

## Solvency and Financial Condition Report

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TRAVELERS INSURANCE COMPANY LIMITED  
YEAR END 31 DECEMBER 2022

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## Executive Summary

### Business and Performance

Travelers Insurance Company Limited (**The Company or TICL**) is a United Kingdom regulated entity authorised to carry out general insurance business. The scope of this Solvency and Financial Condition Report (**SFCR**) is the Travelers Insurance Company Limited solo entity. The Company will also be producing a Group SFCR incorporating its results and the results of its wholly owned subsidiary, Travelers Insurance Designated Activity Company (**TIDAC**).

The ultimate parent company, The Travelers Companies, Inc. (**TRV or Travelers**), is a leading provider of property and liability insurance based in the United States. The Group has more than 30,000 employees and over 150 years' experience in the insurance industry. Travelers is traded on the New York Stock Exchange as "TRV" and is one of the 30 select companies that comprise the Dow Jones Industrial Average. As at 31 December 2022 Travelers reported total assets of US\$115.8 billion (2021: US\$120.5 billion) and shareholders' equity of US\$21.6 billion (2021: US\$28.9 billion).

The Company was incorporated in 1971 as the St. Katherine Insurance Company Limited. In 1988, St. Katherine was acquired by The St. Paul Companies, Inc., and was gradually integrated into The St. Paul's existing UK-based insurance operations. In 2004, The St. Paul Companies, Inc. and Travelers Property Casualty Corp. merged to form The Travelers Companies, Inc. In 2007, the Company's name was changed to Travelers Insurance Company Limited.

Before 1 April 2019 the Company wrote commercial lines insurance in the United Kingdom and, through its branch in Dublin, in Ireland. As of 1 April 2019, all new business and renewals for the Company's branch in Ireland were written by the Company's wholly owned Irish subsidiary, TIDAC. On 1 October 2019 a Part VII transfer of the business to TIDAC of the Company's Ireland branch, and its run-off branches in Holland, France and Germany, was completed. The Company writes an 80% whole account quota share reinsurance of all business written by TIDAC, including the business subject to the Part VII transfer. The Company also covers risks located outside of the UK by way of facultative reinsurance in support of its UK based insureds. There have been no changes to the scope of the Company's operations during 2022.

The Company is a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, local authorities, property owners, solicitors, financial institutions, and large corporate insureds. The Company also writes certain specialty classes of insurance including Renewable Energy, Public and Private Company D&O and certain marine classes, including Hull, Cargo and Ports and Terminals.

Travelers' European based operations offer our customers a wide range of cover through the Company, TIDAC, Travelers Syndicate Management Limited (the Managing Agent of Syndicate 5000 at Lloyd's) and Travelers Underwriting Agency Limited.

### Performance

The Company produces its financial statements in accordance with UK GAAP FRS 102. The Company reported a profit for the year of £55.4m (2021: £27.3m).

## System of Governance

The Company understands the importance of effective corporate governance, together with a system of internal control that provides relevant information to the Board of Directors.

The Company's Board comprises six directors (with a seventh awaiting regulatory approval), of who, three are independent non-executive directors. The Board has three constitutional committees, the Audit Committee, the Risk and Remuneration Committee and the Governance Committee, the members of all of which are the independent non-executive Board directors.

The Boards and each Board Committee have clear Terms of Reference which are reviewed on an annual basis. The Company's executive management is undertaken by the Senior Leadership Team (**SLT**), comprising the senior managers who effectively run the Company. The SLT reports to the Company's Board on a quarterly basis.

Governance over other aspects of the Company's activities is within the scope of the Executive Risk Committee (**ERC**), the Finance Committee, the European Underwriting Committee, and certain panels. Each committee and panel is governed by its own terms of reference. The Company ensures that all persons who effectively run the Company, or hold key functions, are fit and proper to undertake their roles. The Company assesses the fitness and propriety of persons performing key functions on an ongoing basis. In addition, the Company has an annual performance assessment process which measures performance against minimum competencies required for those persons effectively running the Company.

The Company's remuneration policy reflects a commitment to achieve a consistent remuneration process and to promote effective risk management.

The Company's risk strategy is articulated in a risk management framework, as well as a number of policies, frameworks and processes, which operate across the three lines of risk management risk management. The "three lines of risk management" model aims to ensure that responsibilities for the risk strategy are operated effectively.

**First Line of Risk Management – Business Management.** Risk owners embedded within business operations make up the first line of risk management and are responsible for the day-to-day management of risk on a continuous basis, as well as delivering this strategy and optimising performance according to a pre-agreed risk appetite.

**Second Line of Risk Management – Oversight.** The second line of risk management primarily comprises the Risk Management, Actuarial and Compliance functions, which provide independent assurance to the Board with regard to the adequacy and effectiveness of risk management practices.

**Third Line of Risk Management – Assurance.** The third line of risk management comprises internal audit, providing an independent and balanced view of the effectiveness of the first- and second-line functions. The third line of risk management has direct access to the Board and is independent of management.

The internal control system is designed to ensure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting and compliance with rules, regulations and policies. The tone for the control environment is set by the Shareholder, the Company's board of directors and the Company's SLT, who are all committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong processes exist for risk identification, risk measurement and

risk monitoring, and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policy and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

## **Risk Profile**

Underwriting Risk is the major risk to which the Company is exposed and is the major driver of its capital requirements. Underwriting risk is managed by the European Underwriting Committee, comprising senior underwriting staff as well as members of the actuarial, reinsurance, risk and claims functions. This Committee ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book with no excessive exposure in any one industry, line of business or geographical region.

A geopolitical conflict in Ukraine arose in early 2022, which resulted in the Company assessing any potential material exposures to Russia and Ukraine. No material exposures were identified, and controls were put in place to identify any potential exposure to new risks. The Company has not had material exposures to Russia and Ukraine in 2021 or 2022.

There was a high inflationary environment throughout 2022. The Company continually monitors and reviews the potential effect of inflation on the value of its insurance liabilities and pricing of risks. The Company has considered the effects of inflation in pricing risks, including in 2022. The Company's insurance liabilities include the effects of inflation as well as other societal and economic factors, and inflation has not caused a material impact on its results to date. The Company has carefully considered the impact of the current inflationary environment on its business plan and has reviewed the inflation assumptions for all classes. The key assumptions impacting the loss ratios are the excess inflation, the proportion of the exposure inflation assumed to be captured within pricing, and how long the higher inflationary environment lasts.

In respect of Market Risk, the Company employs a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. It invests wholly in high quality government and corporate fixed interest securities. In 2022 there was volatility in investment markets as a result of ongoing supply chain disruption, geopolitical conflict and fiscal measures put in place due to high inflationary environments. In line with previous years, the Company continued to invest wholly in high quality government and corporate bonds. These are considered as a single asset class and are managed together. The Company's investment strategy largely mitigated the impact of investment market volatility on the Company's Market Risk.

Credit Risk is managed through the thoughtful analysis and selection of individual counterparties and the use of limits and managing exposures to individual counterparties.

The Company has an Operational Risk Policy which is reviewed and approved annually by the ERC and the Board. The operational risk profile includes risks from processes, people, systems and external events.

The Company has no material liquidity risk exposures.

## **Valuation for Solvency purposes**

The valuation of assets and liabilities for the Company on a Solvency II and UK GAAP basis as at 31 December 2022 and 31 December 2021 is summarised as follows:

<b>2022</b>	<b>Solvency II</b>	<b>UK GAAP</b>	<b>Difference</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Assets</b>	1,769.3	1,975.8	<b>(206.5)</b>
<b>Gross Technical Provisions</b>	1,070.4	1,290.2	<b>(219.8)</b>
<b>Other Liabilities</b>	19.3	61.8	<b>(42.5)</b>
<b>Excess of Assets over Liabilities</b>	679.6	623.8	<b>55.8</b>

<b>2021</b>	<b>Solvency II</b>	<b>UK GAAP</b>	<b>Difference</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Assets</b>	1,589.2	1,741.8	<b>(152.6)</b>
<b>Gross Technical Provisions</b>	1,029.0	1,135.4	<b>(106.4)</b>
<b>Other Liabilities</b>	12.2	43.5	<b>(31.3)</b>
<b>Excess of Assets over Liabilities</b>	548.0	562.9	<b>(14.9)</b>

For the Company, the excess of assets over liabilities is higher on a Solvency II basis than under UK GAAP. This difference largely reflects the benefit of discounting of Technical Provisions under Solvency II as a result of the increase in interest rates in 2022.

## Capital Management

The Company uses the Solvency II Standard Formula to calculate its regulatory Solvency Capital Requirement (**SCR**). The Company does not use any undertaking-specific parameters. The amount of the Company's SCR at 31 December 2022 was £442.1m (2021: £412.5m). The Company was in compliance with its regulatory capital requirements throughout the year and through to the date of this report.

## A. Business and Performance

### A.1 Business

#### Name and legal form of the undertaking

Travelers Insurance Company Limited is a company limited by shares and is incorporated in England. Its registered office address is One Creechurch Place, London. EC3A 5AF. This is a solo SFCR for the Company.

#### Organisational group structure

The Travelers Companies, Inc. (**TRV or Travelers**) is a holding company principally engaged, through its subsidiaries, in providing a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. TRV is incorporated as a general business corporation under the laws of the state of Minnesota and is one of the oldest insurance organizations in the United States, dating back to 1853. The principal executive offices of TRV are located at 485 Lexington Avenue, New York, New York 10017. TRV also maintains executive offices in Hartford, Connecticut, and St. Paul, Minnesota.

TRV is both the immediate and ultimate parent undertaking and controlling party of the Company and has provided 100% of its capital. TRV is also the immediate and ultimate parent undertaking of Travelers Syndicate Management Limited, which manages Travelers Syndicate 5000 at Lloyd's. The Syndicate's capital is provided by two corporate capital providers, F&G UK Underwriters Limited and Aprilgrange Limited. TRV is the immediate and ultimate parent undertaking and controlling party of both capital providers.

Travelers Underwriting Agency Limited (**TUAL**) is an authorised intermediary based in the UK and a fellow subsidiary of TICL. TRV is the ultimate and immediate parent undertaking of TUAL which, as an intermediary, has no regulatory capital requirements.

Travelers Insurance DAC (TIDAC) is a wholly owned insurance undertaking of the Company, domiciled in the Republic of Ireland. TIDAC is authorised and regulated by the Central Bank of Ireland. TIDAC has established a branch in the United Kingdom which is authorised by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Following the departure of the UK from the EU, as of 31 December 2020, the UK branch entered into the UK Temporary Permissions Regime (TPR) and has been operating in accordance with regulatory requirements since March 2019. The Company made an application to the PRA in 2022 for authorisation as a third country branch in the UK, with authorisation anticipated in 2023.

#### Name and contact details of the supervisory authority responsible for the financial supervision of the undertaking and the group

The PRA in the UK is responsible for the prudential supervision of the Company and its EEA Group. The FCA in the UK is responsible for the conduct supervision of the Company. The PRA can be contacted at Bank of England, Threadneedle St, London, EC2R 8AH United Kingdom, and the FCA at 12 Endeavour Square, London E20 1JN, United Kingdom. The Central Bank of Ireland is responsible for the prudential and conduct supervision of the Company's subsidiary, TIDAC.

The Company is a member of The Travelers Companies, Inc., Group based in the United States of America, which is not an equivalent country for Solvency II group supervision. On 31 December 2015, the Company applied for and received confirmation of a modification direction given by the PRA under section 138A of the Financial Services and Markets Act 2000, which took effect on 1 January 2016. The direction modifies Rules 20.1 and 20.2 (Group Supervision) of the PRA Rulebook and requires that the Company provides the PRA with certain information relating to the Group. The direction is valid until 1 October 2024 unless revoked or any conditions in the modification cease to be fulfilled.



The State of Connecticut Insurance Department (**Connecticut Insurance Department**) is the designated group-wide supervisory authority for The Travelers Companies, Inc. pursuant to the Connecticut Insurance Holding Company System Regulatory Act. The Connecticut Insurance Department can be contacted at 153 Market St, Hartford, CT 06103, USA.

Given the amount of business TRV conducts outside of the United States, the Connecticut Insurance Department hosts and leads a supervisory college of Travelers and coordinates the participation of insurance supervisors from the jurisdictions where the Group has insurance operations, including the PRA. Approximately 96% of TRV's consolidated group assets and statutory capital and surplus are held by U.S. domiciled insurance companies. The Connecticut Insurance Department directly regulates approximately 98% of the total U.S. domiciled insurer assets of TRV. As part of its group-wide regulatory requirements, the Connecticut Insurance Department monitors the Group's financial results and conducts financial analysis at both the group and legal entity level. Additionally, the Connecticut Insurance Department conducts financial examinations of the insurance subsidiaries over which it has direct regulatory authority. The Connecticut Insurance Department receives annual Holding Company filings at the group level with extensive disclosure of Travelers group and subsidiary activities, and governance, including notice or approval of transactions with affiliates, depending on the materiality of such transactions. As part of the Connecticut Insurance Department's requirements pertaining to enterprise risk management, the Department requires the annual filing of a Group ORSA and conducts an analysis of the ORSA, including discussions with the Group's management.

### **Material lines of business and geographical area**

The Company writes commercial lines insurance in the United Kingdom. The Company also covers risks located outside of the UK, both in certain Specialty classes and in support of its UK based insureds. In addition, the Company writes an 80% whole account quota share of all business written by TIDAC. Approximately 28.7% (2021: 30.0%) of the Company's 2022 gross written premiums related to the 80% quota share reinsurance of TIDAC. Under this quota share reinsurance, the Company predominantly has exposure to commercial lines insurance in Ireland and to UK insureds with exposures in the EU.

The Company continues to be a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, local authorities, property owners, solicitors, financial institutions and large corporate insureds. The Company also writes certain specialty classes of insurance including Renewable Energy, Public and Private Company D&O and certain marine classes, including Hull, Cargo and Ports and Terminals.

### **Performance**

Travelers Insurance Company Limited reported a profit of £55.4m in 2022 (2021: £27.3m) and a combined ratio of 88.1% (2021: 92.9%). The Company benefited from favorable prior year reserve development in 2022 of £31.4m (2021: £22.6m). Excluding favorable prior year reserve development, the combined ratio was 95.8% (2021: 99.1%).

The stronger performance in 2022 was driven by the 4.1pt improvement to the loss ratio. This was due to favourable prior year reserve development, which provided a year-on-year benefit of 7.7pts to the loss and combined ratios, netting against reserve actions taken to accommodate uncertainty within the current economic environment.

Gross premiums written increased by 12.5% to £502.7m (2021: £446.9m). There has been growth in all three business units, our UK and Ireland Commercial Lines book, our Specialty business and our Professional Lines book, driven in part by double digit rate increases. In particular our Professional Lines business has grown by 22.5 % during the year. This growth, and a continued focus on expense

management, has led to a reduction in the expense ratio by 0.7pts to 32.6% (2021: 33.3%). Net earned premiums grew 14.0% to £409.2m.

**Material related party transactions**

Under its 80% whole account quota share reinsurance of TIDAC, the Company wrote £144.3m (2021: £134.0m) of gross written premiums during the year.

The Company has some investments on deposit with Lloyd's to support the underwriting capital requirements of Syndicate 5000, the capital providers of which are wholly owned affiliated group undertakings. The amount of such investments the Company had placed on deposit reduced during the year to £18.7m (2021: £20.0m).

Certain elements of the Company's reinsurance programme are placed with affiliated group undertakings. All Surety business written by the Company is 100% reinsured with Travelers Casualty & Surety Company of America. All London Market run off reserves are reinsured 100% with The Travelers Indemnity Company. Certain elements of the reinsurance programme for ongoing business are placed with The Travelers Indemnity Company. In most cases these are small shares of layers that are largely placed externally. The exception is the first layer of the property catastrophe reinsurance programme, a £50m excess of £10m layer, which is placed 100% with The Travelers Indemnity Company.

All expenses and salary costs continue to be borne in the first instance by the Travelers Group's wholly owned management services company in the UK, Travelers Management Limited. Some services are provided by affiliated TRV group companies in the US to Travelers Management Limited for the benefit of the Group, pursuant to an intercompany services agreement. Investment management is outsourced to The Travelers Indemnity Company, an affiliated TRV group company.

No distribution has been made by the Company to the shareholder during the year or is proposed as at the year end.

**External auditor**

The Company's external auditor for the 2022 financial year is Mazars LLP. The contact details of Mazars LLP are 30 Old Bailey, London, EC4M 7AU.

## A.2 Underwriting performance

The Company's results for the year on a UK GAAP reporting basis were as follows:

	2022	2021	Change
	£'m	£'m	£'m/%
Gross written premiums	502.7	446.9	55.8
Net written premiums	431.7	388.6	43.1
Net earned premiums	409.2	359.0	50.2
Incurred claims	(227.1)	(213.9)	(13.2)
Operating expenses	(133.4)	(119.4)	(14.0)
Underwriting Result	48.7	25.7	23.0
Loss Ratio	55.5%	59.6%	(4.1%)
Expense Ratio	32.6%	33.3%	(0.7%)
<b>Combined Ratio</b>	<b>88.1%</b>	<b>92.9%</b>	<b>(4.8%)</b>

The Company reported a profit of £55.4m in 2022 (2021 £27.3m) and a combined ratio of 88.1% (2021: 92.9%). The Company benefited from favorable prior year reserve development in 2022 of £31.4m (2021: £22.6m). Excluding favorable prior year reserve development, the combined ratio was 95.8% (2021: 99.1%).

The stronger performance in 2022 was driven by the 4.1pt improvement to the loss ratio. This was due to favourable prior year reserve development, which provided a year-on-year benefit of 7.7pts to the loss and combined ratios, netting against reserve actions taken to accommodate uncertainty within the current economic environment.

Gross premiums written increased by 12.5% to £502.7m (2021: £446.9m). There has been growth in all three business units, our UK and Ireland Commercial Lines book, our Specialty business and our Professional Lines book, driven in part by double digit rate increases. In particular our Professional Lines business has grown by 22.5 % during the year. This growth, and a continued focus on expense management, has led to a reduction in the expense ratio by 0.7pts to 32.6% (2021: 33.3%). Net earned premiums grew 14.0% to £409.2m.

The two most material lines of business are General Liability and Property, which respectively comprised 61.3% (2021: 57.1%) and 29.8% (2021: 30.0%) of net earned premiums in 2022. The General Liability combined ratio improved over the prior year to 79.4% (2021: 97.3%). The Property combined ratio deteriorated to 113.5% (2021: 95.9%).

The most material geographical area in which the Company writes business is the United Kingdom which, based on gross written premiums, comprised 81.0% of the Company's business in 2022 (2021: 82.7%). The business written in the United Kingdom reported a combined ratio of 89.2% in 2022 (2021: 90.7%).

Further information on underwriting performance by material line of business and material geographical areas over the reporting period can be found at Form S.05.01.02 and Form S.05.02.01 respectively within the quantitative returns in the Appendix to this report.

### A.3 Investment performance

During the year the Company continued to invest wholly in high quality government and corporate fixed interest securities. These are considered as a single asset class and are managed together. The total investment return for the year for the Company was £88.8m loss (2021: £22.6m loss). The composition of the investment return was as follows:

	2022	2021	Change
	£'m	£'m	£'m
Investment income	26.4	23.3	3.1
Realised investment gains	1.1	0.7	0.4
Realised investment losses	(7.5)	(21.2)	13.7
Unrealised investment (losses)/gains	(107.6)	(24.4)	(83.2)
Investment expenses	(1.2)	(1.0)	(0.2)
<b>Total investment return</b>	<b>(88.8)</b>	<b>(22.6)</b>	<b>(66.2)</b>

Realised investment losses have arisen as bonds bought above par value have subsequently matured, with this position improving year on year.

Unrealised investment (losses)/gains are reported directly in equity on a UK GAAP basis. No investments in securitisations were made in either period. The investment portfolio does not include any shares in any other Travelers group entity other than in TICL's wholly owned subsidiary TIDAC. Management of the investment portfolio is outsourced to an affiliated TRV group undertaking, The Travelers Indemnity Company. Investment portfolios are managed in accordance with the investment guidelines set out in the Company's Investment and Market Risk Policy, which is approved by the Company's Board annually. Investment reviews with the investment manager are conducted quarterly by the Company's Finance Committee.

In 2022 there was volatility in investment markets as a result of ongoing supply chain disruption, geopolitical conflict and fiscal measures put in place due to high inflationary environments. The impact of these conditions resulted in an increase in the unrealised loss position to £107.6m (2021: £24.4m loss). It is anticipated the increase in interest rates by Central Banks will benefit the Company's future investment returns. While the unrealised loss position is being monitored, at present no change to the Company's investment strategy is deemed necessary.

### A.4 Performance of other activities

The Company did not have any material other income or expenses outside of its regular trading activities.

### A.5 Any other information

During the year the Company produced a total comprehensive loss on a UK GAAP basis of £25.1m (2021: £9.0m profit). Shareholder's funds increased from £562.9m in 2021 to £623.8m. During the year the Company received a capital injection from its shareholder of £86m in return for the issuance of 86 million £1 ordinary shares. The Company in turn made a capital injection of €35m into its subsidiary TIDAC in return for 35 million €1 ordinary shares.

## B System of Governance

### B.1 General information on the system of governance

#### B.1.1 Governance structure

Overall governance and oversight are provided by the Company's Board, which comprises six directors (with a seventh awaiting regulatory approval). Three of the directors are independent non-executive directors. Two directors are non-executive and the remaining director is an executive director<sup>1</sup>. The Chair of the Board is an independent non-executive director.

The responsibilities of the Board are set out in the "Matters Reserved for the Board" document and fall within the following headings:

- Strategy and Management
- Structure and capital
- Financial reporting and controls
- Oversight of Control Functions
- Contracts and Transactions
- Borrowings
- Board membership and other appointments
- Remuneration
- Delegation of Authority
- Corporate governance matters

The Board has three constitutional committees: the Audit Committee, the Risk and Remuneration Committee, and the Governance Committee. Each Board committee has three members, and the committee members are the independent non-executive directors.

The Board Audit Committee has the following broad responsibilities:

- Review, discuss, and challenge where necessary, with management and the external auditors, the annual financial statements before submission to the Board;
- Review actuarial and any internal or external auditor's reports on the Company's reserve position;
- Consider and recommend the appointment of the external auditors;
- In consultation with the external auditors, management and the internal auditors, review the integrity of the Company's financial reporting processes, as well as any audit problems or other difficulties encountered by the external auditors in the course of the audit process and management's responses to such matters;
- Review the reports submitted and evaluate the adequacy of the work performed and the annual plan proposed by internal audit;
- Review and discuss periodically, with relevant legal counsel, any legal matter that could have a significant impact on the Company's financial statements; and
- Consider the Company's procedures for handling allegations from whistleblowers.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of risk:

<sup>1</sup> A second executive director's appointment is presently subject to regulatory approval.

- Oversee the Company's enterprise risk management programme and ensure the establishment and maintenance of appropriate systems, procedures and controls, including the Company's risk appetite and strategy and the carrying out of the Own Risk and Solvency Assessments at appropriate times;
- Review the policies and procedures of the Company and review specific operational segments of the Company that may be posing unusual significant risks that could have a material impact on the risk profile of the Company;
- Monitor that all issues identified in the Risk Register, or through other reports, are being addressed; and
- Receive external auditors' management letters, internal audit reports, reports from regulators or any other relevant source regarding weaknesses in internal procedures and controls and ensure that management addresses any issues that arise.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of remuneration:

- Review and approve the Company's general compensation philosophy and objectives and recommend to the Board the approval of Company compensation and benefit programmes determined by the Committee to be appropriate;
- Ensure that appropriate policies and procedures are in place to ensure that compensation plans are properly administered by the responsible individuals and management committees in accordance with the terms of the plans; and
- Review the Company's regulatory compliance with respect to compensation matters, including ensuring that the Company's compensation philosophy, objectives and procedures are consistent with applicable regulatory aims concerning the avoidance or minimisation of undue risk and inappropriate staff behaviours.

The Board Governance Committee has the following broad responsibilities:

- Board Composition: recommending to the Company's board of directors individuals for election or re-election as independent non-executive directors;
- Board Effectiveness: overseeing the process for evaluating Board and Board committee effectiveness; and
- Corporate Governance: developing and recommending to the Board governance frameworks, principles and policies, including by monitoring developments in corporate governance and considering the applicability of such developments to the Company's needs and circumstances.

At an executive level, the Company is managed by a Senior Leadership Team (**SLT**), comprising senior managers who effectively run the Company. The SLT meets fortnightly and is chaired by the Company's CEO. The SLT reports on a quarterly basis to the Board. In addition, the CEO is also a member of the Board and presents a CEO's report to the Board which includes details of matters discussed by the SLT. The SLT considers the following matters on a regular and continuous basis:

- (i) ongoing management and review of progress against the Company's strategy as approved by the Board;
- (ii) monitoring of the Company's trading results and financial position;
- (iii) review of the Company's operations and functions;
- (iv) review of the talent within the Company;
- (v) management of special projects; and
- (vi) reporting to the Company's parent company.

Governance over the Company's financial risks is provided by the Finance Committee, chaired by the Chief Financial Officer, which meets on a quarterly basis. The Chief Financial Officer reports monthly to the SLT on financial performance and risks, and quarterly to the Board Audit Committee and the Board.

Governance over the Company's risk management is provided by the ERC, chaired by the Chief Risk, which meets at least quarterly as well as on an ad-hoc basis when required. The Chief Risk reports monthly to the SLT and quarterly to the Board Risk and Remuneration Committee and to the Board.

Challenge from a customer perspective of high product risk insurance products is provided by the Product Oversight Group which meets on an ad hoc basis, but at least once per quarter. The Chief Actuary reports monthly to the SLT and quarterly to the Board.

Governance over underwriting matters is provided by the European Underwriting Committee, chaired by the Chief Underwriting Officer, International Management Liability, which meets monthly. Underwriting performance is reported monthly to the SLT and quarterly to the Board.

The governance structure includes various committees and panels relating to specific activities. Decisions relating to reinsurance activities are made by the Reinsurance Purchasing Panel which reports into the European Underwriting Committee. Recommendations relating to reserving are made by the Finance Committee. The interrelationship of various committees and panels is set out on a governance structure chart. This system of governance is subject to periodic internal review by the General Counsel.

### B.1.2 Remuneration Policy

The Company has adopted a Remuneration Policy which has been approved by the Board. The purpose of the Remuneration Policy is to define the minimum standards, and roles and responsibilities, relating to remuneration of employees within the Company. The policy reflects the Company's commitment to achieve a consistent remuneration process and to promote effective risk management. The Remuneration Policy states that the Company is committed to measuring both the actual performance and the underlying level of risk assumed to achieve that performance. As to risk mitigation, all planned individual compensation actions, including fixed and variable elements are reviewed in a robust and disciplined manner internally at several layers of management, in addition to a review with the Company's Risk and Remuneration Committee of the Board of Directors. This review is facilitated by the Head of Human Resources and seeks the Risk and Remuneration Committee's ratification of incentives and compensation for senior managers.

In addition, compensation of each employee is reviewed by their line manager, functional manager, CEO and the Head of HR, and the equivalent functional roles within the Company's parent company.

Compensation is delivered through a combination of base salary and incentive compensation, consisting of an annual cash bonus and stock-based, long-term incentive awards, all of which are performance based.

**Base salary.** Base salaries are reviewed annually, and adjustments are made from time to time as management deems appropriate to recognise performance, changes in duties and/or changes in the competitive marketplace. Base salary will comprise a significant proportion of total compensation.

**Performance-Based Annual Cash Bonus.** Annual bonuses are always discretionary and are based upon the individual performance of each employee as well as that of the Company and The Travelers Companies, Inc. as a whole. The following factors are used to determine the appropriate annual cash bonus that should be paid to an employee:

- the performance of the employee;
- compensation market practices as reflected by external vendor compensation surveys;
- performance of the Company relative to financial measures set in the business plan, prior year's performance and the performance of industry peers; and
- performance of The Travelers Companies, Inc. relative to financial objectives.

Additional qualitative factors are also considered, such as:

- the effective management of risk; and
- the demonstration of individual or leadership competence, teamwork and innovation.

**Performance-based long-term incentives.** Certain employees are eligible for long-term incentives in the form of The Travelers Companies, Inc. stock awards. Eligibility is determined by job criteria, while award decisions are made with consideration of individual performance. These performance-based awards are designed to ensure individuals have a continuing stake in the long-term success of The Travelers Companies, Inc., and the Company.

As employees acquire increasing responsibility, more of their compensation is variable and tied to The Travelers Companies, Inc's performance. Higher levels of management will receive proportionally more of their award in the form of stock options and performance shares, in alignment with the impact they have on the direction of the Company which can inevitably impact The Travelers Companies, Inc. stock price. Lower levels of management and individual contributors will receive most of their entire award in the form of restricted stock units.

**B.1.3 Supplementary Pension Scheme or early retirement scheme for members of the administrative, management or supervisory body and other key function holders**

The Company's remuneration policy does not include any supplementary pension or early retirement scheme for members of the Board or key function holders.

Details of the remuneration of the members of the Company's Board is disclosed in the Company's report and accounts, in accordance with the requirements of the applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) including FRS102, the financial reporting standards applicable in the United Kingdom and the Republic of Ireland.

All executive directors and senior managers may participate in one of the Group's pension plans. Company contributions range from 9% to 12%, depending on the individual's own contributions under a matching scheme. If pension contributions at this level would result in a punitive personal income tax charge, rather than a pension contribution an increase to the individual's salary is made in an amount such that there is no incremental cost to the Company.

**B.1.4 Material Transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body**

There was one new material related party transaction with the Company's shareholder during the year.

In September 2022 the Company received a capital injection from its ultimate parent, The Travelers Companies, Inc. of £86m in return for the issuance of 86 million £1 ordinary shares.

**B.2 Fit and proper requirements**

The Company has a Fit and Proper Policy which is approved by the Company's Board. The purpose of the Fit and Proper Policy is to:

- (i) identify the key functions that are important to the sound and prudent management of the business, and
- (ii) set out the policies and procedures in accordance with the Senior Managers & Certification Regime for the fit and proper assessment of the individuals that perform key functions, including, but not limited to, every person in respect of whom an application for approval is made.



Fitness and propriety checks are made before an individual is appointed to a key function and periodically thereafter. The Company needs to ensure that key function holders are fit for their roles by having appropriate qualifications and experience, and proper by having a good reputation and appropriate integrity. These checks include the following:

- (i) At least two interviews conducted by the hiring manager and at least one other permanent member of staff.
- (ii) Background check process which will include, as a minimum:
  - a. Criminal records check (where legally permissible),
  - b. Credit check,
  - c. Verification of previous employment for the last seven years (unless the individual has been continuously employed by a Travelers group company during this period),
  - d. Verification of educational and professional qualifications, and
  - e. reasonable steps to obtain appropriate references from the person's current and previous employers.

The Company will assess the fitness and propriety of persons performing key functions on an on-going basis. The frequency of on-going due diligence assessments will be dependent on the role undertaken and the minimum regulatory requirements, but will be at least every three years, and sooner if a specific issue arises. Annually, each person performing a key function will be asked to certify that there have been no changes to their criminal record credit or competency status since the date of the last background check or annual certification, and they will continue to comply with all F&P requirements.

The Company has an annual performance assessment process which sets out the minimum competencies required for those persons effectively running the Company. These minimum competencies against which performance is measured include Performance Management of others, Employee Engagement, Customer Outcomes, Governance, Compliance, and acting with integrity, due care, skill and diligence. The fitness and propriety assessment forms part of the individual's appraisal/performance review and involves consideration of the following:

- the person's role and responsibilities by reference to their job description (and, for approved persons only, the approved person competency set and scope of responsibilities document (as applicable));
- whether the individual has attended the necessary training (including risk and compliance training) in order to remain competent and capable to perform the role;
- the individual's business conduct; and
- ☐ whether the person has performed his or her key function in accordance with the relevant conduct standards (which apply to that individual).

## **B.3 Risk management system including the own risk and solvency assessment**

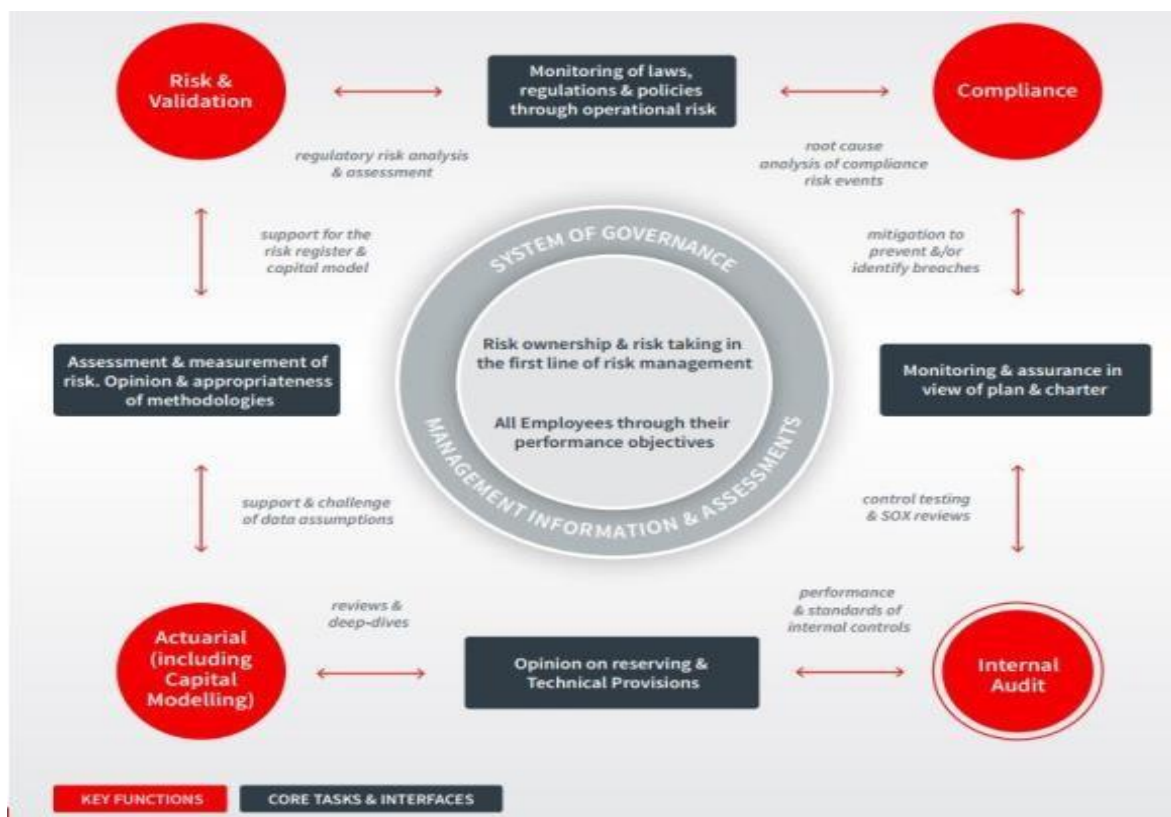
### **B.3.1 Risk management system**

The risk strategy is articulated in an overarching Risk Management Framework (**RMF**) as well as a number of policies, frameworks and processes which operate across the three lines of risk management. The Company's RMF assists Risk and Control Owners to identify, assess and manage significant, or potentially significant, internal and external risks to achieving the Company's plans and objectives, which includes maintaining targeted capital levels.

Risk management has a fundamental role in both the business planning process and monitoring progress against those plans. The Company business planning process turns the strategy into a set of objectives and targets that are articulated and cascaded across the Company. Development of these plans and

objectives/targets considers the risks to which the Company is exposed.

To manage risk across the business, the Company has adopted the “three lines of risk management” model and has established four key control functions that operate per the requirements of the Solvency II Directive (Actuarial, Risk, Compliance and Internal Audit). These functions work across all of the three lines of risk management to help manage the range of risks to which the Company is exposed. These key functions are responsible for providing oversight of, and challenge to, the business and to provide assurance to the Board in relation to the Company’s internal control framework.



Responsibilities in the risk strategy are summarised as:

**The First Line of Risk Management – Business Management**

Risk Owners, embedded within business operations, make up the first Line of risk management and are responsible for the day-to-day management of risk on a continuous basis, as well as delivering the strategy and optimising performance according to pre-agreed risk appetites.

**The Second Line of Risk Management – Oversight**

The second Line of risk management primarily comprises the Risk Management, Actuarial and Compliance functions. The second Line of risk management provides independent assurance to the Board with regards to the adequacy and effectiveness of risk management.

**The Third Line of Risk Management – Assurance**

The third Line of risk management comprises internal audit, also referred to as the Company’s assurance function. The third Line of risk management provides an independent and balanced view of the effectiveness of the first- and second-line functions, has direct access to the Board, and is independent of management.



The Company’s RMF links to the parent’s identification of significant risks. The RMF is implemented by the Risk Management function which monitors and review the risk profile and the effectiveness of risk management activities on a continuous basis. The Risk Management Function is led by the Chief Risk Officer, who chairs the ERC and reports to the Company’s Board and the Risk and Remuneration Committee.

Key risk management information, linked to the risk strategy, including specific risk appetite metrics and risk assessments, are employed across the entirety of the business to measure and monitor the level of risk taking actually occurring, and to provide a view of the Company’s progress against its business plans. The Risk Management function facilitates production and provides oversight of this key risk management information, through the risk register, which enables the Company effectively to identify, assess, measure and monitor individual and aggregated risks frequently. Risk register metrics and assessments also provide appropriate inputs into capital modelling and forecasting processes (e.g., the ORSA, and other internal requirements). The risk register and associated reporting is integrated into the organisational structure as Risk and Control Owners (the majority of who are in the first line of risk management) frequently review the risks to which the Company is exposed with review and challenge by the Committees and the second line of risk management.

### B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA process is an ongoing and forward-looking process of the Company’s reflection and assessment of its own risks to ensure it holds enough capital for current and future solvency needs as well as assessment of non-solvency risks.

The Company’s ORSA process is forward-looking and has the following objectives:

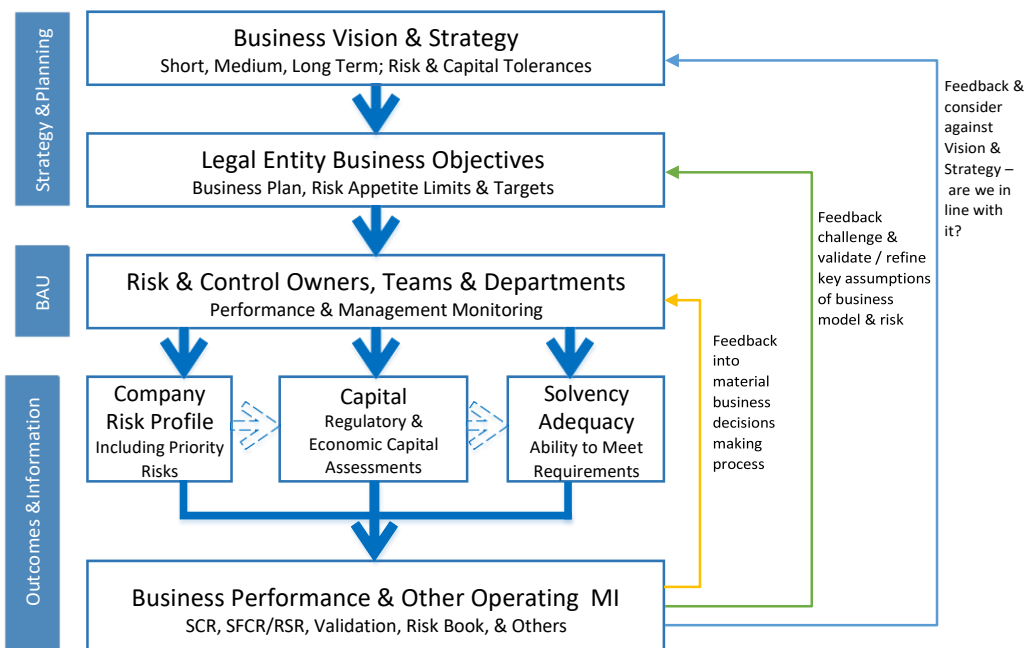
- To develop and embed an ongoing process enabling the assessment of the Company’s own solvency needs that takes into account its specific risk profile, approved risk appetite limits, and its short and long-term business and capital strategies.
- To provide sufficient information that enables management to:
  - Ensure continuous compliance with regulatory capital requirements relating to Solvency Capital Requirements (**SCR**), Minimum Capital Requirements (**MCR**), and technical provisions; and
  - Test, validate and challenge its short and long-term business and capital strategies, and understand the capital resources required to support them.

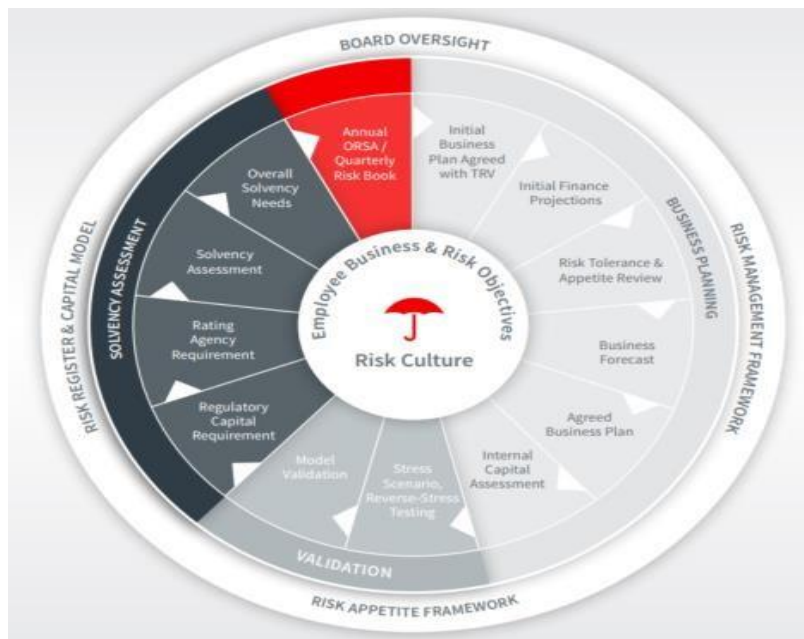
The ORSA process is embedded in the first line of risk management, and focuses on the Company’s business model, the portfolio of its products and customers, its risk profile, its plans over the short to medium term, and capital management. The outputs of the ORSA process are documented in the annual ORSA report.

In the ORSA report, the Company describes its risks, the capital it requires and the risk management work that assures policyholder benefits. Its production is governed by the Travelers Europe ORSA Policy which is owned by the Chief Risk Officer and reviewed at least annually by the Board and the ERC. The ORSA is reviewed and approved by the Board and is expected to be submitted at least annually to the PRA and contributes to securing an appropriate degree of protection for policyholders.

In order to achieve the Company’s ORSA objectives and fulfil its obligations, the ORSA requires adequate and robust processes to assess, monitor and measure risks, including non-quantifiable risks such as reputational, strategic, and group risks alongside overall solvency needs. This is primarily achieved through the RMF which provides a structured process across the business that links business planning, execution of those plans, monitoring and assessment of the risk and capital profile that results, and the incorporation of insights and findings into business planning.

The high-level principles are presented below.





The ORSA considers both the regulatory and economic capital position of the Company. The regulatory capital position is calculated using the Standard Formula which is calibrated to a 1 in 200 risk of ruin on a one-year basis. Annually the Company assesses the appropriateness of the Standard Formula as the basis for calculating its regulatory capital requirement and documents this assessment within its ORSA. This assessment is performed by comparing the results under the Standard Formula to the results derived when using the Company’s own capital model. For economic capital purposes the Company targets holding sufficient capital that over the three-year planning time horizon it holds sufficient capital to maintain its AM Best “A ++ (Superior)” rating. As set out in the ORSA, the Company uses its own capital model and assessment of its risk profile to determine its economic capital requirement.

The ORSA process is facilitated by the Company’s Enterprise Risk Management (ERM) Team in line with their requirements as documented in the RMF. ERM utilise the Company’s risk register and internal model to assist management to identify, measure and monitor risks to the business plan and solvency.

**B.3.3 Climate Related Financial Risks**

Climate related financial risks are considered in the Risk Management Framework and ORSA process. Sustainability at Travelers means performing today, transforming for tomorrow and fulfilling our promise to our customers, communities and employees. TICL follows the ESG Strategy of TRV, which can be found at: <https://www.sustainability.travelers.com/>. Information relating to managing changing climate conditions can be found at: [https://sustainability.travelers.com/iw-documents/sustainability/Travelers\\_TCFDReport2021.pdf](https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf).

**B.4 Internal Control System**

The internal control system is designed to help assure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting, strong financial and operating controls and compliance with laws, regulations and policies.

The tone for the control environment is set by the Company’s parent, the Company’s Board of Directors and the SLT who are committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong

processes exist for risk identification, risk measurement and risk monitoring and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policy and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

#### **B.4.1 Delegation of Responsibilities**

Delegation of responsibilities to senior management function holders, key function holders and their direct reports, as well as the relevant reporting lines, is set out in a Management Responsibilities Map (MRM). The MRM is maintained by the Head of Compliance and is updated on a quarterly basis.

#### **B.4.2 Compliance Function**

Responsibilities of the Compliance function are set out in a Compliance Charter and annual Compliance Plan, both of which are approved by the Company's Board and ERC on an annual basis. In addition, various internal control policies identify roles and responsibilities allocated to the Compliance function. The Compliance function is responsible for assisting the business in discharging its regulatory obligations. This involves helping the business in identifying, managing, monitoring and resolving compliance risks and issues, assisting with the implementation of controls around regulatory risk, encouraging the right culture across all levels of the firm and providing the Board and senior management with assurance that key regulatory risks are being appropriately managed. In particular, the Compliance function will monitor how the business has discharged its regulatory obligations using a combination of targeted monitoring reviews and continuous monitoring and reporting, as set out in the annual Compliance Plan.

The escalation procedure for a possible non-compliant issue is via the Compliance Report to the ERC and the Company's Board, or through more immediate escalation to the individual Board member or relevant key function if a matter is material and requires more urgent action. In the unlikely event that appropriate remedial action is not taken following escalation of a material issue, the Compliance function will notify the appropriate regulatory authorities of the matter.

The General Counsel and Head of Compliance monitor the team's resources on a continuous basis throughout the year. Their objective is to ensure that the available resources are sufficient to complete the annual Compliance Plan within the stated timeframe and to provide the expected level of assurance.

Compliance is owned by the Company's Board, with due attention given on Board and Risk Committee agendas.

The Compliance function reports:

- Quarterly to the Board;
- Quarterly to the Board Risk and Remuneration Committee;
- Quarterly to the Executive Risk Committee;
- Quarterly to the European Underwriting Committee (on complaints);
- As required to the Product Oversight Group;
- Following completion of a Compliance Review, Specific Project or Continuous Monitoring to Board members, senior management and all stakeholders, and
- Monthly to SLT.

## B.5 Internal Audit Function

The Company has a discrete internal audit local function based in London which reports into the Head of Internal Audit in the US. In addition, the Head of Internal Audit has a direct reporting line to the Chair of the Audit Committee and meets each year with the Audit Committee without executive management in attendance.

Each Business Unit and function within the Company is subject to internal audit review on a risk based cycle. An audit plan is prepared each year and approved by the Audit Committee and Board. Reports are issued following each audit and circulated to senior management, both locally and within the group in the United States. The resolution of issues identified are tracked to ensure they are addressed on a timely basis.

The audit plan considers the materiality of each area, the results of prior years' audits and the quantum of change being experienced across each area of the business. The current year's plan is therefore determined on a risk-based selection of areas to be addressed. The plan is sufficiently flexible to be changed mid-year if new circumstances arise. Any proposed changes in scope are agreed by the Audit Committee and Board before being implemented.

Internal Audit evaluates the adequacy and effectiveness of the internal controls in each area it audits and structures its work around four key risk management objectives, namely:

- Financial statement integrity
- Operational effectiveness
- Compliance with local laws and regulations
- System and data integrity

The Internal Audit Function is managed by the Head of Internal Audit. The Head of Internal Audit has a direct reporting line to the Group Head of Internal Audit based in Hartford, United States. The Head of Internal Audit has no other role within the Company and has no additional responsibilities.

The Internal Audit Function reports:

- Quarterly to the Audit Committee (with summary to the Board); and
- Quarterly to the Executive Risk Committee.

## B.6 Actuarial Function

Article 48 of the Solvency II Directive requires each Company to have an actuarial function and for that function to report to the Board formally on technical provisions, reinsurance arrangements and underwriting policy. The Group has an in-house team of actuaries that perform this role. The Actuarial Function is also engaged in pricing, reserving and management information related activities. The department is structured in line with the functions the team needs to perform and has a separate pricing and reserving team. This reduces the potential to create a conflict of interest.

The European Chief Actuary reports to the CEO of the Company to ensure that the Actuarial Function is not unduly influenced by the underwriting function.

The Actuarial Function Reports, and the Opinions on Underwriting Policy and Reinsurance Arrangements, are produced annually and presented to the Board by the European Chief Actuary, having first been reviewed by the ERC. The Board exercises appropriate additional oversight over the reserving process by receiving quarterly reports from the Company's actuarial team which are presented by

the European Chief Actuary. Detailed review of the quarterly reserve reports is delegated to the Finance Committee and on an annual basis the Audit Committee meets with the European Chief Actuary and the External Auditors to receive reserve reports and to discuss reserving issues. Controls over the Board and Company’s senior management having an undue influence on the activities of the Actuarial Function arise from the maintenance of professional standards of conduct by the in-house actuarial team, oversight from external auditors and peer reviews by other actuaries within the wider Travelers organisation.

## B.7 Outsourcing

The Outsourcing Policy sets out the minimum standards, and roles and responsibilities, relating to the outsourcing of a process, a service or an activity (a ‘function’) by or on behalf of the Company, and ensures compliance by the Company with all applicable regulations and guidance when entering into outsourcing arrangements (including the requirements of Solvency II, the FCA and the PRA (for example, the expectations set out in SS2/21 in respect of outsourcing)).

The Outsourcing Policy sets out appropriate governance and risk management processes to ensure that the potential risks associated with an outsourcing arrangement are effectively identified, assessed, monitored and managed. These processes include:

- Identifying an individual within the business who is accountable and responsible for the outsourcing arrangement;
- Assessing each proposed outsourcing arrangement to determine whether it is material, taking into account the criteria provided within applicable regulatory guidance. Such material arrangements are subject to additional controls;
- Carrying out a risk assessment;
- Carrying out due diligence (including cyber security, where appropriate);
- Entering into a written agreement with the service provider;
- Carrying out ongoing monitoring and oversight; and
- Establishing and documenting a business continuity plan, exit strategy and termination process.

The Company currently has the following outsourcing arrangements in place, which have been assessed as being material:

Type of Arrangement	Description of Outsourcing	Location of Service Provider
Intragroup	Travelers operates a hybrid arrangement pursuant to which a service company provides staff to, and procures services for, the Company	UK
Intragroup	IT infrastructure, security and support services	USA
Intragroup	Investment management and treasury services	USA
Third party	Insurance policy administration services and claims administration services	India
Third party	Delegation of claims handling authority in relation to certain motor related claims	UK



**B.8 Any other information**

This system of governance is considered by the Board, the SLT and the ERC to be appropriate for the nature, scale and complexity of the Company's business.

## C. Risk Profile

### C.1 Underwriting Risk

Underwriting risk as at 31 December 2022 comprised 78.3% (2021: 82.0%<sup>2</sup>) of the undiversified basic SCR.

#### C.1.1 Material Risk Exposures

The Company has an Insurance Risk Policy (which covers underwriting risk) which is reviewed and approved annually by the ERC and the Board. Underwriting risk includes the following exposures:

- **Claims:** Inadequate management of claims and inconsistent or inappropriate case reserving.
- **Large Loss Frequency and Severity:** Potential for the frequency and severity of claims payments to be different to that anticipated when pricing risks.
- **Portfolio Aggregation:** Inadequate or ineffective supervision of aggregate exposure, or over reliance on methods of aggregation. Failure to accumulate insurance exposures in an accurate and timely manner, or within established appropriate risk appetite levels.
- **Pricing and Selection:** Inadequate pricing or selection of risks that fails to appropriately assess the underlying risk exposures.
- **Reinsurance:** Failure to utilise reinsurance effectively as a tool to protect capital and profits and meet risk appetite guidelines.
- **Reserving:** Uncertainty as to the timing or amount of claims cash flows. Eventual claim payments are different to the reserves estimated for those liabilities.
- **Underwriting portfolio management:** Failure to predict the effect of industry, economic or market trends on individual classes of business profitability, leading to an inappropriate underwriting strategy.

A geopolitical conflict in Ukraine arose in early 2022, which resulted in the Company assessing any potential material exposures to Russia and Ukraine. No material exposures were identified, and controls were put in place to identify any potential exposure to new risks. The Company has not had material exposures to Russia and Ukraine in 2021 or 2022.

There was a high inflationary environment throughout 2022. The Company continually monitors and reviews the potential effect of inflation on the value of its insurance liabilities and pricing of risks. The Company has considered the effects of inflation in pricing risks, including in 2022. The Company's insurance liabilities include the effects of inflation as well as other societal and economic factors, and inflation has not caused a material impact on its results to date. The Company has carefully considered the impact of the current inflationary environment on its business plan and has reviewed the inflation assumptions for all classes. The key assumptions impacting the loss ratios are the excess inflation, the proportion of the exposure inflation assumed to be captured within pricing, and how long the higher inflationary environment lasts.

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

The reference to "Life underwriting risk" in the Standard Formula and the quantitative templates relates to exposures in respect of claims funded by periodic payment orders.

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<sup>2</sup> Underwriting risk calculated as a percentage of undiversified basis SCR for 2021 and comparatives have been restated accordingly.

### C.1.2 Material Risk Concentrations

Geographically the major risk concentrations are to the UK and Ireland and by peril the largest exposure is to a large windstorm event with consequent storm surge. The underwriting portfolio with the largest exposure concentration is the professional indemnity coverage provided to UK solicitors firms.

Whilst reserve risk diversifies across lines of business, it is dominated by our long-tail classes and is exposed to systemic risks such as claims inflation, legal rulings or changes in settlements such as the Ogden discount rate change.

We do not anticipate any significant changes to our material risk concentration during the business planning time period.

### C.1.3 Material Risk Mitigation

The European Underwriting Committee oversees the management of underwriting risk and in particular ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes, and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks, together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one industry, line of business or geographical region. The European Underwriting Committee meets monthly and will address new product ideas, emerging claims issues, product and line of business profitability issues, as well as monitoring the overall portfolio performance.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, limits and aggregate caps. The Company uses sophisticated modelling tools to monitor and manage the concentration of exposure from weather events and to ensure they remain within the Board's risk appetite. Authority limits are accorded to individual underwriters based on their experience. The Company also makes use of reinsurance to mitigate the risk of incurring significant losses linked to any one risk or any one event, principally risk excess of loss and property catastrophe reinsurance. Where an individual exposure is in excess of the Company's appetite additional facultative reinsurance is also purchased.

On a monthly basis performance reviews are conducted to monitor premium production, business mix, rating adequacy and claims activity relative to targets set out in the Company's annual business plan. On an annual basis each portfolio is subjected to a detailed review to identify actions to be taken to improve performance where necessary and opportunities to further develop the portfolio.

The Finance Committee oversees the management of reserving risk. The Company's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters and claims handlers. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development patterns are all instrumental in mitigating reserving risk. The aim of the quarterly reserving analysis is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Finance Committee performs a comprehensive review of the projections, both gross and net of reinsurance and, following this review, makes recommendations to the Company's Board of Directors of the appropriate claims provisions to be established. In arriving at the level of claims provisions carried a margin is applied over and above the actuarial best estimate to limit the likelihood of adverse run-off deviation.

### C.1.4 Risk Sensitivity and Sensitivity Analysis

The major underwriting risk sensitivities are to the adequacy of reserves established at 31 December 2022 and to the projected loss ratio at which business will be written in the next twelve months. Should the net reserves established at 31 December 2022 deteriorate by 5% Own Funds will reduce by £48.7m (2021: £46.6m).

Should the loss ratio projected for the 2023 year deteriorate by 5 points, the impact on 2022 Own Funds would be a deterioration of £19.9m (2021: £21.9m).

The above sensitivity analysis' result in capital surplus positions between £180.0m and £208.8m (2021: between £82.3m and £107.0m), and associated SCR coverage between 140% and 146% (2021: between 120% and 126%).

## C.2 Market Risk

### C.2.1 Material Risk Exposures

Market risk as at 31 December 2022 comprised 19.1% (2021: 15.3%<sup>3</sup>), of the undiversified basic SCR.

The Company's material market risk exposures are to interest rate risk and asset price risk on the fixed income investment portfolio, foreign currency risk through having unmatched foreign currency assets and liabilities, and credit risk to investment counterparties.

As at 31 December 2022 the Company had an investment portfolio comprised of government and corporate bonds with a market value of £1,567.8m (2021: £1,294.4). All investments are high quality, highly liquid and traded on a recognised investment exchange and as such comply with the prudent person principle embedded in the Solvency II directive. The Company does not use derivatives other than to mitigate risk and has not utilised derivatives during 2022 or the prior year.

The Company's only foreign currency exposures are to the Euro, through its subsidiary in Ireland, and to the US dollar through business written denominated in US dollars and through transactions with affiliated group companies based in the United States.

The Company also has a contingent exposure to a defined benefit pension scheme based in the UK in the event the sponsoring employer, an affiliated group company, is unable to meet its liabilities as they fall due.

There were no changes during the year to the measures used to assess material market risk exposures.

### C.2.2 Material Risk Concentrations

The Company's most material investment exposure is to the bonds of the UK Government. At 31 December 2022 the market value of its holding in UK government bonds was £112.9m (2021: £115.3m) or 7.8% (2021: 9.0%) of its investment portfolio. The Company's single largest holding in a corporate bond was £41.3m (2021: £42.7m) or 2.8% (2021: 3.3%) of its investment portfolio.

The Company's only material foreign currency exposure as at 31 December 2022 and 31 December 2021 was to the Euro due to its investment in its subsidiary Travelers Insurance DAC.

<sup>3</sup> Market risk calculated as a percentage of undiversified basis SCR for 2021 and comparatives have been restated accordingly.

### C.2.3 Material Risk Mitigation

Management of the Company's investment portfolio is outsourced to an affiliated group company, The Travelers Indemnity Company. The investment strategy is approved annually by the Company's Board and performance against this strategy is reviewed quarterly in meetings between the investment manager and the Finance Committee. The Company invests only in high quality and highly liquid assets that are traded on recognised investment exchanges and are rated "A-" or higher with Standard & Poor's. Limits are in place to manage exposures to particular industries and individual counterparties. The term of the invested assets purchased are set to approximate the duration of the underlying insurance liabilities.

The Company aims to match foreign currency assets and liabilities by currency, with any surplus being held in sterling. Any foreign currency surpluses or deficiencies are actively managed, on at least a quarterly basis, by selling or buying currency assets to resolve the situation.

The Finance Committee monitors market risk and foreign currency exposures and adherence to the Company's risk appetite.

### C.2.4 Risk Sensitivity

The major market risk sensitivities are to a significant change in interest rate expectations, the financial impairment of an individual investment counterparty or a significant movement in foreign currency rates.

### C.2.5 Sensitivity Analysis

The investment portfolio typically has a relatively short duration approximating the term of the insurance liabilities. If interest rates had risen by 200 basis points as at 31 December 2022, Own Funds would have reduced by £61.4m (2021: £61m).

The failure of its largest corporate investment counterparty as at 31 December 2022 would cost the Company £41.3m, or approximately 6.1% of Own Funds (2021: £42.7m, or approximately 7.8% of the Company's Own Funds).

The impact of a 10% movement in the exchange rate for the largest currency exposure impacts the Company's Own Funds by approximately £12.6m as at 31 December 2022 (2021: approximately £7.5m).

The above sensitivity analysis' result in capital surplus positions between £175.5m and £246.6m (2021: between £92.5m and £119.4m), and associated SCR coverage between 140% and 155% (2021: between 122% and 129%).

## C.3 Credit Risk

### C.3.1 Material Risk Exposures

Credit risk for the Company as at 31 December 2022 comprised 2.7% (2021: 2.6%) of the undiversified basic SCR. The Company's material credit risk exposures are to reinsurers, brokers and policyholders through their insurance underwriting activities.

There were no material downgrades to the credit ratings of the Company's reinsurer or investment counterparties during the year. All counterparty credit ratings remained within the Company's risk appetite.

There were no changes to the measures used to assess those material risk exposures during the year.

### C.3.2 Material Risk Concentrations

The single biggest reinsurer exposure as at 31 December 2022 for the Company was £19.0m (2021:

£19.7m). There was no material exposure to any individual broker or policyholder.

### **C.3.3 Material Risk Mitigation**

Credit exposures are managed through the thoughtful analysis and selection of individual counterparties and the use of limits to manage exposures to individual counterparties.

The Company's policy is to purchase reinsurance only from those reinsurers who meet the Travelers Group's security standards. Reinsurance counterparties are subject to a rigorous internal assessment process by reviewing ratings provided by rating agencies and other publicly available information. The Company utilises resources from the Travelers group in managing this risk. Some insurance policies underwritten by the Company provide for a significant individual loss deductible, and/or aggregate deductible, in respect of the compulsory insurance classes of Motor or Employer's Liability. In these cases, the insolvency of the insured would result in a credit exposure for the Company. This type of exposure is managed by requiring the insured to provide collateral, typically in the form of a Letter of Credit. Proactive credit control procedures are in place to limit outstanding balances owed by reinsurers, brokers and policyholders.

The Finance Committee monitors credit risk and the Company's adherence to its appetite for credit risk.

### **C.3.4 Risk Sensitivity**

The key risk sensitivities for credit risk are to the failure of an individual counterparty, or to a market wide event, such as an economic recession or large insured Catastrophe loss, that impairs the financial security of a number of counterparties at the same time.

### **C.3.5 Sensitivity Analysis**

Failure of the largest corporate bond counterparty and reinsurer counterparty at the same time as at 31 December 2022 would cost the Company an amount representing approximately 6.7% (2021: 7.7%) of its Own Funds.

The above sensitivity analysis would result in a capital surplus position of £192.4m (2021: £93.4m), and associated SCR coverage of 144% (2021: 123%).

## **C.4 Liquidity Risk**

### **C.4.1 Material Risk Exposures**

The Company has no material liquidity exposures. The Company has no external debt, is well capitalised, and has a highly liquid investment portfolios whose duration is set to match the duration of its insurance liabilities. The Company is the subsidiary of a financially strong parent company, The Travelers Companies, Inc.

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

### **C.4.2 Material Risk Concentrations**

The Company has no material liquidity risk concentrations.

### **C.4.3 Material Risk Mitigation**

The Company has a highly liquid investment portfolio and a strong capital position. Cash-flow forecasts are prepared on a weekly basis and a buffer of liquidity retained to manage unexpected cash requirements. The Finance Committee oversees the management of liquidity risk.

### C.4.4 Risk Sensitivity

The Company has no particular sensitivities to liquidity risk.

### C.4.5 Expected Profit in future Premiums

The expected profit in future premiums reported in form S.23.01 for the Company is £24.6m (2021: £19.3m).

## C.5 Operational Risk

### C.5.1 Material Risk Exposures

Operational Risk is 6.8% of the Company’s final SCR (2021: 6.7%).

The Company has an Operational Risk Policy which is reviewed and approved annually by the ERC and the Board. The operational risk profile includes risks from processes, people, systems and external events. Six categories have been identified by the Board as being the most material operational risk areas and defined in the risk register:

- **Compliance, Legal and Third Parties:** Unintentional or negligent failure of professional, regulatory or legal obligations, including contractual disputes raised by, or against, business partners
- **Conduct:** Failure to pay due regard to the interests of customers and treat them fairly.
- **Data Management and Reporting:** Flaws relating to capture, maintenance/storage, transmission or reporting of information
- **Employee and Employment Practices:** Acts inconsistent with HR, employment, or health and safety legislation/policy.
- **Financial Crime:** Unlawful acts attempted for financial gain
- **IT Infrastructure, Security and Change:** Risk from systems or transformation initiatives, or disruption of business, including from cyber-attacks.

Operational risks are reviewed quarterly and linked to the ORSA through performance of the Risk and Control Self-Assessment (**RCSA**) Process facilitated by the Risk Management Function. Qualitative risk concentration and sensitivity tests linked to the operational risk profile were analysed in the ORSA, some of which were:

- Delegated Underwriting;
- Counterparty Credit Risk; and
- Business Continuity / Disaster Recovery.

These tests are facilitated by the Risk Management Function linked to emerging risks and provide early warning to the Board and senior management of extreme but plausible events that could impact the business. This enables the Company to formulate plans to manage the business in the event of such extreme shock.

Other key operational risks with the corresponding mitigating actions are summarised in the table below:

Process Risks	Mitigating Activities / Tools
Business Operation and Process Failures	• Documented controls and procedures
	• Statistical reporting
	• Business Continuity arrangements
Governance Failures	• Documented controls and procedures

	<ul style="list-style-type: none"> <li>• Corporate Governance Structure</li> </ul>
Health & Safety Procedural Failures	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• Review and enhancement of risk control activities</li> </ul>
	<ul style="list-style-type: none"> <li>• Periodic review of projects and activities</li> </ul>
<b>Process Risks</b>	<b>Mitigating Activities / Tools</b>
Change Management Failures	<ul style="list-style-type: none"> <li>• Compliance with Travelers Group Change Management Processes and Procedures</li> </ul>
<b>People Risks</b>	<b>Mitigating Activities / Tools</b>
Fraud	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• Anti-fraud administration procedures</li> <li>• Authorisation limits and segregation of duties</li> <li>• Employee screening</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• HR Policies and monitoring</li> <li>• Training programme for Management and Staff</li> </ul>
Finance and Accounting Errors	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• Accounting Policy</li> <li>• Authority Limits</li> <li>• Oversight by Internal Audit</li> </ul>
Compliance and Legal	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• Compliance Plan</li> <li>• Risk Committee oversight and reporting</li> <li>• Approval limits</li> <li>• Contracts approval procedure</li> </ul>
<b>Systems Risks</b>	<b>Mitigating Activities / Tools</b>
Technology	<ul style="list-style-type: none"> <li>• Documented controls and procedures</li> <li>• Fall-back suppliers/Service Providers</li> <li>• Disaster Review/Recovery Processes</li> </ul>
Systems and information Security	<ul style="list-style-type: none"> <li>• Information Security policies and monitoring</li> <li>• Business Continuity Plan</li> </ul>



External Risks	Mitigating Activities / Tools
External Party-induced BCP Failure	<ul style="list-style-type: none"> <li>• Systems Security Checks</li> <li>• Rigorous Business Continuity/Disaster Recovery Plan</li> </ul>
External Risks	Mitigating Activities / Tools
	<ul style="list-style-type: none"> <li>• Office Premises Security Checks</li> </ul>
Failure of Outsourcing Arrangements	<ul style="list-style-type: none"> <li>• Service-level agreements</li> <li>• Outsourcing approval and monitoring procedures</li> </ul>
Loss of key distribution relationships	<ul style="list-style-type: none"> <li>• Proactive management of Third-party relationship issues</li> <li>• Proactive sourcing of alternative distribution relationships</li> </ul>
Changes in Regulatory Framework	<ul style="list-style-type: none"> <li>• Legal and Compliance monitoring procedures</li> <li>• Regular review of regulatory environment</li> </ul>

In addition, regular risk monitoring and reporting using the risk register provides management and the Board with ongoing assurance that established operational controls to manage these operational risks are functioning properly. Recommendations and actions arising from this review are documented in the risk register and tracked to facilitate a discussion about the plan, its risks, and potential management actions to enhance the Company’s resilience and deliver the plan’s objectives.

Through the General Counsel’s attendance at the ERC there is challenge over whether regulatory elements are considered appropriately within these risks. Similarly, notable regulatory developments and breaches are disseminated through Compliance reporting linked to the Risk Management Framework.

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

**C.5.2 Material Risk Concentrations.**

The Company has no particular operational risk concentrations

**C.5.3 Material Risk Mitigation**

See table above

**C.5.4 Sensitivity Analysis**

The Company does not perform any sensitivity analysis in respect of operational risk.

**C.5.5 Other Material Risks**

None

**C.6 Any other information**

There are no other significant risk concentrations for the Company.

## C.7 Stress and Scenario Testing

Stress and scenario testing are facilitated at least annually by the ERM and contemplates risks to which the business may become exposed to in the future. Stress and scenario testing involves projection of the plan, under extreme but plausible risk conditions, to identify potential management actions and inform the business strategy. Investigation of different scenarios identifies how perceived risks are likely to impact the strategy and supports proactive risk management.

Stress and scenario testing identifies how, with the business model under stress, policyholder security is assured and encourages continuous improvement, to evolve financial and operational resilience, in view of emerging risks. Analysis of external and internal events to develop/inform scenarios for analysis are identified by the Risk and Control Owners, SLT, ERC, Board and ERM amongst others.

Stress testing is used to evaluate the potential forward-looking effects of a set of specified changes in risk factors, corresponding to an exceptional but plausible targeted event. It is used to test business capability against challenging industry or macroeconomic events, or during periods of expansion/growth when innovation leads to new products for which limited, or no historical experience is available.

Scenario testing is typically used to assess (forward-looking) the simultaneous impact of a set of events. Stress and scenario analysis maintains a close relationship with the capital model. Well-functioning scenario analysis requires a robust model and methodology to perform the analysis, at the same time, the results of Stress and Scenario testing can inform refinements to the model and/or stress and scenario methodology.



Figure A: Overview of the Stress and Scenario Methodology

Specific objectives relating to stress and scenario testing are to:

- explore the potential causes of total business model failure i.e., reverse stress testing;
- further understand the types of scenario and the extent of stress required to result in a breach of capital requirements;
- awareness of the impact on capital requirements and the position against risk tolerance and/or appetite under various stressed conditions;
- understand the impact on the ability to meet key targets under various stressed conditions; and
- analyse ORSA outputs, particularly in relation to the capital and solvency position under stressed conditions.

ERM facilitates Stress and Scenario testing and challenges potential management actions in response to these tests so that they are realistic, credible, consistent with regulatory expectations, and achievable; and consider triggers for potential activity.

## Overview of the Methodology

Stress and scenario testing is made up of four main components:

- I. Scenarios where Risk Appetite is exceeded;
- II. Scenarios where capital limits (risk tolerance) are exceeded;
- III. Reverse Scenarios that cause business failure (reverse stress tests); and
- IV. Stressing of capital modelling parameters.

## Appetite and Capital Scenario Analysis

The Risk Strategy defines the Risk Appetite and reflects the level and nature of risks that the Board considers acceptable for it to seek, accept or transfer in pursuit of strategic objectives. The Risk Appetite Framework sets specific thresholds that are in the Company's tolerance level and this is monitored on an ongoing basis. The list of stress and scenario tests are reviewed frequently to identify new scenarios or stresses required and how to recalculate historic scenarios.

This work is led by ERM. The existing list of stress and scenario tests are reviewed frequently to identify new scenarios or stresses required and how to recalculate historic scenarios. This considers any new information that may have come to light through internal or external sources as presented in Figure A above.

The factors that drive the biggest losses are selected and scenarios are developed that target key controls, or that could cause material loss (for example, underwriting risks are most damaging when reinsurance protection is invalidated through operational risks or due to a large number of sideways risks leading to net retentions).

Once scenarios have been generated to consider each principal risk type, ERM and specialist owners, identify which risks could have a common cause or are likely to occur simultaneously in order to develop an aggregate view.

Generally, stress and scenario tests are accumulated until the overall capital figure or the local appetite is exceeded. The combination of events required to exceed this capital figure is seen as a good test of suitability of the capital amount and modelling.

### Quantitative Assessment

- Review the average drivers of capital loss that would take TICL below its Economic Capital Requirement (**ECR**); or cause a one notch downgrade on standalone basis or erode all capital.
- Rank the largest drivers of capital erosion and report on the correlation between these to sense check whether events could occur that accumulate these losses.
- Attach a likelihood to some of the scenario tests.

### Qualitative Assessment

Continually progress thinking on risks to capital, considering emerging risks and inherent risk scenarios, for example: Tests on Group/Operational risks; Pension fund liabilities/assets where appropriate; and Invalidation of reinsurance assets.

## D Valuation for Solvency Purposes

### D.1 Assets

The Company's assets on a Solvency II and UK GAAP basis as at 31 December 2022 and 31 December 2021 were as set out below:

31 December 2022	Solvency II Basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Deferred Tax Asset	36.3	55.5	(19.2)
Other Financial Investments	1,453.2	1,439.2	14.0
Investment in subsidiary	114.6	114.6	-
Reinsurance recoverables	97.3	152.1	(54.8)
Insurance and intermediaries receivables	10.2	108.9	(98.7)
Reinsurance receivables	1.2	2.0	(0.8)
Receivables (trade, not insurance)	10.8	10.8	-
Cash and cash equivalents	45.9	45.9	-
Accrued interest	-	14.0	(14.0)
Deferred acquisition costs	-	32.8	(32.8)
<b>Total Assets</b>	<b>1,769.5</b>	<b>1,975.8</b>	<b>(206.3)</b>

31 December 2021	Solvency II basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Deferred Tax Asset	31.7	29.4	2.3
Other Financial Investments	1,303.8	1,294.4	9.4
Investment in subsidiary	77.4	84.3	(6.9)
Reinsurance recoverables	87.6	123.8	(36.2)
Insurance and intermediaries receivables	11.9	97.2	(85.3)
Reinsurance receivables	2.0	2.7	(0.7)
Receivables (trade, not insurance)	7.3	6.9	0.4
Cash and cash equivalents	67.4	67.4	-
Accrued interest	-	9.4	(9.4)
Deferred acquisition costs	-	26.2	(26.2)
<b>Total Assets</b>	<b>1,589.2</b>	<b>1,741.7</b>	<b>(152.5)</b>

The Company's assets are recognised and valued using the following principles:

#### Deferred acquisition costs

Deferred acquisition costs comprise brokerage and commission incurred on contracts written during the financial year, but that fall to be earned in future financial years on a UK GAAP basis. Deferred acquisition costs are removed under Solvency II principles.

**Deferred tax asset**

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

The valuation method for deferred tax balances is the same under UK GAAP and Solvency II. The difference in the valuation between Solvency II and UK GAAP relates to the application of deferred tax to valuation differences that apply between net assets on a UK GAAP and a Solvency II basis.

The recoverability of the deferred tax asset depends on the availability of future profits. Projected profits over the planning cycle have been used as the basis for determining the recoverability of this asset, together with the indefinite tax loss carry forward available in the UK.

**Other Financial Investments**

The Company classify their financial investments as “available for sale” and carries those investments at fair value, with unrealised gains and losses being reported through Other Comprehensive Income on a UK GAAP FRS 102 basis. For assets where no active market exists, fair value is determined by referring to quoted prices in active markets for similar assets. All of the Company’s investments fall into this category. The difference in the Solvency II valuation basis compared to UK GAAP is that on a Solvency II basis the value of investments includes accrued interest.

**Investment in subsidiary**

On a UK GAAP basis the investment in subsidiary is carried at cost. For Solvency II purposes it is carried at net asset value on a Solvency II basis.

**Reinsurance recoverables**

Reinsurance recoverables on a Solvency II basis relate to all expected future cash inflows and outflows from reinsurers in respect of contracts bound as at the balance sheet date. These cash-flows are discounted to have them valued on an economic basis. The major difference between the UK GAAP and Solvency II basis valuation is that on a Solvency II basis the reinsurance recoverables are stated net of cash outflows in respect of premiums or reinstatement premiums. On a UK GAAP basis these cash outflows are presented separately as liabilities. In addition, the UK GAAP reserves are not discounted, and UK GAAP includes an unearned premium reserve for that period of a reinsurance contract’s term that is unexpired as at the balance sheet date. Solvency II does not recognise the concept of unearned premium, but instead recognises expected reinsurance cash inflows and outflows up until the expiry of the underlying reinsurance contract. These cash-flows are discounted.

**Insurance and intermediaries receivables**

On a Solvency II basis, only insurance premiums that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other insurance premiums receivable are reported as a component of technical provisions. This explains the difference in valuation to the UK GAAP basis. Insurance premium receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

### Reinsurance receivables/Receivables (trade, not insurance)

On a Solvency II basis, only reinsurance receivables that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other reinsurance receivables are reported as a component of technical provisions. Reinsurance receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

Receivables (trade, not insurance) are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months. The difference between the valuation on a Solvency II and UK GAAP basis relates to the component of Intercompany balances that relates to intercompany reinsurances and which gets reclassified as technical provisions for Solvency II purposes.

### Cash and cash equivalents

All cash balances are held in accounts which are not subject to any time restriction and can be withdrawn without penalties. Cash is held at book value as a proxy for market value and a consistent valuation basis is used for Solvency II and UK GAAP reporting.

### Accrued Interest

Accrued interest is valued at book value for both Solvency II and UK GAAP purposes. As all amounts accrued fall due for payment within six months, this is deemed a reasonable proxy for market value. For Solvency II purposes accrued interest is classified as part of Investments.

## D.2 Technical Provisions

Gross technical provisions for the Company as at 31 December 2022 and 2021 were as set out below:

	2022	2021
	£ 'm	£ 'm
Best estimate	1,007.9	966.3
Risk margin	62.5	62.7
<b>Total gross technical provisions</b>	<b>1,070.4</b>	<b>1,029.0</b>

The most material class is General Liability which comprises 69.0% (2021: 69.2%) of the total gross best estimate as follows:

General Liability	2022	2021
	£'m	£'m
Gross best estimate	698.0	670.1
Risk margin	40.8	42.4
<b>Total gross technical provisions</b>	<b>738.8</b>	<b>712.5</b>
Reinsurance best estimate	(37.0)	(37.0)
<b>Total net technical provisions</b>	<b>701.8</b>	<b>675.5</b>

The gross technical provisions best estimate represents the best estimate of the ultimate cost of settling claims that will arise from all contracts written as at the balance sheet date, including those that are bound but not yet incepted. In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised as at the balance sheet date and the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled, there is considerable uncertainty of forecasting those claims that will arise on exposures written that extend beyond the balance sheet date. As a consequence of these uncertainties, the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions. In overview, claims provisions are determined based upon prior claims experience, knowledge of market conditions and trends, and the terms and conditions of the underlying policies of insurance. A variety of different statistical techniques are used by the in-house actuaries to determine the appropriate level of provision to carry. These methods include the following:

- chain ladder development of paid and incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier years;
- estimates based upon the projection of claims' numbers and average costs;
- expected loss ratios; and
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each country, product, line of business and accident year. Gross and ceded data is projected separately. Large claims are identified and reserved for separately. Where possible, the Company adopts multiple techniques to estimate the required level of provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class under consideration. These cash-flows are then discounted using the relevant EIOPA yield curves. The data is then aggregated to Solvency II class of business for reporting purposes.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk. The level of uncertainty is also influenced by a number of factors such as claims cost inflation, judicial trends and legislative changes. As a consequence of this uncertainty the eventual cost of settling outstanding claims can vary substantially from the initial estimates. It is not unlikely that the ultimate cost is greater, or lower, than the initial reserves by 5%.

The risk margin is an addition to the best estimate liabilities. The risk margin is an estimate of the cost of providing the capital necessary to support the run-off to expiry of the underlying insurance liabilities. The Company uses the full calculation as the basis for calculating the risk margin. This involves taking the Standard Formula SCR and projecting it:

- for 30 years into the future;
- restricted to the policies legally obliged on the balance sheet date;
- assuming market risk is nil;
- using the gross and ceded, premium, claims and expense cashflows from the technical provisions, and
- making various expert judgments used in respect of the risk prevailing at each future projection point.

This is then discounted and multiplied by the prescribed cost of capital rate of 6%. There has been no change to the basis of computing the risk margin relative to that used in the prior year.

To allow for business that is contractually bound but not incepted at the balance sheet date the Company uses assumptions as to binding date, together with data from the latest business plan. For reinsurance we assume a future management action will be to purchase reinsurance cover, similar to the protection offered by current reinsurance treaties, to provide ongoing protection for any unexpired gross exposures. An additional expense provision is calculated to cover the cost of administering the policies and settling the claims in respect of unearned premiums and bound but not incepted policies. For Events Not in Data we use an assumption-based approach which has been benchmarked against the market. There has been no change to the basis of calculating technical provisions in 2022 relative to the prior year. This calculation approach is applied to all Solvency II classes.

On a Solvency II basis the Company's gross technical provisions as at 31 December 2022 were £1,070.4m (2021: £1,029.0m). On a UK GAAP basis gross technical provisions were £1,290.2m (2021: £1,135.4m). A reconciliation of the UK GAAP reserves to the Solvency II reserves for the Company on a gross and net basis, itemising the key items in reconciliation, for both 2022 and 2021 is set out below:

As at 31 December 2022	Gross	RI	Net
	£'m	£'m	£'m
UK GAAP reserves	1,290.2	152.1	1,138.1
Removal of margin	(31.8)	-	(31.8)
Removal of UPR reserve	(265.7)	(31.0)	(234.7)
Future Premium	(131.8)	(33.2)	(98.6)
Discounting	(114.2)	(13.5)	(100.7)
Claims on unearned/un-incepted business	173.2	19.7	153.5
Commissions on un-incepted business	(69.8)	-	(69.8)
Risk Margin	62.5	-	62.5
Additional expenses	118.5	-	118.5
Reinsurance debtors	-	0.9	(0.9)
Reinsurance bad debt	-	(2.4)	2.4
Events not in data	39.3	4.7	34.6
<b>Solvency II Technical Provisions</b>	<b>1,070.4</b>	<b>97.3</b>	<b>973.1</b>

As at 31 December 2021	Gross	RI	Net
	£'m	£'m	£'m
UK GAAP reserves	1,135.4	123.8	1,011.6
Removal of margin	(23.5)	-	(23.5)
Removal of UPR reserve	(233.5)	(24.5)	(209.0)
Future Premium	(115.2)	(26.2)	(89.0)
Discounting	(23.1)	(3.2)	(19.9)
Claims on unearned/un-incepted business	152.1	15.7	136.4
Commissions on un-incepted business	4.8	-	4.8
Risk Margin	62.7	-	62.7
Additional expenses	35.2	-	35.2
Reinsurance debtors	-	0.6	(0.6)
Reinsurance bad debt	-	(1.9)	1.9
Events not in data	34.1	3.3	30.8
<b>Solvency II Technical Provisions</b>	<b>1,029.0</b>	<b>87.6</b>	<b>941.4</b>



On a Solvency II basis reserves are carried on a best estimate basis, so any reserve margin held under UK GAAP is released. Solvency II does not recognise the concept of earned premium and earned reserves. Instead, reserves are established based on all contracts written at the balance sheet date, including those where the Company is contractually bound but the contract has not yet incepted. In this way, the unearned premium reserve held on a UK GAAP basis is released and replaced by future cash outflows in respect of claims for all contracts to which the Company are contractually bound at the balance sheet date. Solvency II technical provisions also include the premium cash inflows in respect of these contracts.

On a Solvency II basis it is necessary to carry a reserve for Events Not in Data (**ENIDS**). In addition, the Company provides for the additional expenses that will be incurred in servicing all contracts to which the Company are contractually bound at the balance sheet date to their expiry. Then to put the provisions held onto an economic basis, a risk margin is added to reflect the margin a willing buyer on an arms-length basis would require to assume these liabilities, and the reserves are discounted to reflect the time value of money.

The Company has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC, nor has it used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC, nor the transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC, nor the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance recoverables were £97.3m (2021: £87.6m). Reinsurance recoverables relate to current and expected claims recoveries from reinsurers in respect of all contracts written, including those bound but not incepted, at the balance sheet date, offset by payments due to reinsurers re premiums and reinstatement premiums.

There have been no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

### D.3 Other Liabilities

The Company's other liabilities as at 31 December 2022 and 31 December 2021 on a Solvency II and UK GAAP basis were as follows:

31 December 2022	Solvency II basis	UK GAAP Basis	Difference
	£'m	£'m	£'m
Insurance and intermediaries payables	1.0	17.1	(16.1)
Reinsurance payables	-	22.4	(22.4)
Payables, (trade not insurance)	18.3	18.6	(0.3)
Any other liabilities, not elsewhere Shown	-	3.7	(3.7)
<b>Total Other Liabilities</b>	<b>19.3</b>	<b>61.8</b>	<b>(42.5)</b>

31 December 2021	Solvency II basis	UK GAAP Basis	Difference
	£'m	£'m	£'m
Insurance and intermediaries payables	1.4	13.7	(12.3)
Reinsurance payables	-	16.3	(16.3)
Payables, (trade not insurance)	10.8	10.8	-
Any other liabilities, not elsewhere Shown	-	2.7	(2.7)
<b>Total Other Liabilities</b>	<b>12.2</b>	<b>43.5</b>	<b>(31.3)</b>

The amounts disclosed as “Any other liabilities, not shown elsewhere” relate to the Reinsurers’ share of deferred acquisition costs.

The Company’s other liabilities are recognised and valued using the following principles:

#### **Insurance and Intermediaries payables**

On a Solvency II basis Insurance and intermediaries payables that are not overdue are classified within technical provisions.

#### **Reinsurance payables**

On a Solvency II basis cash outflows to reinsurers are a component of reinsurance technical provisions. The only element reported as a liability on the balance sheet is the amount outstanding past credit terms, if any.

#### **Payables (trade, not insurance)**

Payables comprise amounts payable to other group entities and corporation tax payable. They are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be paid within six months. The difference between the valuation on a Solvency II and UK GAAP basis relates to the component of Intercompany balances that relates to intercompany reinsurances and which gets reclassified as technical provisions for Solvency II purposes.

#### **Reinsurers’ share of deferred acquisition costs**

The reinsurer’s share of deferred acquisition costs under UK GAAP relates to that element of commissions receivable from reinsurers that falls to be earned after the balance sheet date. Deferred acquisition costs as a principle does not exist under Solvency II.

### **D.4 Alternative methods for valuation**

None

### **D.5 Any Other Information**

The Company has prepared the Solvency and Financial Condition Report on the going concern basis. The Directors have assessed the suitability of using the Going Concern assumption in preparing this SFCR. In making this assessment they have looked forward for a period of twelve months from the date that this SFCR is signed. There are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared this SFCR on the going concern basis. In doing so the Directors considered the latest three year business plan, the likely trading environment and the financial strength of the parent company, The Travelers Companies, Inc. The Directors concluded that it remained appropriate to continue to prepare the Company’s financial statements and SFCR using the Going Concern assumption.

## E Capital Management

### E.1 Own Funds

This SFCR is a solo entity SFCR for TICL.

The Company's primary objectives when managing its capital position are as follows:

- to protect its ability to continue as a going concern and thus to protect its policyholders;
- to enable an appropriate return to the shareholder by allocating appropriate amounts of capital to its products commensurate with the risks taken, and measuring the return on this capital; and
- to comply with its regulatory capital requirements.

The Company's Capital Management Policy is owned by the Finance Committee and is approved by the Board on an annual basis. The Company's position relative to its regulatory capital requirements and internal targets are monitored on a quarterly basis by the Finance Committee and reported to the Board.

The Company uses a five-year business plan time horizon and ensures it has enough capital to meet all reasonably anticipated needs through this period. There have been no material changes to the Company's objectives and approach in this area during the year.

The Company's Own Funds are comprised principally of Tier 1 capital, which in turn is composed of share capital, share premium and a reconciliation reserve. There are no anticipated dividends over the foreseeable future. There is a small element of Tier 3 capital that relates wholly to a deferred tax asset in respect of tax loss carry forwards.

The Company's Basic Own Funds by type and tier at 31 December 2022 and 31 December 2021 were:

31 December 2022	Tier 1	Tier 2	Tier 3	Total
	£'m	£'m	£'m	£'m
Share capital	392.1	-	-	392.1
Share premium	0.7	-	-	0.7
Deferred tax asset	-	-	36.3	36.3
Reconciliation reserve	232.5	-	-	232.5
<b>Total Basic Own Funds</b>	<b>625.3</b>	<b>-</b>	<b>36.3</b>	<b>661.6</b>

31 December 2021	Tier 1	Tier 2	Tier 3	Total
	£'m	£'m	£'m	£'m
Share capital	306.0	-	-	306.0
Share premium	0.7	-	-	0.7
Deferred tax asset	-	-	31.7	31.7
Reconciliation reserve	190.3	-	-	190.3
<b>Total Basic Own Funds</b>	<b>497.0</b>	<b>-</b>	<b>31.7</b>	<b>528.7</b>

There is no restriction in the amount of Own Funds in either tier that is eligible to meet the Company's SCR. All Tier 1 Own Funds are eligible to cover the Company's MCR. During the year the Company received a capital injection from its shareholder of £86m in return for the issuance of 86 million £1 ordinary shares.

A comparison of the excess of assets over liabilities as calculated for Solvency II purposes and equity as shown in the Company's UK GAAP financial statements as at 31 December 2022 and 2021 is set out below:

	31 December 2022	31 December 2021
	£'m	£'m
Equity on a UK GAAP basis	623.8	562.9
Equity on a Solvency II basis	679.7	548.0
<b>Difference</b>	<b>(55.9)</b>	<b>14.9</b>

In 2022, the excess of assets over liabilities is higher on a Solvency II basis than under UK GAAP. This difference largely reflects the benefit of discounting of Technical Provisions under Solvency II as a result of the increase in interest rates in 2022. In 2021, Shareholders' funds on a UK GAAP basis are higher than the excess of assets over liabilities on a Solvency II basis. This is because the benefit under Solvency II of releasing margin, discounting and recognising profit on unearned premiums is less than the incremental costs of the additional provisions carried under Solvency II for the risk margin, future expenses and events not in data.

A detailed reconciliation as at 31 December 2022 and 2021 is set out below for the Company:

	31 December 2022	31 December 2021
	£'m	£'m
<b>Equity per UK GAAP</b>	<b>623.8</b>	<b>562.9</b>
Reserve margin release	31.8	23.5
Discounting	100.7	19.9
Events not in data	(34.6)	(30.8)
Additional expenses	(26.8)	(22.9)
Risk Margin	(62.5)	(62.7)
Profit recognised on unearned premiums	69.0	64.6
RI bad debt	(2.4)	(1.9)
Holdings in related undertakings UK GAAP to SII adjustments	(0.1)	(6.9)
Deferred tax on UK GAAP to SII adjustments	(19.2)	2.3
<b>Excess of assets over liabilities in Solvency II</b>	<b>679.7</b>	<b>548.0</b>

No Own Funds item for the Company are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive. The Company has no Ancillary Own Funds.

As at 31 December 2022 the Company had pledged £18.7m (2021: £20.1m) of its Own Funds as collateral to Lloyd's. This is in support of the capital requirements of the TRV's wholly aligned Lloyd's syndicate, Syndicate 5000. This constitutes a ring-fenced fund and a restricted own funds item. An amount of £18.1m (2021: 19.3m) has thus been deducted from Basic Own Funds which is the amount of assets pledged to support the Company's wholly aligned Lloyd's Syndicate, net of an SCR in respect of these assets of £0.8m (2021: £0.6m).

As at 31 December 2022 the Company has pledged £4.6m of assets in trust with the National Association of Insurance Commissioners in the US (**NAIC**), as a condition of authorisation to write insurance business on a surplus lines basis in the US.

A reconciliation of the excess of assets over liabilities to the reconciliation reserve at 31 December 2022 and 2021 is set out below:

	31 December 2022	31 December 2021
	£'m	£'m
<b>Excess of assets over liabilities</b>	<b>679.7</b>	<b>548.0</b>
Less Share capital and share premium	(392.8)	(306.8)
Less Deferred tax asset	(36.3)	(31.6)
Less Restricted own funds re ring fenced funds	(18.1)	(19.3)
<b>Reconciliation reserve</b>	<b>232.5</b>	<b>190.3</b>

The Company also has £290.8m (2021: £228.1m) of assets that are pledged as collateral to its subsidiary TIDAC in the context of the Whole Account Quota Share Reinsurance arrangement. These are reported as investments on the Company's balance sheet. No restriction is made to the Company's Own Funds for these assets as they are matched by a corresponding amount of insurance liabilities.

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

The Company uses the Standard Formula to calculate its Solvency Capital Requirement (**SCR**) and Minimum Capital Requirement (**MCR**). The Company does not use any Undertaking Specific Parameters. The amount of the Company's MCR and SCR as at 31 December 2022 were £142.1m (2021: £132.0m) and £442.1m (2021: £412.5m) respectively. The SCR by risk module as at 31 December 2022 and 2021 was as set out below:

SCR Component	31 December 2022	31 December 2021
	£'m	£'m
Non-Life Underwriting	372.2	354.7
Life Underwriting	0.8	0.8
Market Risk	90.9	66.4
Counterparty Default Risk	12.7	11.4
<b>Undiversified Basic SCR</b>	<b>476.6</b>	<b>433.3</b>
Diversification credit	65.2	50.5
<b>Basic SCR</b>	<b>411.4</b>	<b>382.8</b>
Operational risk	30.1	28.9
Adjustment due to RFF aggregation	0.6	0.8
<b>Solvency Capital Requirement</b>	<b>442.1</b>	<b>412.5</b>

The Company has not been required to use any Undertaking Specific Parameters or to make any capital add-on by the supervisory authority. In calculating the SCR using the Standard Formula, the Company has used simplified calculations for the Non-Life Underwriting risk, Market risk and Counterparty Default Risk modules, and within Market risk for the Spread risk and Interest Rate risk sub-modules.

The MCR is calculated by reference to the net technical provisions by class as at 31 December 2022 and by the net written premiums by class written over the last twelve months. The result of the calculation is then subject to a floor and a cap of 25% and 45% of the SCR respectively. As at 31 December 2022 the MCR for the Company has been set at £142.1m (2021: £132.0m).

The SCR and MCR are subject to supervisory assessment by the PRA.

The increase in the SCR and the MCR during the year for the Company is largely driven by the increased

premium volumes written and the consequent increase in technical provisions year on year.

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

As the Company does not write life insurance business it does not make use of the duration-based equity risk sub-module to calculate its SCR.

### E.4 Differences between the Standard Formula and any Internal Models Used

Not Applicable

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

The Company has remained in compliance with its MCR and SCR throughout the year and through the period since the end of the financial year.

The Company's position relative to its capital requirements as at 31 December 2022 and 31 December 2021 was as set out below:

31 December 2022	MCR	SCR
	£'m	£'m
Capital Requirement	142.1	442.1
Eligible Own Funds	625.2	661.5
Surplus	483.2	219.4
<b>Coverage</b>	<b>440.0%</b>	<b>149.6%</b>

31 December 2021	MCR	SCR
	£'m	£'m
Capital Requirement	132.0	412.5
Eligible Own Funds	497.0	528.7
Surplus	365.0	116.2
<b>Coverage</b>	<b>376.5%</b>	<b>128.2%</b>

### E.6 Any other information.0

None

## Approval by the Board of Directors of the SFCR and Quantitative Reporting Templates

**Travelers Insurance Company Limited**

**Financial Year ending 31 December 2022**

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in the future.



**Matthew Wilson**  
Director and Chief Executive Officer

3 April 2023

**Report of the external independent auditor to the Directors of Travelers Insurance Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

**Opinion**

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022 (**the Narrative Disclosures subject to audit**); and
- Company templates S02.01.02, S12.01.01, S17.01.02, S22.01.21, S23.01.01, S25.01.21, S28.01.01 (**the Templates subject to audit**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the relevant elements of the Solvency and Financial Condition Report set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21; and,
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**the Statement of Directors' Responsibilities**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that



the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Basis of Accounting**

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the PRA. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

In auditing the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment and the period of assessment considered by them;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible downside scenarios.
- Conducting a retrospective review of the historical forecasts prepared by the directors; and
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Solvency and Financial Condition Report is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for:

- such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error;
- overseeing the Company's financial reporting process; and,
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations have a material impact on the relevant elements of the Solvency and Financial Condition Report: permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct impact on the preparation of relevant elements of the Solvency and Financial Condition Report such as Solvency II regulations.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the relevant elements of the Solvency and Financial Condition Report (including the risk of override of controls) and determined that the principal risks were related to posting adjusting entries to manipulate own funds, or their tiering, against the Solvency Capital Requirement or Minimum Capital Requirement, management bias through judgements and assumptions in significant estimates, in particular in relation the valuation of the provisions for the settlement of future claims including events not in data and the recognition of deferred tax assets.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Reviewing the accounting estimate in relation to valuation of technical provisions for evidence of management bias;
- Considering significant transactions outside of the normal course of business. Our approach included reviewing Board minutes, review of correspondences of regulators (where applicable), and substantively testing the transaction and related disclosure where considered material;
- Understanding the rationale for and testing new related party transactions and balance; and

- Incorporating an element of unpredictability in performing substantive procedures on account balances/assertions not otherwise tested due to materiality.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities, including fraud, rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on Other Legal and Regulatory Requirements.**

##### **Other information**

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### **Use of the audit report**

This report, including the opinion, has been prepared for the Directors of the Company to enable them to comply with their obligations under External Audit Rule 2.1 of the Solvency II Firms Sector of the PRA Rulebook and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our audit work, for this report, or for the opinions we have formed.

*Mazars LLP*

Mazars LLP (Apr 3, 2023 22:41 GMT+1)

Mazars LLP  
Chartered Accountants  
30 Old Bailey  
EC4M7AU

03 April 2023

**Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit**

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.12.01.02
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

## Appendix A: Quantitative Reporting Templates

### General information

Undertaking name	Travelers Insurance Company Limited
Undertaking identification code	5493008G0BNFHVUJ0Q27
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

### List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**  
**Balance sheet**

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	36,262
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,567,750
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	114,559
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	1,453,190
R0140	<i>Government Bonds</i>	460,891
R0150	<i>Corporate Bonds</i>	992,299
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	97,301
R0280	<i>Non-life and health similar to non-life</i>	97,301
R0290	<i>Non-life excluding health</i>	97,301
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,154
R0370	Reinsurance receivables	1,156
R0380	Receivables (trade, not insurance)	10,812
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	45,875
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>1,769,310</b>

		<b>Solvency II value</b>
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	1,066,633
R0520	<i>Technical provisions - non-life (excluding health)</i>	1,066,633
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	1,004,475
R0550	<i>Risk margin</i>	62,158
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	3,774
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	3,774
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	3,458
R0680	<i>Risk margin</i>	316
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	973
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	18,303
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	<b>Total liabilities</b>	<b>1,089,683</b>
R1000	<b>Excess of assets over liabilities</b>	<b>679,627</b>





S.05.01.02

Premiums, claims and expenses by line of business

Life

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>								
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net					0	0	0
<b>Premiums earned</b>								
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net					0	0	0
<b>Claims incurred</b>								
R1610	Gross							0
R1620	Reinsurers' share							0
R1700	Net					0	0	0
<b>Changes in other technical provisions</b>								
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net					0	0	0
R1900	<b>Expenses incurred</b>					0	0	0
R2500	<b>Other expenses</b>							
R2600	<b>Total expenses</b>							0



S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
R1400								
	<b>Premiums written</b>							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0						0
	<b>Premiums earned</b>							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0						0
	<b>Claims incurred</b>							
R1610	Gross							0
R1620	Reinsurers' share							0
R1700	Net	0						0
	<b>Changes in other technical provisions</b>							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0						0
R1900	<b>Expenses incurred</b>							0
R2500	<b>Other expenses</b>							
R2600	<b>Total expenses</b>							0

S.12.01.02

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees						
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
<b>R0010 Technical provisions calculated as a whole</b>									0	0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									0	0						
<b>R0020</b>																
<b>Technical provisions calculated as a sum of BE and RM</b>																
<b>Best estimate</b>																
<b>R0030 Gross Best Estimate</b>								3,458	0	3,458						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0	0					
<b>R0080</b>																
Best estimate minus recoverables from reinsurance/SPV and Finite Re								3,458	0	3,458						
<b>R0090</b>																
<b>R0100 Risk margin</b>								316	0	316						
<b>Amount of the transitional on Technical Provisions</b>																
<b>R0110</b> Technical Provisions calculated as a whole										0						
<b>R0120</b> Best estimate										0						
<b>R0130</b> Risk margin										0						
<b>R0200 Technical provisions - total</b>								3,774	0	3,774						

## S.17.01.02

## Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
R0010	Technical provisions calculated as a whole				0	0	0	0	0	0			0			0	0	0	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0	
<b>Technical provisions calculated as a sum of BE and RM</b>																			
<b>Best estimate</b>																			
<b>Premium provisions</b>																			
R0060	Gross				1,354	820	4,100	27,531	40,534	1,188			430			1,696	-523	77,130	
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-1,723	-609	-614	279	-1,669	-1,413			-305			-365	2,561	-3,858	
R0150	<b>Net Best Estimate of Premium Provisions</b>				3,077	1,429	4,714	27,252	42,203	2,601			735			2,061	-3,084	80,988	
<b>Claims provisions</b>																			
R0160	Gross				45,782	4,714	13,319	168,958	657,508	3,780			1,646			6,300	25,338	927,345	
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				2,217	331	182	41,171	38,623	3,114			1,650			-46	13,917	101,159	
R0250	<b>Net Best Estimate of Claims Provisions</b>				43,565	4,383	13,137	127,787	618,885	666			-4			6,346	11,421	826,186	
R0260	<b>Total best estimate - gross</b>				47,136	5,534	17,419	196,489	698,042	4,968			2,076			7,996	24,815	1,004,475	
R0270	<b>Total best estimate - net</b>				46,642	5,812	17,851	155,039	661,088	3,267			731			8,407	8,337	907,174	
R0280	<b>Risk margin</b>				3,101	461	1,565	13,902	40,761	295			170			803	1,100	62,158	
<b>Amount of the transitional on Technical Provisions</b>																			
R0290	Technical Provisions calculated as a whole																	0	
R0300	Best estimate																	0	
R0310	Risk margin																	0	
R0320	<b>Technical provisions - total</b>				50,237	5,995	18,984	210,391	738,803	5,263			2,246			8,799	25,915	1,066,633	
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>				494	-278	-432	41,450	36,954	1,701			1,345			-411	16,478	97,301	
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>				49,743	6,273	19,416	168,941	701,849	3,562			901			9,210	9,437	969,332	

S.19.01.21  
Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year											In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior												6,655	6,655
R0160	2013	17,006	32,135	26,194	19,314	20,009	14,410	7,240	2,162	2,871	2,004		2,004	143,346
R0170	2014	24,329	87,371	16,994	8,310	15,927	6,357	6,103	5,184	2,228			2,229	172,803
R0180	2015	41,510	36,617	18,341	11,729	11,566	13,876	318	2,121				2,121	136,078
R0190	2016	40,125	30,470	12,281	11,958	11,186	7,983	3,925					3,925	117,930
R0200	2017	17,609	60,264	14,633	8,550	9,355	7,111						7,111	117,523
R0210	2018	27,710	20,145	16,879	11,765	7,046							7,046	83,545
R0220	2019	40,395	38,172	13,893	16,911								16,911	109,370
R0230	2020	30,082	38,686	17,641									17,641	86,409
R0240	2021	19,585	40,850										40,850	60,435
R0250	2022	62,408											62,408	62,408
R0260		<b>Total</b>											168,901	1,096,501

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior												138,538
R0160	2013	0	0	0	83,506	52,654	32,754	19,166	18,604	23,487	20,623	18,488	
R0170	2014	0	0	101,052	76,162	53,629	31,858	31,690	25,398	18,744		17,084	
R0180	2015	0	150,647	97,799	64,278	49,932	30,740	22,219	17,341			15,845	
R0190	2016	87,911	91,387	77,533	58,085	46,397	35,594	28,039				25,938	
R0200	2017	126,242	96,827	69,328	56,008	33,428	29,492					27,265	
R0210	2018	146,853	121,140	94,629	90,956	107,363						97,976	
R0220	2019	160,671	139,038	113,210	89,615							81,969	
R0230	2020	230,613	183,336	122,483								111,877	
R0240	2021	227,909	189,491									172,727	
R0250	2022	263,979										239,595	
R0260		<b>Total</b>											927,345

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

R0230 **Deductions for participations in financial and credit institutions**

R0290 **Total basic own funds after deductions**

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

**Expected profits**

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
392,055	392,055		0	
699	699		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
232,488	232,488			
0		0	0	0
36,262				36,262
0	0	0	0	0
0				
0	0	0	0	
661,504	625,242	0	0	36,262
0				
0				
0				
0				
0				
0				
0				
0			0	0
661,504	625,242	0	0	36,262
625,242	625,242	0	0	
661,504	625,242	0	0	36,262
625,242	625,242	0	0	
442,086				
142,090				
149.63%				
440.03%				
C0060				
679,627				
0				
429,016				
18,124				
232,488				
24,653				
24,653				



## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	91,539		
R0020 Counterparty default risk	12,714		
R0030 Life underwriting risk	795		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	372,481		
R0060 Diversification	-65,593		
R0070 Intangible asset risk	0		
R0100 <b>Basic Solvency Capital Requirement</b>	411,936		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	30,150		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 <b>Solvency Capital Requirement excluding capital add-on</b>	442,086		
R0210 Capital add-ons already set	0		
R0220 <b>Solvency capital requirement</b>	442,086		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	441,497		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	589		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate		Not applicable	
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

## USP Key

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

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

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

## C0100

## C0109

## LAC DT

## C0130

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

C0010

142,018

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

C0020	C0030
0	
0	
0	
46,642	10,484
5,812	9,352
17,851	18,514
155,039	119,278
661,088	267,733
3,267	0
0	0
0	0
731	426
0	0
0	0
8,407	3,906
8,337	1,970

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

73

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

C0050	C0060
3,458	

Overall MCR calculation

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	Minimum Capital Requirement

C0070

142,090  
442,086  
198,939  
110,522  
142,090  
3,445  
142,090