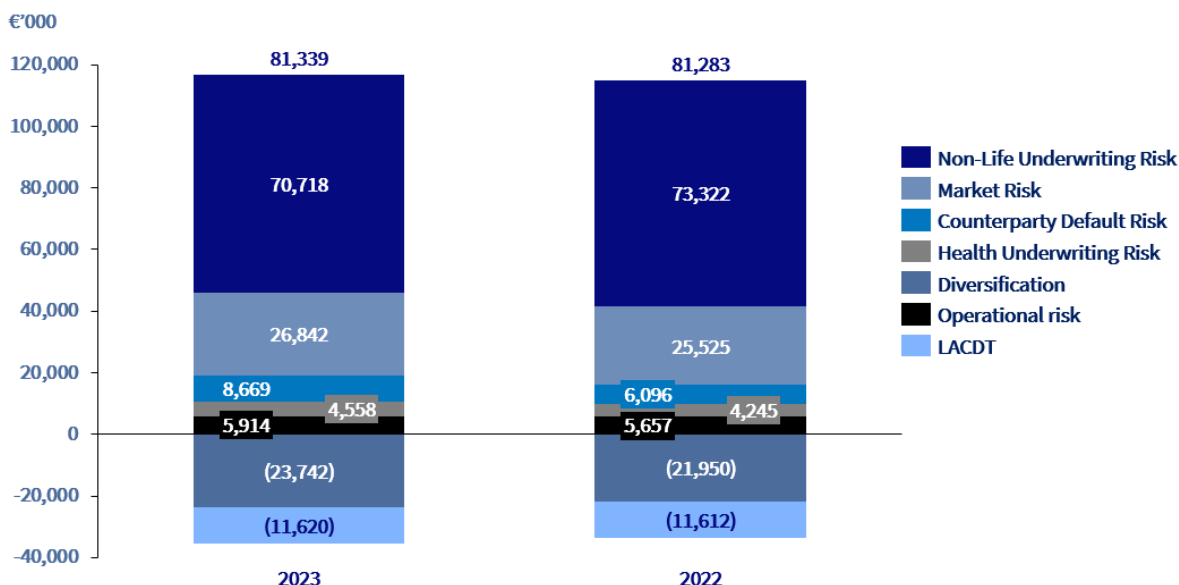
The MCR represents the minimum amount of capital that must be held to continue to operate, holding an amount lower than this is deemed an unacceptable risk for the insured.

Solvency Capital Requirement

SCR split by risk module

Figure 25 shows the risk modules that make up the Company's SCR as at 31 December 2023, with comparatives. The Company applies the standard formula.

Figure 25: SCR by sub-module with comparative



The main movements during the year were as follows:

- Non-life risk charge decreased primarily due to the fact there is an expected reduction in premium for 2024 offset by the fact there has been an increase in net technical provisions year on year from €105m to €144m.

Minimum Capital Requirement

Figure 26: Minimum Capital Requirement

Minimum Capital Requirement	2023 (€'000)	2022 (€'000)
Linear MCR	27,619	25,468
SCR	81,339	81,283
Combined MCR	27,619	25,468
Minimum Capital Required	27,619	25,468

The MCR is has increased during the period primarily due to an increase in the best estimate net technical provisions from €105m to €144m.

Inputs to calculate MCR

The Company's MCR is calculated as the sum of applying specified shock factors to the Company's net best estimate technical provisions and net written premium for the last 12 months.

Other

The Company has assessed that the standard formula broadly reflects the risks it is exposed to and uses the standard formula in determining the company's SCR.

The Company applies one simplification in the calculation of the SCR. This is in respect of the non-life NAT CAT charge as per Article 90b of the Solvency II Delegated Acts. In line with this simplification, the Company assumes that all of the sum insured in each country is located in the risk zone within a group which attracts the highest risk charge. No other simplifications or undertaking specific parameters are applied in the Standard Formula to calculate the SCR.

Deferred Taxes and Loss Absorbing Capacity of Deferred Taxes (LACDT)

In accordance with the commission delegated regulation EU 2019/981 additional information on Deferred Taxes and the LACDT has been provided as follows.

Deferred Taxes

- The deferred tax asset on the statutory balance sheet as at 31 December 2023 is €1.6m and this whole amount is recognized. This deferred tax asset occurs on the unrealised gains on investments.
- The Company can justify the recognition of this deferred tax asset against reclaim of current tax charge.
- On the Solvency II balance sheet, a net deferred tax liability of €1.4m is calculated. The deferred tax asset on the statutory balance sheet of €1.5m has been netted off in this calculation.

LACDT

- Full benefit has been taken for the LACDT in the SCR calculation (local tax rate multiplied by the sum of the Basic SCR plus Operational risk). This results in a LACDT as at 31 December 2023 of €11.6m. The justification for taking this level of benefit is as follows:
 - €9.6m: Tax that can be reclaimed for the prior year (out of total tax amount of €9.6m). Irish tax authorities permit a reclaim for tax paid in the past 12 months.

- €1.4m: Solvency II Net Deferred Tax Liability. This results from the temporary timing difference (from different valuation bases) in Solvency II profits vs local statutory accounts on which tax is based.
- €0.6m: The benefit in the justification from future taxable profit has been taken. The projected future profit over the business planning horizon in the post 1-in-200-year shock event far exceeds this level of benefit taken.
- There has been no double counting of benefit taken when justifying the recognition of the deferred tax asset on the statutory balance sheet and the LACDT as the deferred tax asset on the statutory balance sheet has been netted off in the calculation of the Solvency II net deferred tax liability referred to in (b) above.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

The Company does not apply the duration-based equity risk sub module in the calculation of the SCR.

E.4 Differences Between the Standard Formula and Any Internal Model Used

The Company applies the Standard formula model as defined by EIOPA and does not use an internal model to calculate the Solvency Capital Requirement.

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

The Company has maintained sufficient capital to meet its MCR and SCR throughout the period covered by this report.

E.6 Any Other Information

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

Appendix 1: SFCR Publicly Disclosed QRTs

1. QRT S.02.01.02: Balance sheet
2. QRT S.05.01.02: Premium claims and expenses by Line of Business
3. QRT S.04.05.21: Premium claims and expenses by country
4. QRT S.17.01.02: Technical provisions for each line of business
5. QRT S.19.01.21: Claims development triangles
6. QRT S.23.01.01: Own funds
7. QRT S.25.01.21: Solvency Capital Requirement
8. QRT S.28.01.21: Minimum Capital Requirement

1. QRT S.02.01.02: Balance sheet

ALL FIGURES ARE IN €'000

ASSETS		Solvency II value C0010
Goodwill	R0010	-
Deferred acquisition costs	R0020	-
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	2,271
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	252,610
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	247,119
Government Bonds	R0140	38,794
Corporate Bonds	R0150	208,324
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	5,492
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	30,105
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	30,105
Reinsurance recoverables from:	R0270	7,469
Non-life and health similar to non-life	R0280	7,469
Non-life excluding health	R0290	7,469
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	500
Insurance and intermediaries receivables	R0360	34,610
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	-
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	45,066
Any other assets, not elsewhere shown	R0420	173
Total assets	R0500	372,804

2. QRT S.02.01.02: Balance sheet (continued)

LIABILITIES		Solvency II value
Technical provisions – non-life	R0510	160,448
Technical provisions – non-life (excluding health)	R0520	160,431
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	151,229
Risk margin	R0550	9,202
Technical provisions - health (similar to non-life)	R0560	16
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	(39)
Risk margin	R0590	55
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	1,352
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	24,194
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	2,444
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	2,415
Total liabilities	R0900	190,852
Excess of assets over liabilities	R1000	181,952

4. QRT S.04.05.21: Premium claims and expenses by country

ALL FIGURES ARE IN €'000

		FRANCE	ITALY	NETHERLANDS	BELGIUM	SPAIN
		C0020	C0020	C0020	C0020	C0020
Premiums written (gross)						
Gross - Direct Business	R0020	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0021	33,467	923	12,513	10,842	48,646
Gross - Non-proportional reinsurance accepted	R0022	-	-	-	-	-
Premiums earned (gross)						
Gross - Direct Business	R0030	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0031	31,744	17,590	12,513	10,842	46,103
Gross - Non-proportional reinsurance accepted	R0032	-	-	-	-	-
Claims incurred (gross)						
Gross - Direct Business	R0040	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0041	27,244	15,531	11,603	3,834	21,220
Gross - Non-proportional reinsurance accepted	R0042	-	-	-	-	-
Expenses incurred (gross)						
Gross - Direct Business	R0050	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0051	1,297	1,491	890	478	3,068
Gross - Non-proportional reinsurance accepted	R0052	-	-	-	-	-

5. QRT S.17.01.02: Non-Life Technical provisions for each line of business

ALL FIGURES ARE IN €'000

		INCOME PROTECTION INSURANCE	MOTOR VEHICLE LIABILITY INSURANCE	OTHER MOTOR INSURANCE	FIRE & OTHER DAMAGE TO PROPERTY INSURANCE	LEGAL EXPENSES INSURANCE	MISCELLANEOUS FINANCIAL LOSS	TOTAL NON-LIFE OBLIGATION
		C0030	C0050	C0060	C0080	C0110	C0130	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	R0050	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Premium provisions		-	-	-	-	-	-	-
Gross	R0060	(1,046)	(22,007)	(1,724)	0	(487)	(262)	(25,526)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	(1,047)	(299)	-	-	-	(1,346)
Net Best Estimate of Premium Provisions	R0150	(1,046)	(20,960)	(1,425)	0	(487)	(262)	(24,179)
Claims provisions								
Gross	R0160	1,007	147,143	26,330	89	1,927	221	176,716
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	-	-	-
Net Best Estimate of Claims Provisions	R0250	1,007	138,327	26,330	89	1,927	221	167,900
Total Best estimate - gross	R0260	(39)	125,136	24,606	89	1,440	(41)	151,190
Total Best estimate - net	R0270	(39)	117,367	24,905	89	1,440	(41)	143,721
Risk margin	R0280	55	7,627	1,452	5	106	12	9,257
Amount of the transitional on Technical Provisions								
Technical provisions calculated as a whole	R0290	-	-	-	-	-	-	-
Best Estimate	R0300	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-
Technical provisions - total								
Technical provisions - total	R0320	16	132,763	26,057	94	1,546	(29)	160,448
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	7,769	(299)	-	-	-	7,469
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	16	124,994	26,357	94	1,546	(29)	152,978

6. QRT S.19.01.21: Non-Life insurance claims information

ALL FIGURES ARE IN €'000

Gross Claims Paid (non-cumulative) (absolute amount)												Current year	Sum of years	
DEVELOPMENT YEAR	0	1	2	3	4	5	6	7	8	9	10 & +			
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
Prior R0100											2	149	127,667	
N-9 R0160	12,839	10,103	3,393	1,857	1,883	638	597	1,995	135	171		171	33,612	
N-8 R0170	21,098	13,423	3,603	1,843	497	943	458	348	347			347	42,561	
N-7 R0180	24,020	15,796	3,869	1,219	678	1,271	758	247				247	47,857	
N-6 R0190	23,293	17,127	4,275	2,703	1,806	668	1,000					1,000	50,872	
N-5 R0200	23,667	16,815	4,888	2,224	1,724	2,041						2,041	51,359	
N-4 R0210	21,802	23,054	6,278	3,457	739							739	55,329	
N-3 R0220	22,019	23,629	4,936	1,562								1,562	52,146	
N-2 R0230	26,284	24,462	6,392									6,392	57,138	
N-1 R0240	28,879	31,318										31,318	60,197	
N R0250	28,914											28,914	28,914	
R0260												Total	72,879	627,744

Gross undiscounted Best Estimate Claims Provisions												Year end (discounted data)	
DEVELOPMENT YEAR	0	1	2	3	4	5	6	7	8	9	10 & +		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Prior R0100											652	3,632	
N-9 R0160			10,774	8,108	6,001	5,488	4,748	2,510	1,545	1,186		1,154	
N-8 R0170		14,091	9,644	7,089	6,168	4,496	3,278	2,762	1,506			2,025	
N-7 R0180	33,522	15,214	10,407	7,085	5,777	4,195	2,413	1,893				1,838	
N-6 R0190	39,129	19,818	12,545	8,970	6,506	5,058	3,066					2,938	
N-5 R0200	41,054	20,362	13,884	11,081	8,065	4,575						4,380	
N-4 R0210	52,331	24,842	16,282	9,948	7,399							7,015	
N-3 R0220	62,499	35,742	24,128	19,892								18,833	
N-2 R0230	61,008	26,962	16,370									15,506	
N-1 R0240	62,169	33,915										32,217	
N R0250	65,685											62,627	
R0260												Total	152,167

7. QRT S.23.01.01: Own funds

ALL FIGURES ARE IN €'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	12,000	12,000	-	-	-
Share premium account related to ordinary share capital	R0030	-	-	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
Reconciliation reserve	R0130	169,952	169,952	-	-	-
Subordinated liabilities	R0140	-	-	-	-	-
An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that shall 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 shall 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	181,952	181,952	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-	-	-	-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-	-
Total ancillary own funds	R0400	-	-	-	-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	181,952	181,952	-	-	-
Total available own funds to meet the MCR	R0510	181,952	181,952	-	-	-
Total eligible own funds to meet the SCR	R0540	181,952	181,952	-	-	-
Total eligible own funds to meet the MCR	R0550	181,952	181,952	-	-	-
SCR	R0580	81,339	-	-	-	-
MCR	R0600	27,619	-	-	-	-
Ratio of Eligible own funds to SCR	R0620	223.6952%				
Ratio of Eligible own funds to MCR	R0640	658.7946%				

6. QRT S.23.01.01: Own funds (continued)

ALL FIGURES ARE IN €'000

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	181,952
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	12,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	169,952
Expected profits		-
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	28,226
Total EPIFP	R0790	28,226

7. QRT S.25.01.21: Solvency Capital Requirement – for undertakings on Standard Formula

ALL FIGURES ARE IN €'000

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	26,842	-	-
Counterparty default risk	R0020	8,669	-	-
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	4,558	-	-
Non-life underwriting risk	R0050	70,718	-	-
Diversification	R0060	(23,741)	-	-
Intangible asset risk	R0070	-	-	-
Basic Solvency Capital Requirement	R0100	87,045	-	-

ALL FIGURES ARE IN €'000

		C0100
Operational risk	R0130	5,914
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(11,620)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement, excluding capital add-on	R0200	81,339
Capital add-ons already set	R0210	-
Solvency Capital Requirement	R0220	81,339
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

7. QRT S.25.01.21: Solvency Capital Requirement – for undertakings on Standard Formula (continued)

ALL FIGURES ARE IN €'000

		YES/NO	LACDT
Approach to tax rate		C0109	C0130
Approach based on average tax rate	R0590	No	
Calculation of loss absorbing capacity of deferred taxes			
LAC DT	R0640	-	(11,620)
LAC DT justified by reversion of deferred tax liabilities	R0650	-	(1,352)
LAC DT justified by reference to probably future taxable economic profit	R0660	-	(16,678)
LAC DT justified by carry back, current year	R0670	-	6,411
LAC DT justified by carry back, future years	R0680	-	-
Maximum LAC DT	R0690	-	(11,620)

8. QRT S.28.01.21: Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

ALL FIGURES ARE IN €'000

Linear formula component for non-life insurance and reinsurance obligations			
		C0010	
MCRNL Result	R0010	25,468	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	4,546
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	117,367	103,662
Other motor insurance and proportional reinsurance	R0060	24,905	69,657
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	89	247
General liability insurance and proportional reinsurance	R0090	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	1,440	2,859
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	341
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

ALL FIGURES ARE IN €'000

Overall MCR calculation			C0070
Linear MCR	R0300		27,619
SCR	R0310		81,339
MCR cap	R0320		36,603
MCR floor	R0330		20,335
Combined MCR	R0340		27,619
Absolute floor of the MCR	R0350		4,000
Minimum Capital Requirement	R0400		27,619

ALD Re Public Limited Company,
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