TransRe London Limited

Solvency and Financial Condition Report

As at 31 December 2019

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About this document

This document is the Solvency and Financial Condition Report ("SFCR") for TransRe London Limited ("TRL") as at 31 December 2019.

This SFCR covers TRL on a solo basis.

TRL's functional and presentational currency is US dollars ("USD").

Directors' statement

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority ("PRA") rules and Solvency II ("SII") Regulations.

Rule 6.1(2) within the Reporting Part of the PRA Rulebook for SII firms requires that TRL have a written policy ensuring the ongoing appropriateness of any information disclosed. Rule 6.2(1) requires TRL to ensure that its SFCR is subject to approval by its Board of Directors.

Each of the Directors, whose names and functions are listed in section B1 of this SFCR, confirms that, to the best of his knowledge:

- throughout the financial year in question, TRL has complied; and
- it is reasonable to believe that, at the date of the publication of the SFCR, TRL continues to comply, and will continue to comply in future,

in all material respects, with the requirements of the PRA rules and SII Regulations as modified by a written notice from the PRA, effective 31 December 2018, as disclosed in section E of this SFCR.

On behalf of the Board

David Radford
Chief Financial Officer
7th April 2020

Auditor’s report

We draw attention to the ‘Valuation for solvency purposes’, ‘Capital Management’ and other relevant disclosures 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 Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of this matter.

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 an audit opinion or 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 on which they are based which have been supplemented by the approval made by the PRA under Regulation 48 of the Solvency II Regulations 2015 referred to in E.2.

The Directors are also responsible for such internal control as they determine 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Other Matter

The Company has authority to calculate its Solvency Capital Requirement using a Partial Internal Model (''the Model'') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion and in accordance with PRA Rules, we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of TransRe London Limited'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.

Ernst + Young LLP

Ernst & Young LLP
London
7th April 2020

The maintenance and integrity of the TransRe London Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

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.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0590: Technical provisions – health (similar to non-life) – risk margin
- The following elements of template S.17.01.02:
  - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
- The following elements of template S.23.01.01:
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01:
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Executive summary

TRL is a wholly owned subsidiary of Transatlantic Reinsurance Company ("TRC") and provides the TransRe group ("TransRe") with its main platform to write business in the United Kingdom and other international regions that access the London and Lloyd's markets. TRC is domiciled in New York, USA. TRL's ultimate parent undertaking is Alleghany Corporation ("Alleghany"), incorporated in Delaware, USA.

TRL commenced trading on January 2014 assuming the renewals of most of TRC's London branch ("LBO") business developed since 1980. It is regulated by the PRA and FCA. In addition to paid up capital of $500m, TRL has the benefit of a 60% collateralised quota share treaty with TRC and a parental capital support guarantee agreement. TRL has also been granted the same A+ financial strength ratings as TRC by both Standard & Poor's and A.M. Best.

TRL is a specialist non-life reinsurance company concentrating on providing protection for cedants and predominantly not competing with cedants in their own direct markets. Many of TRL's senior management and underwriting teams have long tenure with TransRe and enduring relationships with our client base.

During 2019 TRL continued to enhance its analytical, underwriting and actuarial resources to further concentrate on providing clients with top quality service, expertise and financial security in challenging market conditions. Our aim is to be their reinsurer of choice. Following the PRA's approval of a partial internal model ("PIM") for natural catastrophe risk in December 2018, substantial resource was allocated to the development of an enhancement to the PIM to cover man-made catastrophe risk. An application for approval of this material change to the PIM was submitted to the PRA in December 2019.

For 2020 TRL continues to focus on underwriting excellence, enhancing client relationships and navigating emerging risks and ever-changing political environments.

Business and performance

TRL's strategy is to concentrate foremost on achieving underwriting profitability, not top line growth, consistent with the group target of book value growth over time.

TRL accesses business through both broker and direct distribution channels and writes a diverse portfolio of treaty reinsurance and facultative/direct business, avoiding over-dependence on any one class. We adopt a lead approach to our business, combining technical analysis with underwriting expertise and strong cycle management. TRL purchases reinsurance protection either on a group or regional basis, in line with our risk tolerances, to manage volatility within our Solvency Capital Requirement ("SCR"). Our business strategy during 2019 was broadly consistent with the prior year.

TRL's assets are prudently invested to ensure it has access to funds at short notice, if required. At 31 December 2019 the investment portfolio was approximately 95.2% invested in fixed income securities with the remainder allocated to equity and high yield bond ETFs. Fixed interest securities include government bonds, corporate bonds and collateralised securities. Assets have been invested taking account of the liquidity requirements of TRL along with the nature and timing of insurance liabilities. TRL's balance sheet was strengthened by a total investment return of $52.8m in 2019 from a portfolio valued at $895.8m at 31 December 2019.

Covid-19

Effective 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a 'pandemic'. The global spread of Covid-19 is unprecedented and the possible effects on TRL are continually evolving with events, consequences and impacts changing on a daily basis.

TRL will have some exposure from our accident and health ("A&H")/travel, contingency and credit portfolios, as well as indirect exposure from our casualty and property portfolios. Much of the broader economic loss will be limited by policy forms and coverage, although many of these remain untested by an event of such global reach. We will continue to actively monitor the situation and our own exposure to it and respond to future questions as they arise.

As TRL’s holdings in equity and high yield bond ETFs are restricted to approximately 4.8% of the portfolio, TRL has been largely shielded from the worst effects of recent global stock market large-scale declines. With regard to TRL’s fixed income portfolio, widening credit spreads and liquidity stresses across global corporate bond markets remain key features of which we are continually mindful.

At an operational level, TransRe has well tested contingency plans in place both locally and within the wider group which allow us to continue to run the business effectively. TRL staff are all working remotely and we anticipate that will continue for some time. Employee feedback has been generally positive, and we work to ensure it will remain so over a longer period. Essential business interactions with clients and brokers continue digitally and all business-critical processes are being reviewed regularly to ensure deadlines can be met. The Board also receives weekly updates from the Chief Executive Officer (“CEO”). Although there will be some operational inconvenience, TRL remains well positioned to support its staff, clients and brokers during this stressed time.

System of governance

TRL has an established governance framework and internal control system. The governance structure enables the Board to discharge its oversight responsibilities, helping to ensure TRL meets its strategic objectives while managing risks within its stated risk appetite.

TRL’s Board maintains ultimate responsibility for the oversight of TRL. The Board delegates authority for day-to-day management of some aspects of the business to certain functions and committees. The Board and the committees operate under the guidance of formal terms of reference, which are agreed by the Board.

Effective 31 August 2019, Geoff Peach stepped down as Director and Chief Executive Officer of TRL and was replaced in the role by Louise Rose. The other members of TRL’s Board remain unchanged.

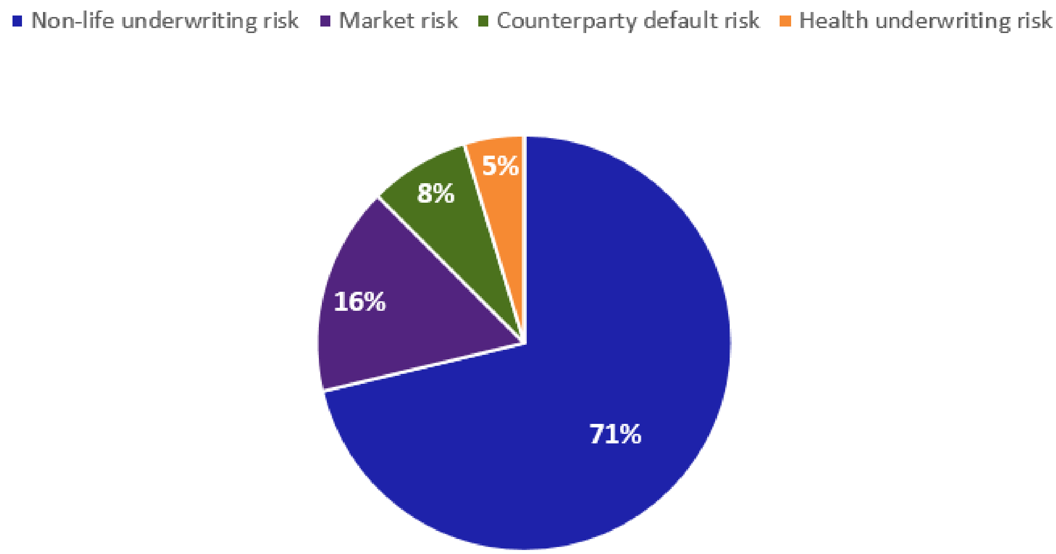
TRL adopts an approach to remuneration which supports and encourages appropriate behaviour that is aligned with TransRe’s vision and values and Alleghany’s Code of Business Conduct and Ethics.

The members of the Board possess the skills, knowledge and experience required to undertake their roles and responsibilities for overseeing TRL. With the exception of some non-material changes to reflect the second phase of implementation of the Senior Managers & Certification Regime (“SM&CR”), the system of governance of TRL has not materially changed in the year to 31 December 2019.

Risk profile

TRL underwrites a diversified portfolio of property and casualty reinsurance, across multiple regions and classes. TRL’s SCR risk profile before the impact of diversification is shown in the below chart.

Figure 1: Basic SCR by risk type before the impact of diversification



As evidenced in the chart, non-life underwriting risk, including non-life premium and reserve risk, make up the largest portion of the SCR risk profile.

In order to help mitigate underwriting risks, TRL maintains a disciplined underwriting philosophy that is supported by risk appetites reflecting TRL's portfolio and risk management tolerances.

TRL benefits from a comprehensive retrocession programme that provides protection for TransRe globally as well as TRL specifically.

TRL undertakes detailed stress and scenario testing on a quarterly basis. Scenario tests are used to test the company's resilience against shocks from both its underwriting and non-underwriting activities. The results of the analysis showed that the most material impact on the SCR was the risk of a natural catastrophe event affecting the UK and Europe. The analysis undertaken indicates TRL is strongly capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach its SCR. TRL's underwriting risk profile is therefore resilient to severe shocks and is within the Board approved risk appetite.

In 2018 TRL obtained approval from the PRA to transfer up to 20% (increased from 10%) of its planned gross written premium onto TRC's London Branch ("LBO") if required. This was in response to some client concerns about the possible impact of a 'hard' Brexit. At 31 December 2019, we remain well within the PRA approved limits. It is our intention to transfer that business back to TRL at the earliest opportunity without jeopardising client and business retention. This will depend on the outcome of trade talks during the transition period.

Valuation for Solvency II purposes

An analysis of the differences between the valuation of assets and liabilities under Solvency II in comparison to IFRS is provided in sections D1, D2 and D3. These sections provide a background to the methods adopted under Solvency II, including the required inputs and any judgements or assumptions made.

Financial assets are valued at fair value under both IFRS and Solvency II. Technical provisions are the amount of capital TRL needs to hold in reserve for claims and premiums net of commissions and other expenses for all contractually obliged policies. This is equivalent to the current amount an insurer would have to pay for an immediate transfer of its obligations to another insurer. Technical provisions are made up of the best estimate liabilities and a risk margin.

Best estimate liabilities are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates.

The risk margin represents an allowance for the cost of capital necessary to support the policies to which TRL is obligated at the valuation date.

TRL uses its IFRS insurance liabilities as the starting point for determining the Solvency II technical provisions. Adjustments are made to move from the IFRS basis to the Solvency II basis, which include the transfer of certain insurance asset classes for reallocation and inclusion within the Solvency II technical provisions. These adjustments are detailed in sections D1 to D3.

Capital management

Under Solvency II, the own funds of an insurance entity are placed into Tiers 1, 2 or 3 based on their ability to absorb losses, with Tier 1 being the most able to do so. Below is a summary of the own funds held by TRL and a comparison to TRL's regulatory capital requirements (the amount of capital the firm is required to hold).

Figure 2: Own funds by tier

Tier	Instrument	At 31 December ($'000s) 2019	2018
Tier 1	Ordinary paid up share capital	500,000	500,000
	Reconciliation reserve	70,991	22,952
Tier 2	Not applicable	-	-
Total own funds to cover MCR		**570,991**	**522,952**
Tier 3	Net deferred tax asset	6,451	2,712
Total own funds to cover SCR		**577,442**	**525,664**

A breakdown of the reconciliation reserve is included in section E1.

As noted above, the PRA approved TRL's PIM for natural catastrophe risk effective 31 December 2018. During 2019, TRL undertook a "major model change" to the PIM to include man-made and other catastrophe risk and has agreed to maintain a capital add-on of $15 million until this change is approved by the PRA.

Figure 3: Capital requirements

	At 31 December ($'000s) 2019	2018
Minimum Capital Requirement	84,163	81,161
Solvency Capital Requirement including CAOn	336,650	324,644

Overall TRL held 172% (2018: 162%) of its SCR and 678% (2018: 644%) of its Minimum Capital Requirement (MCR) at 31 December 2019.

The improved ratios are as a result of an increase in the Company's Eligible Own Funds by $51.8m during 2019, owing primarily to investment income, realised and unrealised gains on investments and deferred tax (notably foreign tax credits and adjustments in respect of prior years), which more than offset an increase in the Company's SCR by $12.0m, owing primarily to the increase in net insurance reserves, and hence the corresponding charge for reserve risk.

There have been no instances of non-compliance with the MCR and SCR in the current or previous year.

There are no matching, volatility or transitional adjustments to the relevant risk-free interest rate term structure, or transitional measures on technical provisions.

In the context of the current events surrounding Covid-19, TRL's SCR is reviewed and monitored on a weekly basis as part of ongoing reporting to the PRA. Internally, TRL uses a series of trigger events, including where the estimated net loss to TRL exceeds a certain percentage of its capital, which would result in its SCR being re-run.

Based on the most recent SCR valuation provided to the PRA, which incorporates the latest valuation of assets and estimated claims exposure to Covid-19, TRL's Board is satisfied that this neither amounts to a sufficiently large impact on its SCR nor causes an event to trigger a re-run of TRL's SCR.

As part of the weekly reporting to the PRA on solvency coverage, TRL also advises them across a number of areas such as underwriting impact (underwriting, claims and technical provisions), impact on assets, liquidity, impact on retrocession, operational resilience and group risk.

A. Business and Performance

A.1 Business

Company information

TransRe London Limited:	Corn Exchange 55 Mark Lane London EC3R 7NE Company number: 8506758 Firm Reference Number: 600544 Legal Entity Identifier: 213800AX82TXYUZAAM21
External auditors:	Ernst and Young LLP 25 Churchill Place London E14 5EY
Regulator (financial supervision):	Prudential Regulation Authority 20 Moorgate London EC2R 6DA
Regulator (conduct supervision):	Financial Conduct Authority 12 Endeavour Square London E20 1JN

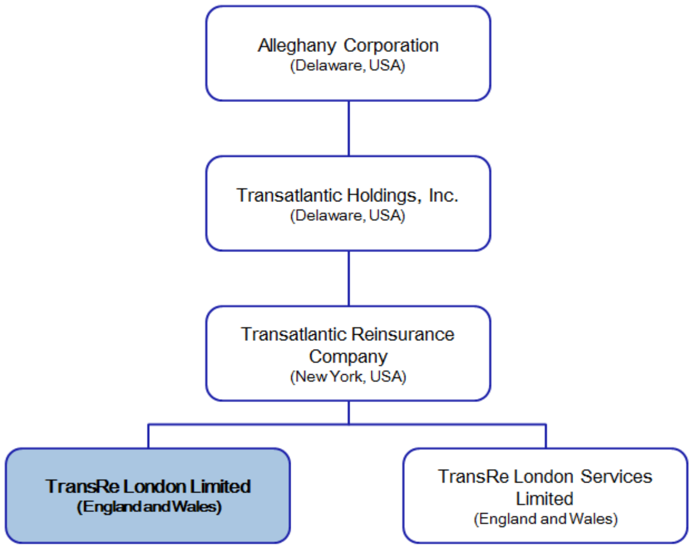
TRL is a private limited company, limited by shares, with its registered office in England. It is a wholly owned subsidiary of TRC, which is a reinsurance company domiciled in New York, USA. TRL provides TransRe with its main platform to write business in the United Kingdom and other international regions that access the London and Lloyd's markets, not otherwise served by TransRe's wider regional office distribution network. TRL is headquartered in London and commenced underwriting risks effective from 1 January 2014, assuming the renewals of most of the TRC London branch business developed since 1980.

TRL's ultimate parent undertaking is Alleghany Corporation, a company incorporated in Delaware, USA. Alleghany is listed on the New York Stock Exchange (NYSE: Y). Further information on Alleghany is available at www.alleghany.com.

In addition to TRC and Alleghany, Transatlantic Holdings, Inc. ("TRH"), incorporated in Delaware, USA, is an indirect parent and holder of a qualifying holding in TRL.

Other than TRC, TRH and Alleghany, there are no other holders of qualifying holdings in TRL. TRL has no related undertakings as defined in Article 212 of the Solvency II Directive. A simplified group structure chart is shown below. The Alleghany group is subject to group supervision by the New Hampshire Department of Insurance, New Hampshire, USA.

Figure 4: Organisational structure chart



All subsidiaries are 100% owned and controlled.

TRL offers reinsurance through treaty and facultative reinsurance arrangements covering non-life property and casualty lines of business on either a proportional or non-proportional basis. It underwrites a broad range of risks within those classes in multiple territories, thus maintaining a diversified portfolio without over-dependence on a single line of business. TRL also benefits from shared functions made available through TransRe's support and global operational infrastructure.

The core reinsurance portfolio of property and casualty treaties provides protection to cedants based globally, across a diverse range of classes. The protection provided includes coverage for a wide range of business events, enabling TRL to better navigate underwriting cycles in multiple classes of business. As part of its authorisation, TRL also holds a licence to write direct insurance business, in a limited number of classes. The direct insurance business continues to account for a very small part of TRL's property and construction portfolio and is expected to remain so for the immediate future.

On 10 February 2020, the directors recommended payment of a dividend of $10 million for the year ended 31 December 2019. The dividend was subsequently approved and paid in March 2020. This dividend payment has not been reflected in the own funds position at the year end.

TRC, together with some of its subsidiaries including TRL, is rated A+ by both Standard & Poor's and A.M. Best.

Market commentary

Whilst this document is essentially a review of the 2019 year, the global magnitude of the Covid-19 situation necessitates further commentary.

Effective 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a 'pandemic'. The global spread of Covid-19 is unprecedented and the possible effects on TRL are continually evolving with events, consequences and impacts changing on a daily basis.

The (re)insurance market has direct exposure from lines such as credit, surety, A&H/travel and contingency/event cancellation. Other indirect exposures will undoubtedly emerge and the market is working hard to understand the scale of such exposures. TRL's exposure to the most directly exposed lines is modest.

TRL staff are all working remotely, and we anticipate that will continue for some time. Employee feedback has been generally positive, and we work to ensure it will remain so over a longer period. Essential business interactions with clients and brokers continue digitally and all business-critical processes are being reviewed regularly to ensure deadlines can be met. Although there will be some operational inconvenience, TRL remains well positioned to support its key stakeholders, including its staff, clients and brokers during this stressed time.

Further information on Covid-19 is provided in section C of this document.

Returning to the wider market, whilst the planned improvements to terms and conditions across most of our lines of business were not fully realised during 2019, momentum continued to build in several areas, particularly in those lines and geographies that have suffered most losses in recent years.

Excess capacity remained available for several classes but most notably catastrophe excess of loss (“XOL”) business where alternative capital has made the greatest inroads in recent years.

Following on from significant catastrophe losses in Japan and the US in 2018, 2019 saw further devastating typhoon activity in Japan with Faxai and Hagibis both making landfall near Tokyo within two weeks of one another. Despite this third consecutive year of substantial natural catastrophe losses and some trapped capital from the alternative markets, capacity for loss-free programmes did not reduce and any impact on rating was minimal.

There was a tightening of capacity in the retrocession market, but where clients were prepared to adjust structures and pay modest increases, capacity remained available.

Non-catastrophe loss activity also increased in 2019, with substantial losses in the aviation market following the LionAir and Ethiopian Airline crashes and the prolonged and ongoing grounding of the Boeing 737 Max Jet. The onshore energy market saw further losses although not at the level of 2018; both of these lines are seeing substantial primary rate increases and improvements to terms and conditions.

Given our largely UK and European focus, TRL does not expect a significant impact to its portfolio and surplus from the 2019 catastrophe events. Although we write a worldwide aviation portfolio our gross losses are mitigated by a substantial retrocession programme.

TRL continues to see strong interest from clients in finding solutions for emerging risks, including cyber and socio-political classes. TransRe’s new global Head of Cyber is based full time in the UK which enables us to provide an enhanced level of service and insights to our client base. We remain very conscious of the threat that a poorly understood and constructed cyber portfolio would pose to the balance sheet and much of the work undertaken by the team is focussed on research and learning rather than business development.

As at 31 December 2019, a small portion (less than 10%) of renewing TRL premium had been transferred to LBO in response to some client concerns about the possible impact of a ‘hard’ Brexit. At 31 December 2019, $65m had been written on LBO against a maximum PRA approved limit of $154m. It is our intention to transfer this business back to TRL at the earliest opportunity without jeopardising client and business retention. This will depend on the outcome of the trade talks during the transition period.

The official discount (Ogden) rate was reviewed as expected during 2019 following the initial cut in 2017. However, the revision fell short of the industry’s expected consensus of between 0 and 1%: it remains at negative 0.25%. The impact to TRL was negligible; however, it kept the pressure on motor XOL rates which continued to rise.

Strategy and portfolio

TRL’s strategy is to achieve long-term book value growth throughout the underwriting cycle commensurate with the TransRe group objective of being a global property/casualty reinsurer of choice, maximising the benefits of local presence and global service, writing all products in all territories.

In the current low yield investment environment, TRL’s focus on underwriting profitability is paramount to support the aim of book value growth.

Premium income distribution by line of business and distribution by domicile of cedant is shown in Figures 5, 6a and 6b.

Figure 5: Solvency II line of business (gross earned premium $'000s)

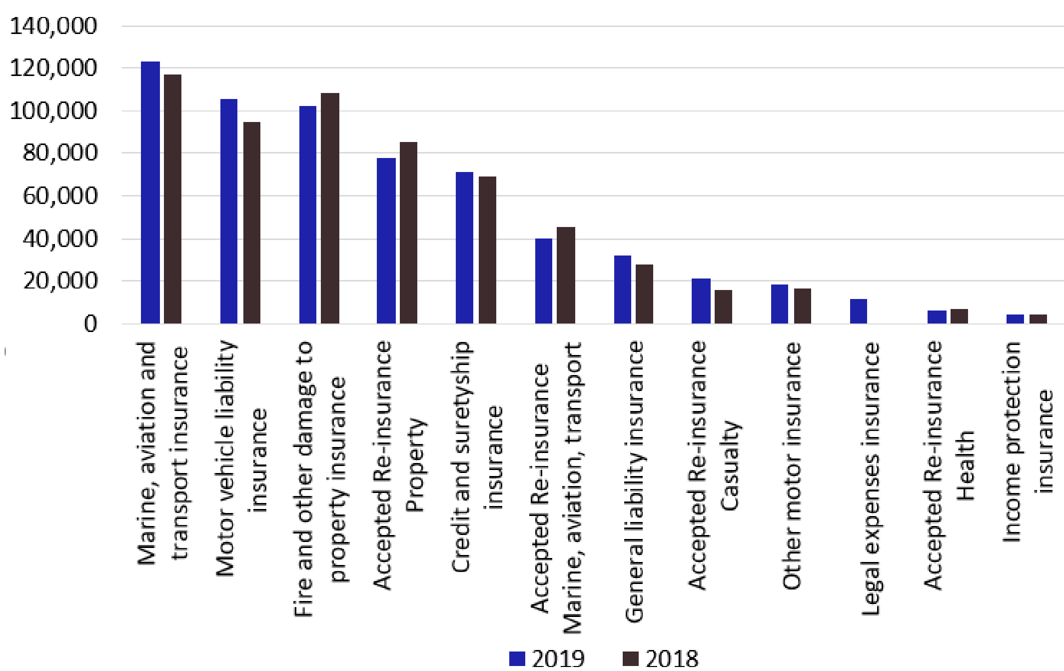


Figure 6a: Geographical domicile of cedants as at 31 December 2019

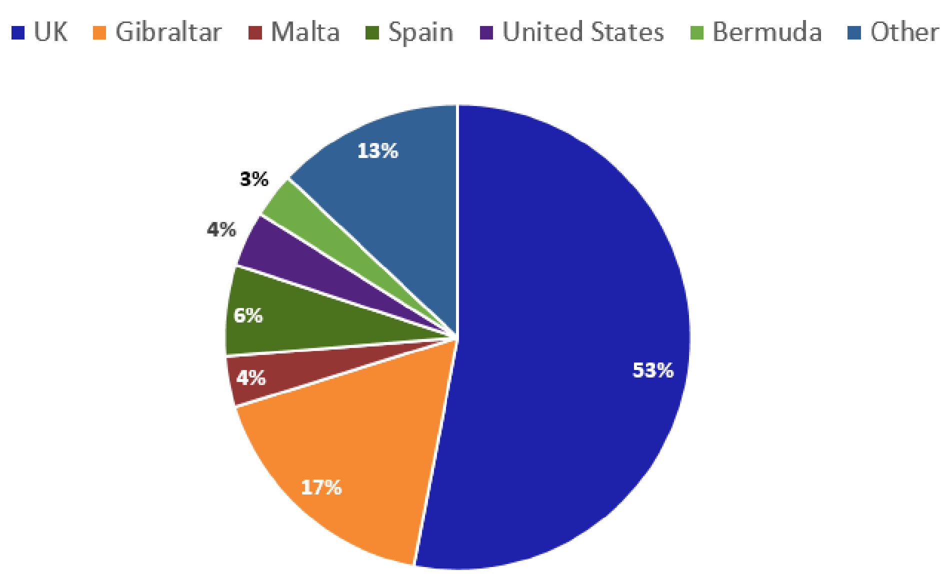
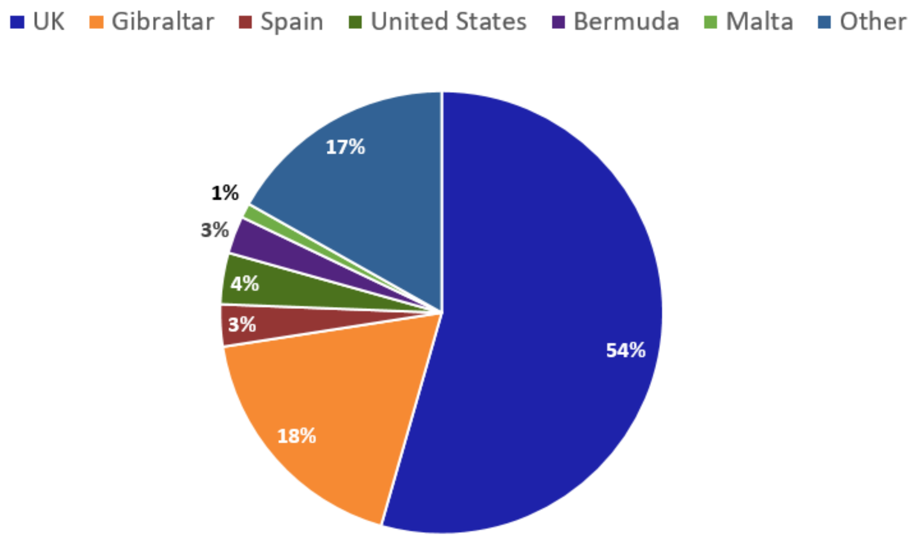


Figure 6b: Geographical domicile of cedants as at 31 December 2018



No new classes of business were introduced in the current or prior year. Premium volumes in some lines varied from plan, depending on the expected profitability and contribution to TRL's business development.

A.2 Underwriting performance

TRL earned $613,999k of gross premium income in 2019 compared to $591,676k in 2018. TRL writes a diverse book of business with no single class dominating the overall portfolio. Marine, aviation and transport ("MAT") is the largest component, accounting for 20.0% (2018: 19.8%) of the total, with motor vehicle liability accounting for 17.2% (2018: 16%). These are closely followed by fire and other damage to property, which accounts for a further 16.7% (2018: 18.3%).

TRL is in its seventh year of operation and whilst some of the newer longer tail claims are at a relatively early stage of development, we are seeing claims patterns similar to those previously seen under LBO. As in previous years, all lines of business continue to show improvement on original pricing and terms with reinsurance starting to show signs of following suit. Claims ratios have improved in line with our expectations both on a gross and net basis and are in line with the historical experience of LBO.

Motor market loss ratios increased in recent years and were further impacted by the change in the discount rate (Ogden rate) to -0.75% in 2017. The change to -0.25% in July 2019 was welcome, albeit the level was not as much as insurers and reinsurers were expecting. TRL had fully reserved on the basis of the -0.75% rate, and loss ratios will improve slightly as a result of the 2019 change. The original revision led to rising motor premiums through 2018 which continued through 2019.

A third year of large global natural catastrophe losses have still not resulted in improving catastrophe prices or terms and conditions so remedial action was once again taken on our catastrophe portfolio.

Excluding business that is sourced via quota share arrangements with TransRe group companies, 89% (2018: 91%) of TRL's business is generated through brokers with the remaining 11% (2018: 9%) sourced directly with cedants. As well as writing the business through these traditional sources, TransRe has developed additional distribution capabilities which are supported by TRL such as its Lloyd's Corporate Member, TReIMCo Limited ("TReIMCO"), and a Gibraltar operation, Calpe Insurance Company Limited ("Calpe").

Top five underwriting performance by line of business

The table below summarises the performance of TRL's top five Solvency II lines of business. Figures are presented on both a gross assumed basis and on a net basis after all outwards reinsurance, including the TRC Quota Share.

Figure 7a: Underwriting performance by SII line of business (gross) 2019

Gross ($'000s)	Proportional			Non-proportional	Proportional	Other lines of business ("LoB")	Total
	Marine, aviation and transport insurance	Motor vehicle liability insurance	Fire and other damage to property insurance	Reinsurance property	Credit and suretyship insurance		
Premiums written	126,329	119,096	111,932	77,379	67,306	147,598	649,640
Premiums earned	123,056	105,753	102,483	77,945	70,958	133,804	613,999
Claims incurred	(96,401)	(82,089)	(73,201)	(12,243)	(25,096)	(90,466)	(379,496)
Expenses	(44,841)	(25,961)	(44,120)	(12,734)	(36,724)	(35,432)	(199,812)
Underwriting profit/(loss)	**(18,186)**	**(2,297)**	**(14,838)**	**52,968**	**9,138**	**7,906**	**34,691**

Figure 7b: Underwriting performance by SII line of business (gross) 2018

Gross ($'000s)	Proportional			Non-proportional	Proportional	Other lines of business ("LoB")	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Reinsurance property	Credit and suretyship		
Premiums written	115,978	106,680	98,148	85,356	73,766	120,581	600,509
Premiums earned	117,387	108,275	94,558	85,090	68,808	117,558	591,676
Claims incurred	(92,940)	(77,557)	(75,003)	(34,277)	(34,003)	(72,314)	(386,094)
Expenses	(42,949)	(45,391)	(24,840)	(13,845)	(34,212)	(28,124)	(189,361)
Underwriting profit/(loss)	**(18,502)**	**(14,673)**	**(5,285)**	**36,968**	**594**	**17,119**	**16,221**

Figure 8a: Underwriting performance by SII line of business (net) 2019

Net ($'000s)	Proportional				Non-Proportional	Other LoB	Total
	Marine, aviation and transport insurance	Motor vehicle liability insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Reinsurance property		
Premiums written	50,532	47,638	44,572	26,275	16,547	55,002	240,566
Premiums earned	49,219	42,306	41,219	28,121	16,482	49,273	226,620
Claims incurred	(38,438)	(32,839)	(29,512)	(9,928)	(6,259)	(29,832)	(146,808)
Expenses	(17,864)	(9,996)	(17,337)	(14,201)	(4,492)	(13,854)	(77,744)
Underwriting profit/(loss)	**(7,083)**	**(529)**	**(5,630)**	**3,992**	**5,731**	**5,587**	**2,068**

Figure 8b Underwriting performance by SII line of business (net) 2018

Net ($'000s)	Proportional				Non-Proportional	Other LoB	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Credit and suretyship	Reinsurance property		
Premiums written	46,392	42,625	39,259	29,508	18,052	43,579	219,415
Premiums earned	46,955	42,916	37,819	27,525	17,963	42,513	215,691
Claims incurred	(37,297)	(30,756)	(29,995)	(13,629)	(6,718)	(28,498)	(146,893)
Expenses	(16,638)	(16,804)	(9,347)	(13,529)	(5,018)	(10,495)	(71,831)
Underwriting profit/(loss)	**(6,980)**	**(4,644)**	**(1,523)**	**367**	**6,228**	**3,519**	**(3,033)**

Marine, aviation & transport ("MAT")

Following several challenging years with major market losses between 2017 and 2019, MAT is now seeing some of the highest rate increases both on original rates and reinsurance rates.

Motor vehicle liability

TRL writes a number of motor pro rata treaties. Although these make up the majority of the motor portfolio, we have also started to write more XOL business as reinsurance rates increase in line with original rates.

Fire & other damage to property

This portfolio comprises property proportional treaty and non-proportional contracts as well as facultative reinsurance. The 2019 results were in line with expectation despite being impacted by several large risk losses.

Credit and surety

The credit and surety segment includes trade credit and political risk business. Underwriting performance in 2019 was in line with expectation.

Accepted reinsurance

The property non-proportional portfolio primarily provides catastrophe cover for our cedants. The portfolio is dominated by UK and European exposures with some global programmes also protected. Attachment thresholds remain at an acceptably high level. The UK and European exposed business had another benign year in 2019 and the storms in The Bahamas and Japan have again had minimal impact on the TRL worldwide exposed business both in terms of loss and pricing. We continue to reduce our aggregate exposure as pricing and terms and conditions become less satisfactory.

As well as a diverse range of classes, TRL also writes business from companies with different domiciles covering territorial scopes including the UK, Gibraltar (UK motor business), Malta, Spain (trade credit), United States and Bermuda. The breakdown of the material geographical areas where TRL writes its business is set out in the table below.

Other lines of business

Other lines of business include accident and health, specialty, casualty and political violence. Underwriting performance in 2019 was in line with expectations.

Figure 9a: Underwriting performance by material geographical area (net) 2019

Net ($'000s)	UK	Gibraltar	Malta	Spain	United States	Bermuda	Other countries	Total
Premiums written	110,288	47,533	16,026	14,392	11,005	8,250	33,072	240,566
Premiums earned	106,200	44,336	9,108	16,352	9,798	8,065	32,761	226,620
Claims incurred	(66,807)	(32,890)	(8,446)	(7,660)	(6,444)	(7,127)	(17,434)	(146,808)
Expenses	(41,737)	(10,308)	(1,998)	(6,573)	(3,202)	(3,370)	(10,556)	(77,744)
Underwriting profit/(loss)	**(2,344)**	**1,138**	**(1,336)**	**2,119**	**152**	**(2,432)**	**4,771**	**2,068**

Figure 9b: Underwriting performance by material geographical area (net) 2018

Net ($'000s)	UK	Gibraltar	Spain	United States	Bermuda	Malta	Other countries	Total
Premiums written	101,595	43,139	15,116	8,177	7,746	6,009	37,633	219,415
Premiums earned	102,719	45,400	7,694	8,370	6,824	2,668	42,016	215,691
Claims incurred	(76,116)	(36,060)	(4,418)	(759)	(3,065)	(2,118)	(24,357)	(146,893)
Expenses	(37,412)	(10,615)	(7,567)	(2,548)	(2,759)	(1,066)	(9,864)	(71,831)
Underwriting profit/(loss)	**(10,809)**	**(1,275)**	**(4,291)**	**5,063**	**1,000**	**(516)**	**7,795**	**(3,033)**

United Kingdom

Business from UK domiciled cedants made up 46.9% of the TRL net earned premium (2018: 47.6%). The UK experienced relatively low catastrophe activity but the competitive pricing environment in most lines continued. Results were in line with expectations.

Gibraltar

Gibraltar comprises niche private and commercial motor business, rate increases were achieved again through 2019.

Malta

Malta is predominantly UK motor business written out of a third party Maltese entity. The business incurred some large losses early in 2019, which had a negative impact on full year performance.

Spain

Spain comprises primarily international trade credit business with results in line with expectations.

US/Bermuda

US / Bermuda includes multinational ceding companies writing principally property, casualty and marine and aviation business. Overall results were as expected.

Other countries

TRL underwrites business on a global basis with a wide distribution of territories and classes of business.

For more details and the breakdown of premiums, claims and expenses by geographical spread please refer to Quantitative Reporting Template ("QRT") S.05.02.01 in Appendix 2.

A.3 Investment performance

Financial investments

TRL's investment portfolio is made up of direct investment in fixed income securities (95.2% of the portfolio by market value at 31 December 2019; 2018: 96%) and ETFs (4.8% of the portfolio by market value at 31 December 2019; 2018: 4%). Roughly half the ETF portfolio is invested in a USD high yield bond fund with the other half in a USD equity fund. The fixed income portfolio consists of USD financial investments (85%), GBP (9%) and EUR (6%), which earned combined interest income of $19,001k (2018: $17,036k) during the year.

Total investment return

Total investment return includes investment income (comprising interest, and the amortisation of any discount or premium on available-for-sale debt securities for the period), realised and unrealised gains and losses net of interest payable, investment expenses and impairment losses on financial assets.

Interest income is recognised as accrued based on the effective interest method. Acquisition costs related to the purchase of bonds are capitalised and expensed over the duration of the investment.

Total investment return for TRL's portfolio during 2019 was $52,754k (2018: $6,822k) with the total value of the portfolio increasing to $895,800k as at 31 December 2019 from $836,946k in the prior year.

As at 31 December 2019 the book yield for the fixed income portfolio fell to 2.49% (2018: 2.63%), representing a decrease of 14 basis points. The reduction in yield however contributed to realised and unrealised gains of $33,753k. This figure included unrealised gains of $6,529k (2018: unrealised loss $1,601k) on TRL's ETFs, primarily due to improvements in global equity markets, although this position has since reversed significantly in recent weeks as a result of the impact of Covid-19.

Interest income increased during 2019 owing primarily to an increase in assets under management over the course of the year.

Figure 10a: Investment portfolio performance for 2019

Asset Category ($'000s)	Income	Gains/ (losses)	Total investment return	Total SII Value (as at 31 December 2019)
Cash and deposits to cedants	2,892	0	2,892	116,133
Collateralised securities	5,612	8,808	14,420	208,358
Corporate bonds	6,713	9,896	16,609	290,019
Government bonds	3,784	8,520	12,304	244,374
Exchange Traded Funds	0	6,529	6,529	36,916
Total	**19,001**	**33,753**	**52,754**	**895,800**

Figure 10b: Investment portfolio performance for 2018

Asset Category ($'000s)	Income	Gains/ (losses)	Total investment return	Total SII Value (as at 31 December 2018)
Cash and deposits to cedants	1,262	0	1,262	79,744
Collateralised securities	3,963	(2,993)	970	204,715
Corporate bonds	9,177	(6,675)	2,502	285,695
Government bonds	2,634	1,055	3,689	236,405
Exchange Traded Funds	0	(1,601)	(1,601)	30,387
Total	**17,036**	**(10,214)**	**6,822**	**836,946**

During 2019, TRL's EUR & GBP fixed income portfolios were tactically repositioned in order to further align them with TRC's investment strategy. This led to more favourable average yields for both portfolios while at the same time the crystallization of a number of existing net gains.

For TRL's Euro portfolio, approximately €30m was rotated from German government bonds into Euro-denominated corporate credit. At the same time, and as part of the wider TRC initiative, the long position in Euros was reduced through the sale of certain EUR assets and replaced through the purchase of USD fixed income.

The GBP portfolio was also repositioned in order to increase the proportion of corporate bonds relative to UK government gilts.

Securitisations

TRL's fixed income investment portfolio includes both government-backed securitisations and securitisations that are not government-backed.

Government-backed securitisations

US Federal Agency mortgage backed securities comprised 28.0% of TRL's portfolio at 31 December 2019 (2018: 28.1%).

Securitisations that are not government-backed

TRL's fixed income investment portfolio contains no asset backed securities (ABS) and one commercial mortgage backed security (CMBS) representing 0.1% of the portfolio (2018: ABS 0%, CMBS 0.1%). The small amount invested in this asset class represents TRL's approach to reducing exposure in these asset classes as investments mature, where they are ineligible for the purpose of Solvency II. All credit risk associated with the underlying assets is passed directly through these securities with no subordination of different categories of investor.

Covid-19

TRL's exposure to both equity and high yield bond ETFs is limited to just 4.8% of its financial investment portfolio. TRL has thus been largely shielded from the worst effects of recent global stock market large-scale declines seen during the first quarter of 2020. TRL is mindful of credit spread and liquidity stresses in global corporate bond markets and keeps the investment allocation under constant review. Whilst TRL does not have significant holdings at the lower end of investment grade corporate bonds, it continues to monitor the emerging risks surrounding possible corporate downgrades across all of its portfolio triggered by the economic fallout.

A.4 Performance of other activities

TRL does not receive any income other than from its underwriting and investment activities. TRL has no financial or operating lease arrangements.

TRL's reporting and presentational currency is USD. The operating results and financial position of each non-USD ledger are translated into USD. All resulting exchange differences are recognised in the statement of profit and loss and other comprehensive income.

A.5 Any other information

Brexit

On 31 January 2020, the UK formally left the EU. Under the terms of the EU/UK Withdrawal Agreement, a transition period is in place until 31 December 2020 (unless extended).

Uncertainties continue with respect to the UK/EU relationship at the end of the transition period, particularly from a regulatory perspective, although the EU/UK Political Declaration does commit both parties to a prompt assessment of equivalence.

The principal risks of Brexit to TRL are the ability to access EU reinsurance markets in the future and the devaluation of sterling. The non-UK European risks in the current portfolio do not represent a material portion of TRL's portfolio and the currency risk associated with Brexit is managed by the capitalisation of TRL being held in USD and matching the insurance liabilities with assets in the same currency.

However, concerns among European cedants over the acceptability of UK registered paper continue. During the 1 January 2019 and 2020 renewals, a small part (less than 10%) of renewing TRL premium transferred to LBO in response to client concerns about the possible impact of a 'hard' Brexit. Other business was renewed with a Brexit clause that could trigger a transfer to LBO, or other TransRe office in Europe, in the event of a 'hard' Brexit.

Given the many unknowns surrounding the UK's future relationship with the EU, Brexit continues to be an area of considerable management focus. Events, including the impact on TRL, are frequently assessed and formally discussed at TRL's Brexit Committee to ensure the company is well positioned to execute its business plan and that its strategy remains appropriate and robust.

Climate Change

Longer-term natural catastrophe trends may be affected by climate change, a phenomenon that has been associated with extreme weather events linked to rising temperatures, and includes effects on global weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain and snow. Climate change, to the extent it produces rising temperatures and changes in weather patterns, could impact the frequency or severity of weather events such as hurricanes, tornado activity, other windstorms, floods and wildfires. As regards climate change increasing the frequency and severity of such weather events, TRL may face increased claims, particularly with respect to properties located in coastal areas. TRL takes certain measures to mitigate the impact of such events by considering these risks in underwriting and pricing decisions, including management of aggregate exposure levels and through the purchase of reinsurance. To the extent broad environmental factors, exacerbated by climate change or otherwise, lead to increases in insured losses, particularly if those losses exceed expectations, our financial condition could be materially and adversely affected.

TRL does not consider there to be any other material information to disclose on its business and performance.

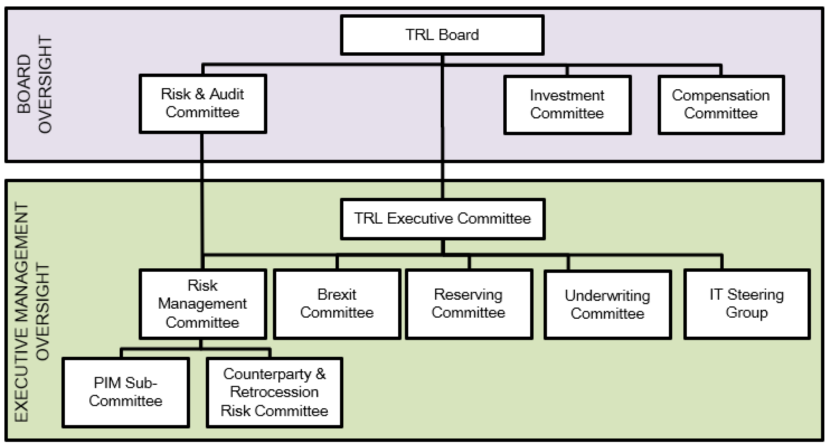
B. System of Governance

B.1 General information on the system of governance

TRL's governance structure reflects its membership of a large international group of companies, while ensuring that it maintains robust local governance arrangements.

The structure of TRL's key governance bodies is shown in Figure 11.

Figure 11: Governance oversight and reporting lines



TRL's Board maintains ultimate responsibility for overseeing the running of TRL. Its responsibilities include:

- setting, promoting and demonstrating TRL's culture, vision and values;
- setting TRL's business strategy and monitoring performance against its business plan;
- approving TRL's risk appetite and tolerances ensuring they are in line with TransRe global appetites;
- reviewing the adequacy and appropriateness of TRL's reserves, as established by the Reserving Committee;
- maintaining oversight of TRL's compliance with relevant laws and regulation;
- maintaining oversight over the effectiveness of TRL's corporate governance framework and internal control framework.

Effective 31 August 2019, Geoff Peach stepped down as Director and Chief Executive Officer and was replaced in the role by Louise Rose from 1 September 2019. The other members of TRL's Board are unchanged. The members of TRL's Board at 31 December 2019 are identified in Figure 12.

Figure 12: Board members and committee memberships

Board Member	Role	Committees
Mike Sapnar	Non-executive Chair	Investment, Compensation*
Paul Bonny	Non-executive director	
Gary Schwartz	Non-executive director	Risk & Audit
Stewart Laderman	Independent non-executive director	Risk & Audit, Investment, Compensation
Mark Stephen	Independent non-executive director	Risk & Audit, Investment*, Compensation
Mark Winlow	Independent non-executive director	Risk & Audit*, Investment, Compensation
Louise Rose	Executive director, Chief Executive Officer ("CEO")	
David Radford	Executive director, Chief Financial Officer ("CFO")	Investment

(* denotes chair of the respective committee)

As shown in Figure 11 above, TRL's Board operates three committees.

The members of the Risk & Audit Committee and the Compensation Committees are all non-executive Directors. The members of the Investment Committee are all non-executive Directors other than the CFO.

Risk & Audit Committee

The Risk & Audit Committee's responsibilities include:

Risk

- providing oversight and challenge to the effectiveness of TRL's Risk Management function, Enterprise Risk Management ("ERM") framework and risk management culture, including the adherence to the Board agreed appetites and tolerances, engagement with TRL's key business functions and embedding the ERM framework across TRL in alignment with TransRe's overall ERM and risk governance framework;
- monitoring the identification, evaluation, quantification, mitigation and control of both emerged and emerging risks;
- monitoring the effectiveness of TRL's risk management and internal control systems, including financial, operational and compliance controls and reporting any recommendations to the Board; and
- providing oversight and challenge to the effectiveness of TRL's Compliance function, and approving the Compliance Monitoring and Training Plan and overseeing progress against it.

Audit

- monitoring and reviewing the effectiveness of TRL's Internal Audit function;
- approving the annual Internal Audit Plan and overseeing progress against it;
- reviewing Internal Audit reports and findings and monitoring the status of actions and recommendations;
- monitoring the integrity of the financial statements of TRL and any formal announcements relating to TRL's financial performance;
- reviewing TRL's internal financial controls;
- making recommendations to the TRL Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- approving the external audit plan and overseeing progress against it; and
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The Risk & Audit Committee meets at least three times per year.

Investment Committee

The Investment Committee's responsibilities include:

- reviewing and making recommendations to the Board in respect of TRL's investment strategy and policy in a manner consistent with the prudent person principle;
- reviewing summary reports on TRL's investment portfolio, investment activity and investment practices;
- considering investment performance and providing appropriate challenge and comment;
- maintaining oversight of compliance by management with applicable legal and regulatory requirements with respect to investments and the investment policies and decisions of management; and
- considering reports in respect of investment risk management, liquidity management and credit management.

The Investment Committee meets at least three times per year.

Compensation Committee

The Compensation Committee's responsibilities include:

- oversight of the design and operation of the employee compensation programme; and
- oversight of remuneration and staff benefits.

The Compensation Committee meets at least annually.

Each of the committees reports to the Board through their respective Chairs. Risk & Audit Committee and Investment Committee reports are a standing item on the Board's agenda. The Compensation Committee reports to the Board after the Compensation Committee's annual meeting and any ad hoc meetings that may be held.

The Board and its committees maintain terms of reference that are reviewed at least annually.

The Board carries out regular reviews of its own effectiveness. Consistent with the UK Corporate Governance Code, these reviews consider the balance of skills, experience, independence and knowledge of TRL on the Board. The review also considers Board diversity, how the Board works together and other factors relevant to its effectiveness.

Executive Committee

TRL's Executive Committee is led by the CEO and reports to the Board. It is responsible for:

- management and oversight of the day-to-day business;
- development and execution of TRL's strategy;
- financial management, risk management, and Compliance oversight;
- operational performance (including performance of third party outsourcers) and change management;
- agreeing and recommending to the Board the annual budget and business plan;
- monitoring underwriting and investment performance; and
- ensuring the effectiveness of the three lines of defence model and, ultimately, TRL's internal control framework.

The Executive Committee reports to the Board through the CEO as a standing agenda item.

The Executive Committee maintains four senior sub-committees that report into it and also sponsors the IT Steering Group, as shown in Figure 11. The Executive Committee and its sub-committees maintain terms of reference that are reviewed at least annually.

Key functions

Each of the key functions within TRL is operationally independent of each other, although some individuals are key function holders for more than one function:

- the Head of Risk is also holder of the Catastrophe Modelling function (this responsibility was transferred from the Chief Underwriting Officer ("CUO") during 2019);
- the Head of Claims is also holder of the Business Management Department function;
- the CFO is also holder of the Operations (IT and Systems) function;
- the Chief Administration Officer ("CAO") and Head of HR is holder of both the Operations (non IT and Systems)[1] and HR functions; and
- the Head of Legal and Compliance is holder of both Legal and Compliance functions.

[1] Effective 1 February 2020, the CFO has assumed permanent responsibility for the Chief Operations function, which is no longer shared.

The key functions have their own teams and reporting lines. Each key function reviews its resource needs on at least an annual basis and the key function holder is responsible for ensuring the key function has the necessary authority, resources and operational independence.

All key functions report to the Board or a committee of the Board and/or the Executive Committee. Further information on the authority, resources and operational independence of the key control functions is included in sections B3 (Risk Management function), B4 (Compliance function), B5 (Internal Audit function) and B6 (Actuarial function).

Figure 13: Key functions

Key Function	Holder	SMF
Risk Management System	Head of Risk	SMF4
Compliance	Head of Legal and Compliance	SMF16
Internal Audit	Director of Internal Audit	SMF5
Actuarial	Senior International Actuary	SMF20
The function of effectively running the firm:		
Executive Management	CEO	SMF1
Underwriting	CUO	SMF23
Finance	CFO	SMF2, SMF24
Claims	Head of Claims	SMF18
Operations	CFO CAO and Head of HR[1]	SMF2, SMF24 SMF24
Members of TRL's Board (not otherwise listed)	Directors	Various
SMF7 holders on the governing body of a parent or other group company	Various	Various
Any other function which is of specific importance to the sound and prudent management of the firm:		
Business Management Department	Head of Claims	SMF18
Catastrophe Modelling	Head of Risk	SMF4
HR	CAO and Head of HR	SMF24
Legal	Head of Legal and Compliance	SMF16[2]
IT/Systems	CFO	SMF2, SMF24
SMFs not otherwise identified above		
SMF7 holders not on the governing body of a parent or other group company	Alleghany Head of Fixed Income	SMF7

Effective September 2019, the Head of Risk became the key function holder for catastrophe modelling, replacing the CUO.

[2] The Head of Legal is not required to be a SMF. However, the Head of Legal and Compliance is responsible for the Legal function and is registered as a SMF for the Compliance Function.

Except as described above, there were no material changes in TRL's governance structure in the year ended 31 December 2019 although some non-material changes have been made to reflect the second phase of implementation of the Senior Managers & Certification Regime (SM&CR).

Remuneration policies and practices

All TRL staff are employed by TransRe London Services Limited, a fellow subsidiary of TRC.

Approach to remuneration

TRL adopts an approach which supports and encourages appropriate behaviour that is aligned with TransRe's vision and values and Alleghany's Code of Business Conduct and Ethics.

Assessment of performance

Reviews are performed by line managers and reviewed by senior management and HR before individual awards are finalised. This is a key component of the appraisal process to ensure TRL performance is linked to rewards.

Financial and non-financial criteria are taken into account when assessing an individual's performance. A key element of an individual's performance assessment is adherence to the Alleghany Code of Business Conduct and Ethics and compliance with policies and procedures.

Fixed and variable components of remuneration

Remuneration is made up of two key elements, fixed and variable. The fixed element is base salary. The variable element includes an annual bonus and, in some instances, deferred compensation. Base salary, bonus and deferred compensation are reviewed annually in line with an appraisal and review process.

For more senior employees and officers, fixed base salaries generally comprise a minority of total compensation, with the majority of compensation linked to performance-based annual and long-term incentives.

There are no entitlements to share options or shares.

Benefits

There is a regular Benefits Committee meeting to consider all elements of the benefits package. Benefits include pension, private medical, health, income protection and life insurance. The benefits provided are designed to be competitive and to target insurance protection for health and loss of income.

There are no supplementary pensions or early retirement schemes for the members of the Board or other key function holders.

Material transactions with shareholders

TRL has a 60% whole account quota share reinsurance agreement with TRC as reinsurer; (the "TRC Quota Share"). To secure its liabilities under the TRC Quota Share, TRC established a trust account under a trust agreement (the "TRC Trust Agreement").

In addition to the above, TRC entered into a Capital Support Guarantee Agreement (the "TRC Guarantee") in favour of TRL. Under the TRC Guarantee, TRC agrees to maintain TRL's regulatory capital in an amount greater than TRL's SCR.

Other than the TRC Quota Share, TRC Trust Agreement, TRC Guarantee and the outsourcing arrangements described in section B7, TRL does not have any material transactions with the shareholders, members of the management body or those who can exert significant influence over the business.

TRL has assessed the nature and scale of complexity of its business against its governance structure and considers its system of governance to be adequate.

B.2 Fit and proper requirements

The members of TRL's Board collectively possess appropriate qualifications, experience and knowledge about at least:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

Persons subject to assessment

TRL ensures that all PRA and FCA Senior Manager Function holders, key function holders, notified NEDs and Certification Function holders are at all times fit and proper persons. TRL does not draw a distinction between these categories when carrying out its own assessment of a person's fitness and propriety.

Timing of assessment

TRL assesses the fitness and propriety of a person when that person is being considered for any SMF, key function, notified NED or Certification Function position and on an on-going basis thereafter.

The on-going evaluation is performed at least annually and consists of, as a minimum, a performance assessment and a self-certification.

Nature of assessment

In deciding whether a person is fit and proper, TRL must be satisfied that the person has:

- the personal characteristics (including being of good repute and integrity);
- the level of competence, knowledge and experience;
- the qualifications; and
- undergone or is undergoing all training,

  required to enable that person to perform his or her function effectively and in accordance with any relevant regulatory requirements and to enable sound and prudent management of TRL.

Any breaches of the fit and proper requirements are internally reported to the Heads of Risk and HR. TRL's Head of Risk is responsible for notifying the relevant regulator(s) of the change in circumstances and any remedial action that is being undertaken by TRL.

Training and competency

TRL's training and competency ethos is designed to promote learning and development within TransRe and to ensure that TRL employs personnel with the skills, knowledge and expertise necessary for the discharge their responsibilities.

TransRe actively encourages staff to further develop and pursue professional qualifications. Development is the responsibility of each staff member.

In addition to the above, all staff who possess professional qualifications are expected to maintain Continuing Professional Development ("CPD") points in line with their relevant professional body requirements.

B.3 Risk management system including the ORSA

TRL's ERM framework has been developed to enable the Board and senior management to understand and appropriately manage and mitigate the risks associated with TRL's objectives over the short, medium and longer term in a manner that is commensurate with TRL's risk profile and business arrangements.

The ERM framework seeks to engender a culture of no significant surprises, ensure adequate tools are available to manage the most important risks to TRL, improve decision-making and to support the achievement of TRL's business objectives. In summary, the purpose of TRL's ERM framework is to:

- actively sponsor and foster a risk aware culture across TRL, supporting staff in making risk management based judgements, encouraging effective management of exposures within TRL's stated risk appetite;
- ensure a clear, coherent risk strategy that includes policies, standards, risk appetites and clarity of ownership for risks;
- ensure risk is factored into key business decisions;
- ensure risk taking activities are consistent with TransRe's broader risk management vision and appetites;
- ensure that the 'three lines of defence' model operates effectively;
- implement risk strategies and policies that align with TransRe's and TRL's strategic and operational objectives;
- ensure risks and emerging risks are identified, understood and assessed on a forward-looking basis to allow management to take proactive steps; and
- sustain a robust Own Risk and Solvency Assessment ("ORSA") process that informs management's view of risk and capital.

TRL's ERM framework is supported by a comprehensive suite of management information and comprehensive set of risk policies and guidelines to help ensure adequate processes and procedures are in place to manage all types of risk. The framework is aligned with the regulatory requirements under the Solvency II regime as adopted by the PRA and FCA as well as market best practice.

By adopting this approach, TRL believes it is able to effectively identify, measure, monitor, manage and report risks at an individual/contract level as well as an aggregated level on an ongoing basis.

TRL senior management and risk owners identify key risks to the business, as part of a rolling risk identification and assessment programme. Risk causes and consequences, together with mitigating controls, are identified for each risk. Key risks, owners and mitigating controls are recorded in a risk register which is presented to management (and ultimately TRL's Risk & Audit Committee) on a quarterly basis for review and discussion.

The risks recorded in the register form part of TRL's ORSA process and are key inputs in the development of TRL's internal audit programme. TRL's Risk & Audit Committee receives regular reports from TRL's Head of Risk which consider key risks to TRL, aggregations and exposures across the key ERM pillars.

TRL's Risk Management function is integrated into TRL, TransRe and Alleghany through the governance reporting lines to TRL's CEO, TransRe's Chief Risk Officer ("CRO") and TRL's Risk & Audit Committee and involvement in other key decision making forums. In addition, the Risk Management function's roles and responsibilities include:

- developing, communicating and implementing systems, processes and procedures for the management and evaluation of risk accumulations and providing key risk indicator reports;
- working alongside other key control functions and ensuring existing control activities and reports are developed into the risk and control reporting framework;
- coordinating with the key control functions to ensure internal policies, controls and procedures for identifying and managing key risks are documented in sufficient detail to allow for effective compliance, testing and auditing;
- coordinating documentation of the key internal policies, procedures and controls for the management of risks identified in the risk register;
- monitoring and reporting emerging risks; and
- providing input and challenge into the development of realistic stress and reverse stress tests for TRL.

By adopting such an approach, ERM is a key consideration in the decision making process.

Own Risk and Solvency Assessment

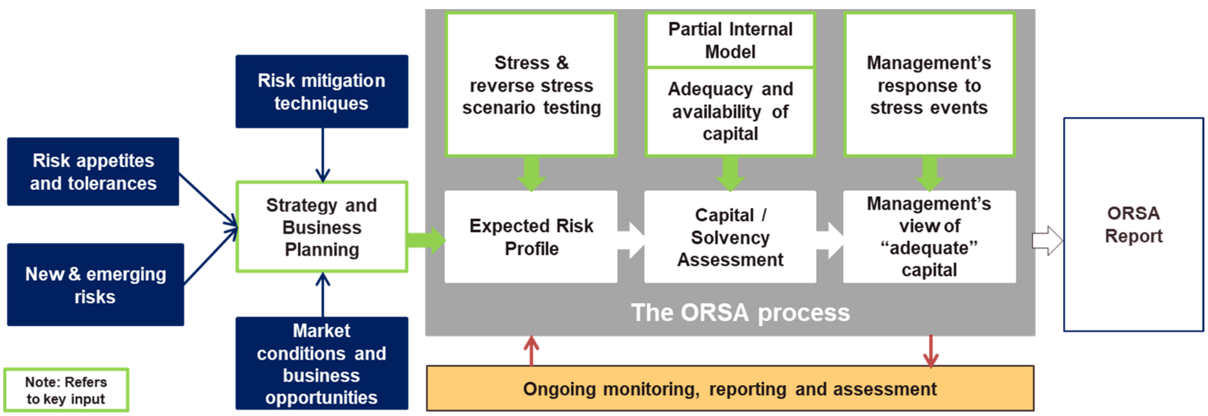
The ORSA process considers TRL's own solvency assessment against its risk profile, business objectives and capital management strategy in comparison to its regulatory solvency requirement in order to determine whether additional capital is required. The ORSA also considers the impact on TRL should it be subject to significant losses arising from both insurance and non-insurance events. Against such extreme events, the ORSA considers what actions TRL management would undertake to mitigate the impact of these events. Furthermore, as part of the ORSA process, TRL considers the amount of capital it should maintain to meet its contractual liabilities to "ultimate".

TRL produces an ORSA report on at least an annual basis. The ORSA is considered a key management tool and is linked to TRL's business planning and strategy, risks TRL is exposed to and the associated capital.

TRL senior management has identified a number of business and event triggers that would result in the ORSA being re-run at any point during the year; these triggers are tracked by the Risk Management function and reported to the Risk & Audit Committee.

The ORSA process can be diagrammatically represented as follows:

Figure 14: TRL's ORSA process



The ORSA process provides TRL with a mechanism to assess the risks it faces and to determine the necessary level of capital required to ensure TRL meets its strategic and business objectives. The ORSA is TRL's view of its exposure to underwriting and non-underwriting risks and its solvency position and its conclusions are documented in an ORSA report. The ORSA aims to assess, in a continuous and forward looking manner, the overall solvency needs of TRL, whilst being mindful of its risk profile and business environment.

TRL's Board and Senior Management provide input and review into the scenarios considered within the ORSA stress tests. In addition, TRL's Senior Management has identified a number of triggers that would result in the ORSA being re-run at any point during the year. These triggers are tracked by the Risk Management function and reported to the Risk Management Committee and the Risk & Audit Committee every quarter. In addition to the tracking of the ORSA triggers, every quarter the ORSA capital target against eligible own funds is presented to the Risk & Audit Committee; this aids senior management in monitoring TRL's capital adequacy.

TRL's Risk Management function coordinates the relevant processes with subject matter experts across the business and prepares the ORSA report for review and discussion by the Risk Management Committee, the Executive Committee, the Risk & Audit Committee and ultimately TRL's Board. Once the report is reviewed, the ORSA and the amount of capital TRL intends to maintain, based on its expected risk profile, is approved by the Board and the ORSA report is shared with the PRA.

B.4 Internal control system

Within TRL, there is a robust internal control system that includes:

- the corporate governance framework, procedures and controls;
- a financial control framework;
- independent control functions which comprise the Actuarial, Compliance and Risk Management functions; and
- independent assurance provided by the Internal Audit function.

The financial control framework is designed to ensure that:

- risks relevant to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- TRL is in compliance with group Sarbanes Oxley requirements; and
- there are sufficient and effective controls in place (both manual and automated) to mitigate these risks and to prevent or detect material misstatements in the financial statements and disclosures.

The IFRS financial statements are subject to rigorous controls in the production and review leading up to publishing. The actuarial liabilities are produced using best practice actuarial practices that are subject to independent review with the financial statements subject to internal review and external audit review. The financial statements are presented to the Board for sign-off prior to publishing.

In addition to the above, TRL's Internal Audit function, through planned and commissioned reviews of TRL's processes, provides an independent opinion on the internal control framework of TRL's business.

Compliance function

TRL's Compliance function seeks to promote an organisational culture committed to integrity, ethical conduct and compliance with the law. The function sets standards, policies and procedures that provide reasonable assurance that TRL acts in a manner consistent with its local compliance and regulatory obligations and within TransRe's overarching compliance requirements.

The Compliance function is headed up by TRL's Head of Legal and Compliance who has a direct reporting line to the CEO of TRL and TRC's Chief Compliance Officer ("CCO"). TRL's Head of Legal and Compliance also holds the role of Regional Compliance Officer ("RCO") for London. The London RCO is responsible for ensuring that TransRe's compliance mission is implemented, coordinated and enforced within TRL and reports any compliance violations or issues to the CCO.

TRL's Compliance function reports on a quarterly basis to the Risk & Audit Committee and Executive Committee, as well as to TransRe's group Compliance department. The Compliance function is responsible for reporting to senior management any breaches of, or non-compliance with its policy or any other relevant policy, rules and regulations. The Compliance function has sufficient authority to carry out its functions on its own initiative without obstruction from management and other staff members.

The Compliance function's responsibilities include:

- advising the Board on compliance with Solvency II and related law and regulation;
- providing training and guidance regarding applicable laws and regulations and TransRe's and TRL's policies and clearly communicating ethical guidance;
- assessing the possible impact of any changes in the legal and regulatory environment on the operations of TRL;
- identifying and assessing compliance risks relevant to TRL and managing the control environment that mitigates those risks;
- undertaking compliance monitoring and making recommendations to improve the effectiveness of compliance practices; and
- identifying TRL compliance training needs and working with TransRe's Corporate Compliance Department ("CCD") and HR to implement effective compliance training programmes.

B.5 Internal Audit function

The TRL Internal Audit function is led by the TransRe Director of Internal Audit, based in New York, USA. The Director of Internal Audit is registered as TRL's Senior Management Function holder for the Internal Audit function. Internal Audit is an independent function that provides objective challenge and assurance over TRL. Internal Audit supports TRL in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Those carrying out the Internal Audit function do not assume any other key functions.

The Internal Audit function is supervised globally by the TRH Audit Committee, with ultimate oversight provided by Alleghany's Audit Committee. Rolling three-year audit plans are submitted annually to the TRL Risk & Audit Committee and TRH Audit Committee for approval. Results of internal audits are distributed to TRL's senior management, the TRL Risk & Audit Committee and to TRH's Audit Committee. Outstanding internal audit actions are tracked and progress is reported at the TRL Risk & Audit Committee and the TRH Audit Committee.

In addition to reporting into the TRL Risk & Audit Committee, the Internal Audit function holds regular meetings with TRL's Head of Risk and Head of Legal and Compliance to evaluate the effectiveness and adequacy of the internal control system and other areas of governance, as well as to discuss progress against the annual internal audit plan.

TRL's internal audit coverage can be broken down into two streams. The first stream is handled by TransRe Internal Audit who cover audits of a global nature that may have a direct impact on TRL business processes, i.e. technology, group policies, etc. For the second stream, TRL utilises Mazars LLP in the UK to perform the majority of TRL specific audits. Mazars provides local resources who report to TRL's Risk & Audit Committee and TransRe's Director of Internal Audit. Utilising a third party enables TRL to benefit from subject matter experts aligned with processes reviewed in the different business units. Mazars also benchmarks processes and controls against other London insurance market participants, as appropriate.

B.6 Actuarial function

The TRL Head of Actuarial is responsible for the overall management and day-to-day leadership of the TRL Actuarial function and has a direct reporting line to the CEO of TRL and to the TransRe group Chief Actuary.

The Actuarial function is responsible for:

- coordinating the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk-management system.

The Actuarial function reports on a quarterly basis to the Reserving Committee, which is a sub-committee of the Executive Committee, and to the Board as a standing agenda item. In addition, an annual internal Actuarial Function Report is provided to the Board.

B.7 Outsourcing

Outsourcing management

There is no delegation by TRL's key function holders of their responsibility for those functions.

For each outsourcing arrangement, a TRL manager (the "Outsourcing Owner") is identified in TRL's outsourcing register. The Outsourcing Owner is responsible for identifying whether the activity to be outsourced is critical or important, carrying out pre-contract due diligence including know your counterparty ("KYC") checks and agreeing the terms of the engagement. The Outsourcing Owner is also responsible for the ongoing oversight and management of outsourcing arrangements.

TRL's Operations Key Function holder maintains the outsourcing register.

Outsourcing of critical or important operational functions

Details of outsourcing in respect of TRL's critical or important operational functions are set out in Figure 15.

Figure 15: Outsourcing of critical or important operational functions

Outsourcing	Jurisdiction
TRL staff are employed by another company in the TransRe group, TransRe London Services Limited ("TRLS"), and are provided to TRL on a secondment basis.	UK
Certain intra-group services and support services are provided by TRC.	New York, USA
TRL outsources the day-to-day activities of its Internal Audit function to Mazars, as described in section B5.	UK
TRL's day-to-day investment management activities are outsourced to BlackRock Investment Management (UK) Limited ("BlackRock"), a member of the BlackRock group. BlackRock's performance is monitored by Alleghany's and TransRe's treasury and investment management functions, both based in New York, USA with further oversight provided by TRL's CFO in the UK. BlackRock reports quarterly to TRL's Investment Committee.	UK
TRL participates in the central settlement services provided by XChanging to the London insurance market	UK

B.8 Any other information

Other than the change of CEO, there have been no material changes to TRL's system of governance in 2019, although some non-material changes have been made to reflect the second phase of implementation of the SM&CR.

In October 2019, responsibility for the financial impact of risks related to climate change was formally allocated to the Head of Risk (risk management generally), CUO (underwriting risk) and CFO (investment risk).

Covid-19

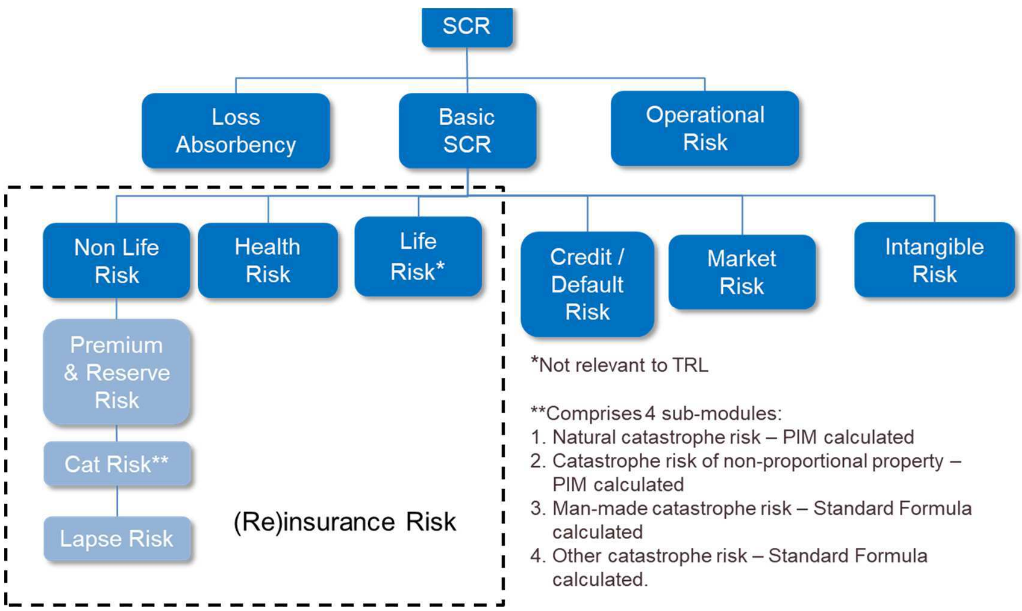
In response to the Covid-19 outbreak and Government restrictions on travel, TRL implemented its disaster recovery plan. At the date of this document, TRL staff are all working remotely – a situation that we anticipate may continue for some time. However, there has been no material impact on TRL's system of governance.

TRL does not consider there to be any other material information to disclose on its system of governance.

C. Risk profile

TRL is a wholly owned subsidiary of TRC and provides specialist non-life reinsurance. Under Solvency II, TRL's SCR is calculated using the Standard Formula for all components, with the exception of natural catastrophe risk, where TRL uses its PIM to calculate the capital requirements (see section E2 for further information). The Standard Formula is a risk based capital requirement that covers underwriting risk, market risk, credit risk and operational risk in a formulaic way and can be diagrammatically represented as follows:

Figure 16: Standard Formula risk modules



Each of the key risk categories and keys risks relevant to TRL are described in further detail below.

C.1 Reinsurance / underwriting risk

There has been no change in TRL's approach or appetite to reinsurance/underwriting risk during 2019. TRL continues to underwrite a diversified portfolio of property and casualty reinsurance across multiple regions and classes.

Key underwriting risks to which TRL is exposed include:

- Premium / underwriting risk
  - underwriting outside of appetite;
  - excess exposures in certain classes and/or territories;
  - underwriting below the technical price or without adequate risk transfer;
- Retrocession risk
  - failure to follow retrocession procedures and guidelines, or design and operation of retrocession programmes;
- Reserve risk
  - inadequate reserving due to flaws in the provisioning/reserving methodology or in the application of the methodology, inadequate Incurred But Not Reported ("IBNR") and inadequate Incurred But Not Enough Reported ("IBNER");
- Catastrophe Risk
  - excessive aggregation/catastrophe risks in a single region/location;
- Lapse risk
  - uncertainty arising from the risk of loss or adverse change in the value of insurance liabilities as a result of the discontinuance of reinsurance policies.

TRL maintains a number of risk mitigation techniques and approaches to manage the risks associated with its underwriting risk profile. Further information on the monitoring and approach is provided below.

Premium / underwriting risk management and mitigation techniques

TRL maintains a clear underwriting philosophy that is supported by risk appetites and tolerances set at the aggregate level as well as at individual class and per risk. These are in turn supported by procedures and controls in relation to pricing, rigorous risk selection criteria and the ability to underwrite a diverse range of risks across multiple classes and geographies.

TRL assesses and mitigates these risks by having in place a number of key controls and processes, including:

- ongoing monitoring and exposure management that includes assessing individual and aggregate exposures across all lines of business and in geographical territories;
- exposure monitoring and tracking against risk tolerances; and
- performing on an ongoing basis, a range of extreme events and stress tests.

TRL utilises a third party catastrophe model to model the occurrence and severity of events for windstorm, hurricane, earthquake and flood. The model uses actual exposure sets of in-force policies as a proxy for future exposures which is further enhanced by monitoring trends and claims development.

Ongoing reviews of underwriting activities, including quarterly underwriting performance reviews, pricing adequacy reviews and rate monitoring supplement the oversight framework. The adequacy of the risk mitigation techniques is considered as part of the ORSA process that is discussed further above.

TRL's main risk concentration continues to relate to natural catastrophe exposure in Northern Europe (including the UK).

Retrocession risk management

TRL benefits from a comprehensive retrocession programme that provides protection for TransRe globally as well as TRL specifically. Risks associated with retrocession are managed and mitigated by ensuring that all retrocession placements are subject to approval and comply with TransRe's group-wide retrocession procedures (which include minimum credit quality and counterparty limits approved by the Alleghany Reinsurance Security Committee) and delegated retrocession purchasing authorities.

TRL benefits from protection provided by two special purpose vehicles ("SPV"):

- a series of fully collateralised reinsurance sidecars (referred to as Pangaea); and
- two collateralised catastrophe bonds, referred to as "Bowline Re" 2018 ($250m) and Bowline Re 2019 ($250m). Both bonds provide the TransRe group with protection for predominantly US and Canadian natural catastrophe risks.

These arrangements are overseen by TransRe Capital Partners and focus on protecting TransRe and TRL from excessive natural catastrophe losses. Liabilities are fully collateralised (when not using rated paper) with assets that meet, as a minimum, the aggregate limit of the SPVs' obligations, with their liabilities measured in a manner consistent with the Solvency II Directive.

Reserve risk management

Reserve risk is managed by TRL's Actuarial function with oversight provided by TRL's Reserving Committee and ultimately TRL's Board. Key controls to manage this risk include:

- a comprehensive annual reserve study;
- quarterly reserve reviews;
- reserving risk Management Information that include major activity reports, high cost claim alerts, major loss memos and retrocession transaction alerts; and
- independent validation of reserves.

Risk sensitivity for underwriting risks

TRL undertakes detailed stress and scenario testing on a quarterly basis with the results presented at the Risk & Audit Committee and as part of its ORSA process.

As part of the ORSA process, the current and projected solvency position over the business planning period are calculated following adverse stresses at different return periods for the material underwriting risks (each risk's stress is considered individually) in addition to multiple losses arising from non-correlating events (for example, market risks and underwriting risks, or a series of underwriting events). Consideration is also given to a material deterioration in TRL's reserves, including adverse development in claims ratios and IBNR. The results of this analysis showed that in 2019, the most material impact on the SCR continues to arise from a natural catastrophe event affecting the UK and Europe. The analysis undertaken indicates TRL remains strongly capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach the SCR. TRL's underwriting risk profile is therefore resilient to severe shocks and events and is within the Board approved risk appetite. Sensitivity analysis is provided in further detail in section C7.

Processes for monitoring the effectiveness of risk mitigation techniques

As a subsidiary of a globally active reinsurance company, TRL benefits from a robust risk management framework enabling effective oversight of TRL's risk profile via various governance committees (throughout TRL, TransRe and Alleghany), the ORSA process, TRL's risk register and the stress and scenario testing TRL performs.

In relation to Reserve Risk, TRL's actuarial function conducts quarterly reserve reviews of TRL's portfolio to determine appropriate reserve levels and expected IBNR adequacy. TRL's reserves are also subject to review by TransRe's group actuarial function, based in New York, USA. Finally, as part of the annual statutory audit, TRL's reserves are subject to independent review.

C.2 Market risk

Market risk is the risk of loss or adverse change in TRL's financial situation resulting from changes in the value of its assets and its financial obligations caused by the volatility of market prices of assets and liabilities including financial instruments. Market risk arises from movements in interest rates, foreign exchange exposure (currency risk), equity investments and changes in valuation processes (spread risk).

There has been no change in TRL's market risk appetite during 2019.

For TRL, market risk comprises the following key components:

Figure 17: Standard Formula market risk sub-modules

The Investment Committee reviews, at least annually, TRL's investment strategy which is based on four key principles, to:

1. preserve capital;
2. increase surplus;
3. maintain liquidity; and
4. optimise after tax total return on investments, subject to 1 to 3 above.

TRL's investment strategy forms the basis for the mandate given to TRL's investment managers (BlackRock). BlackRock manages TRL's fixed income investment portfolio in line with the agreed investment mandate provided to it. The mandate includes limits on certain classes and types of investments, restriction on investments in certain industries, sector and geographical limits and a prohibited list of companies which would result in excessive concentration of underwriting and investment risk. The execution of TRL's investment strategy is subject to ongoing monitoring and scrutiny by the Investment Committee.

During 2018, TRL invested in two ETFs which represent approximately 4.8% of the total investment portfolio at 31 December 2019 (2018: 4%). These were purchased taking into account the liquidity requirements of TRL along with the nature and timing of insurance liabilities. While the purchase of ETFs introduces some additional volatility to the investment portfolio, this remains within the TRL Board approved investment appetite and strategy.

During 2019, there were no material changes to TRL's market risk profile. TRL continues to have a material risk concentration to the US Government which is managed through ongoing review and monitoring by the TRL Investment Committee and TRL's investment managers.

TRL is exposed to the following key market risks:

Interest rate risk

Movements in interest rates affect the amount and timing of cash flows for TRL and the fair value of fixed income securities. As interest rates rise, the fair value of fixed income portfolios declines and conversely, as interest rates decline, their fair value rises. To minimise this risk, TRL adheres to investment policy guidelines developed by TRL's Investment Committee in line with TRL's strategy and TransRe's overall objectives. These guidelines direct TRL to invest in high-quality issuers and, in particular, the strategy is to position its fixed income securities based on its view of future interest rates and the yield curve, balanced with liquidity requirements and the duration of TRL's technical liabilities.

Spread risk

This risk relates to the potential financial loss TRL may suffer due to a change in the spread that a fixed interest security trades at, relative to a comparable government bond. At 31 December 2019, 54% of TRL's fixed income portfolio was rated AAA with only 12% rated below A grade. All fixed interest securities were at least investment grade, with the lowest being BBB.

Equity Risk

The potential financial loss arising from the reduction in the value of the investment portfolio due to changes in prices of equities, mutual funds and equity-linked capital market instruments. The Company's exposure to equity risk is limited to its holdings in underlying securities within the equity ETF which makes up approximately 2.4% of the investment portfolio.

Foreign currency risk

Assets backing the equity and liabilities of TRL are typically maintained in currencies matching the currencies of its technical provisions, other liabilities and share capital (denominated in US dollars) thereby mitigating the potential impact of foreign exchange and interest rate risk on TRL's solvency position.

Market risk management and mitigation techniques

TRL maintains a number of risk mitigation techniques and approaches to manage market risk. Key techniques and controls in place include:

- investment risk and underwriting risk accumulation reporting, including issuer accumulations;
- mandates and guidelines provided to external investment managers, which include:
  - regulatory compliance;
  - duration;
  - benchmark portfolio;
  - credit quality;
  - sector limitations;
  - issuer limitations; and
  - currency;

- Investment Committee mandate and oversight;
- stress testing; and
- market risk/value at risk analyses, including extreme market and currency stress tests (+/-300bps movement).

As at the end of December 2019, TRL's investment portfolio was split across the following asset classes:

Figure 18a: Asset breakdown as at 31 December 2019

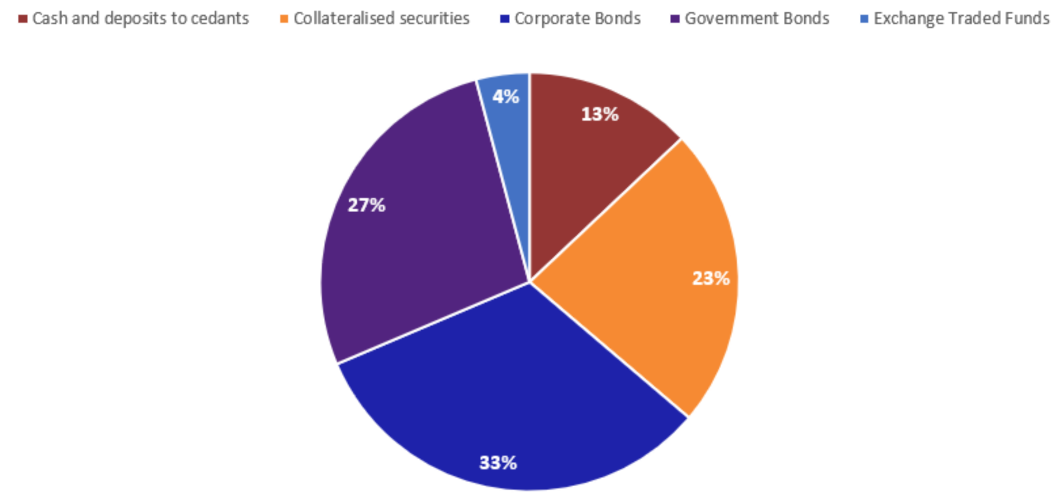
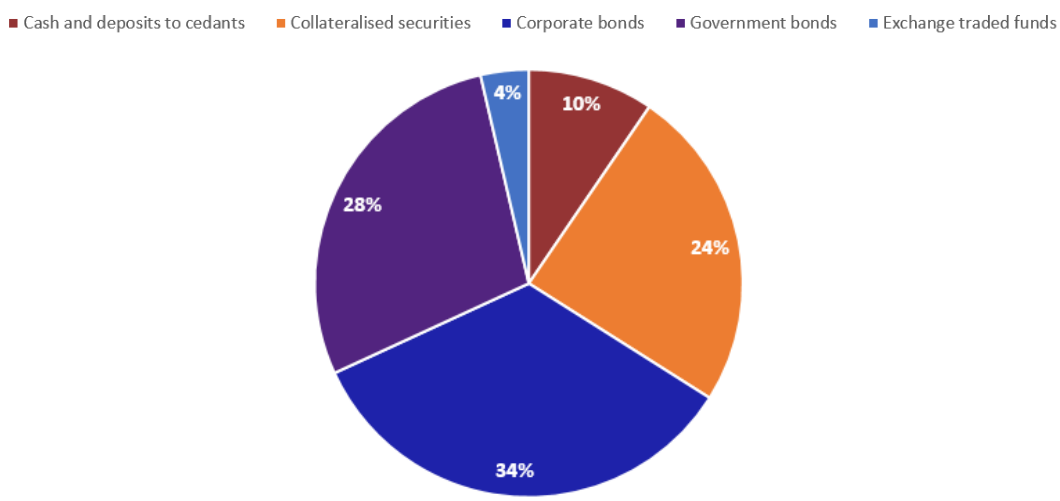


Figure 18b: Asset breakdown 31 December 2018



The credit quality of TRL's investment portfolio is split as follows:

Figure 19a: Credit quality of portfolio (excluding current account cash) – as at 31 December 2019

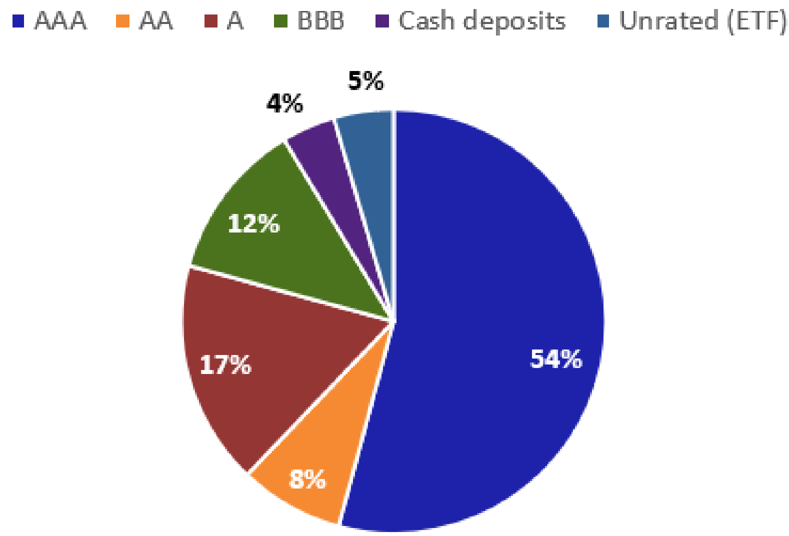
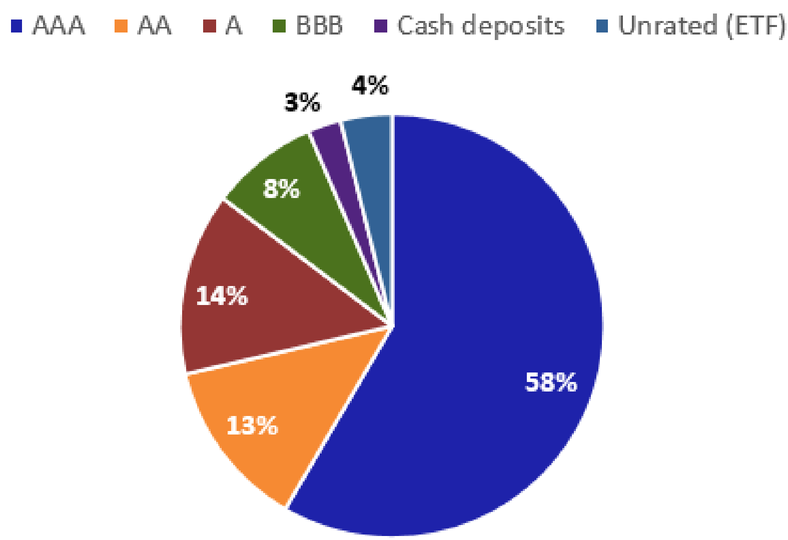


Figure 19b: Credit quality of portfolio (excluding current account cash) – as at 31 December 2018



Risk sensitivity for market risks

TRL performs stress and scenario testing as part of its approach to managing market risk. Results are presented at the TRL Investment Committee and considered as part of the ORSA process.

For the 2019 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse stresses, including a 300bps change in interest rates in both directions and a prolonged economic downturn, in which more severe low interest rate environment scenarios were considered.

Under all of these scenarios, the analysis indicated that TRL was strongly capitalised and was able to withstand these extreme shocks without breaching its SCR. Sensitivity analysis is provided in further detail in section C7.

Prudent person principle

When making investment decisions, TRL considers the risks associated with the investments, including the potential impacts of any economic shock, their liquidity and their treatment under the Solvency II rules.

TRL's investment principles underpin its investment strategy. The strategy is ultimately approved by the Board and is reviewed on an ongoing basis by the Investment Committee and TRL's CFO. Assets covering the technical provisions must be invested in assets that meet the criteria set out in the investment mandate and must be appropriate to the nature and duration of TRL's reinsurance liabilities. TRL does not permit investment in any asset category that is not included in its investment mandate. TRL does not hold any derivatives.

All assets, in particular those covering the MCR and the SCR, are invested in liquid and highly rated assets that aim to ensure the security, quality, liquidity and profitability of the portfolio as a whole. All assets are held in TRL designated portfolios which ensures their availability to TRL only.

Processes for monitoring the effectiveness of risk mitigation techniques

TRL benefits from ongoing oversight of its investment portfolio by the TRL Investment Committee and by TransRe's Treasury function, supplemented by oversight provided by TRL's CFO. Furthermore, the extreme stress tests incorporated into the ORSA process, TRL's risk register and the quarterly stress and scenario testing TRL performs supplement these controls.

TRL's investment managers are provided with an investment mandate and are subject to quarterly compliance attestations confirming they have operated in accordance with the mandate.

Assets are managed in such a way as to limit excessive reliance on any particular asset, issuer or group of undertakings, or geographical area that would represent an excessive accumulation of risk to the portfolio as a whole.

C.3 Counterparty default (credit risk)

Credit risk is assumed whenever TRL is exposed to a loss if another party fails to perform its financial obligations to TRL, including the failure to perform them in a timely manner. This includes default by brokers, retrocessionaires, customers and investment counterparties. Included within this category is the management of the credit risk associated with the TRC Quota Share described in section B1.

There has been no change in TRL's credit risk appetite or approach during 2019.

Brokers / intermediaries / retrocessionaires

Similar to other insurance and reinsurance companies, TRL has a concentration risk with brokers and intermediaries, as they represent a major conduit of business to TRL. All brokers, intermediaries and retrocessionaires are subject to ongoing review by a range of fora, including the Counterparty & Retrocession Risk Committee and Risk Management Committee.

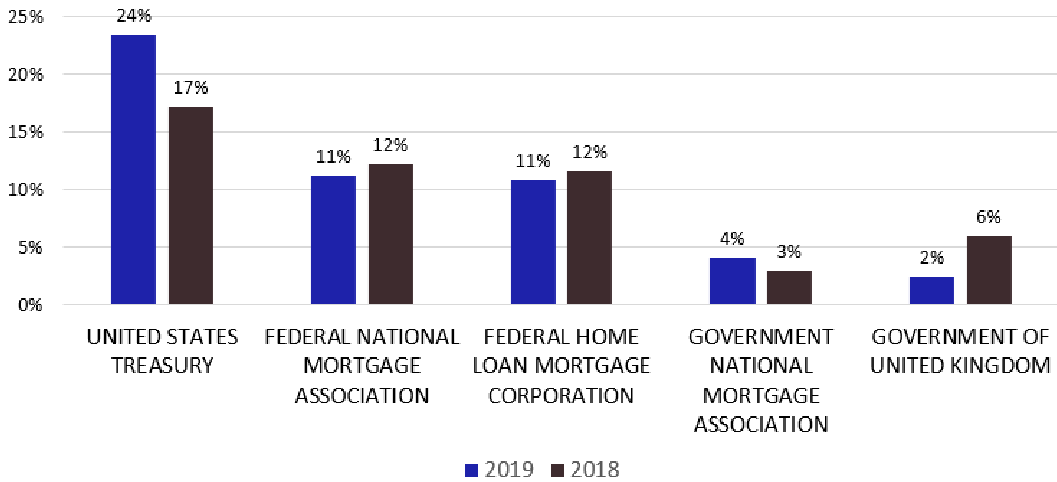
Prior to transacting with brokers, cedants or ceded reinsurers for the first time, a KYC check is carried out.

Retrocessionaires must go through a credit and security assessment which is overseen by Alleghany's Reinsurance Security Committee and TransRe's Global Risk Management function ("GRM") based in New York and monitored by TRL's Counterparty & Retrocession Risk Committee. Once approved, they are placed on TransRe's approved Security List. All prospective markets and proposed programme limits are reviewed against the Security List prior to placement and in some cases require specific GRM approval prior to placement. The Security List designates separate short-tail and long-tail programme limits for each retrocessionaire.

Investment counterparties

TRL maintains a diversified, highly rated investment portfolio in its three functional currencies: USD, GBP and EUR, with its main investment exposure being to the US Government including US Treasury and US federal mortgage backed securities.

Figure 20: Top five portfolio issuer exposures as at 31 December



TRL's credit risk management strategies outline the credit rating requirements for its investments. Adherence helps to ensure investments are selected in a way that enables the effective management of the risk of counterparty default to an acceptable level in line with TRL and TransRe approved risk appetite and tolerances. The credit management strategy also takes into account the exposure to credit spreads.

To aid the monitoring of compliance with the credit rating requirements of TRL's credit risk management strategy and to minimise the risk of counterparty failure arising from external parties, TRL has established key risk indicators which are consistent with its investment strategy and investment risk appetite and tolerances. These indicators take into account, but do not rely solely on, the financial security rating and credit rating assigned by external rating agencies.

TRL uses external credit assessments primarily to review the credit quality of assets in its investment portfolios and of its retrocessionaires.

TRL and TransRe do not rely solely on one rating agency and give consideration to a range of views provided by rating agencies as well as their own market knowledge and intelligence provided by professional investment managers.

The TRC Quota Share

The TRC Quota Share is TRL's largest credit risk. To mitigate the risk, TRC's obligations are fully collateralised under the TRC Trust Agreement with assets maintained in the three functional currencies as outlined above. All assets must meet certain criteria which include credit quality, type, issuer and concentration limits.

Cash held at banks

As part of TRL's commitment to paying claims in a timely manner, TRL maintains cash deposits at JPMorgan Chase Bank. Bank balances vary throughout the year and are based on cashflow forecasting and expected claims payment patterns.

Key controls

Key controls to mitigate credit risk include:

- Counterparty & Retrocession Risk Committee oversight;
- investment risk and underwriting risk accumulation reporting;
- approved retrocessionaire lists;
- quota share collateral ongoing monitoring and reporting; and
- mandates and guidelines provided to external investment managers, which include:
  - regulatory compliance;
  - duration;
  - benchmark portfolio;
  - credit quality;
  - sector limitations; and
  - issuer limitations.

Risk sensitivity for credit risks

The sensitivity of the solvency ratio to credit defaults or rating downgrades of TRL's counterparties has been considered as part of the risk management system (which includes the credit risk associated with TRL's Quota Share agreement with its parent, TRC). The analysis demonstrated that TRL is resilient to a range of events including severe counterparty rating downgrades or failure of TRC to meets its obligations under the collateralised quota share arrangement. Sensitivity analysis is provided in further detail in section C7.

Prudent person principle applied to credit risks

Counterparties are selected taking into account their credit rating and reputation and, where appropriate, advice from professional investment managers. Credit ratings are used as a way of identifying and managing counterparty credit risk and TRL ensures only counterparties with sufficiently high credit ratings are used. TRL does not rely on a single rating agency; instead, it uses a number of agencies combined with its own analysis. TRL seeks to avoid excessive counterparty exposures.

Retrocessionaires are selected from a group wide approved retrocessionaires list, with all other retrocessionaires not on the list subject to individual review and approval by either Global Risk Management or the Alleghany Reinsurance Security Committee.

Processes for monitoring the effectiveness of risk mitigation techniques

TRL is able to leverage its membership of a globally active reinsurance group to continually monitor and assess the effectiveness of its controls. TRL's Counterparty & Retrocession Risk Committee and the Risk Management Committee review the risks and effectiveness of controls on a regular basis as well as TRL's overall risk profile. Information is provided to key fora to enable the monitoring of reinsurance recoverables and excessive counterparty exposures to be tracked and action taken to enhance existing processes where appropriate.

Furthermore, TRL benefits from the additional oversight provided by both the TransRe Counterparty & Credit Risk Committee and Alleghany's Reinsurance Security Committee, which approves counterparties and monitors the credit quality of the retrocessionaires on TransRe's Security List.

In addition, reports showing counterparty exposures (both investment and retrocession) are provided to TRL's Investment and Risk & Audit Committee for oversight and review.

C.4 Liquidity risk

Liquidity risk would arise if TRL did not have sufficient financial resources available to enable it to meet its obligations as they fall due or could secure them only at excessive cost. There has been no change in TRL's liquidity risk appetite or approach during 2019 and TRL continues to have limited liquidity risk.

TRL and manages and incorporates the aspects of liquidity risk management, such as stress testing and liquidity risk buffers in its liquidity risk management framework.

As at 31 December 2019, TRL continued to maintain assets in high quality liquid investments held in functional currencies matching TRL's liabilities and claim duration profile. Key controls to mitigate this risk include:

- quarterly asset/liability assessment;
- quarterly case reserving exercise;
- Investment Committee and Board monitoring;
- quarterly balance sheet review; and
- half-yearly profitability reviews.

Prudent person principle as applied to liquidity risks

Assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of TRL's (re)insurance liabilities. TRL manages its liquidity risk by maintaining a diversified liquid investment portfolio.

Risk sensitivity for liquidity risk

TRL has carried out stress and scenario testing as part of its approach to managing liquidity risk. Results have been reviewed by TRL's Investment Committee. TRL does not consider liquidity to be a material risk. Sensitivity analysis is provided in further detail in section C7.

Process for monitoring the effectiveness of risk mitigation techniques

TRL has established a liquidity risk framework which includes the establishment of a liquidity risk appetite. Adherence to the appetite is reviewed every quarter with TRL reviewing its ability to meet its short and medium term financial commitments in a timely manner in both normal and stressed conditions.

Expected profit included in future premiums ("EPIFP")

EPIPF was $114,242k as at 31 December 2019, gross of reinsurance recoverables (2018: $111,193k).

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is diverse in nature and permeates all business activities but remains a distinct form of risk in its own right. Operational risk within TRL is divided into the following key risk areas:

- regulatory and legal – the risk of legal or regulatory sanctions or loss caused by a failure to comply with applicable laws, regulations, internal policy and standards of best practice;
- financial crime, including internal and external fraud – the risk that the firm might be used as a vehicle for financial crime;
- cyber threats / data breaches and data privacy – the risks associated with unauthorised access to TRL's systems caused by internal and external security breaches;
- financial & accounting – the risks associated with financial reporting and integrity of financial information;
- people – the risk that people do not follow TRL's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage TRL;
- business continuity management – the risk associated with the failure to appropriately manage unforeseen events;
- processing failures, including IT system failures – the risks associated with IT systems;
- model risk – the risk that the output from models used by TRL is incorrect or flawed due to errors in the design or operation or management's failure to understand the models' limitations;
- outsourcing – failures relating to the outsourcing of key activities; and

- external events and other changes – failure to react to changes in the external business environment.

TRL does not have any material concentrations to operational risk.

Each quarter, TRL's Directors and senior managers identify the key risks, causes and consequences together with relevant mitigating controls, within their ownership and span of control. The results of the assessment are recorded in TRL's risk register and reviewed by the Risk Management Committee and Risk & Audit Committee.

TRL maintains an Operational Risk policy that sets out TRL's approach to mitigating operational risks.

Key controls

Key mitigating controls include:

- Risk & Audit Committee and Risk Management Committee oversight of key operational risk metrics;
- policies and procedures, the group's code of conduct, penetration and attack testing, business continuity plans and succession planning;
- service level agreements;
- purchase of insurances; and
- underwriting audits performed by the Business Management Department.

Risk sensitivities for operational risk

On an ongoing basis, TRL carries out stress and scenario testing as part of its approach to managing operational risk. Results are presented to the Risk & Audit Committee and considered as part of the ORSA process.

Within TRL's ORSA, the current and projected solvency position over the business planning period were re-calculated following a range of adverse operational risk stresses. Under all modelled scenarios, the analysis indicated that TRL was strongly capitalised and was able to withstand these stresses without breaching its SCR. Sensitivity analysis is provided in further detail in section C7.

Process for monitoring the effectiveness of risk mitigation techniques

TRL and TransRe have established an operational risk framework that monitors and records:

- key risks facing TRL, including mitigating controls and their effectiveness;
- operational risk events and losses;
- the environment in which TRL operates; and
- emerging risks and the mitigating steps taken to monitor and address them.

The framework is supported by a range of policies and procedures and a strong corporate culture that encourages early notification of operational events or losses. This enables the business to learn from operational events or near losses and to continually enhance its framework.

C.6 Other material risks

Brexit: Risks related to Brexit are summarised in section A5.

Franchise/reputation risk: TRL recognises that its long-term success depends on its relationship with clients, brokers, rating agencies, regulators and capital providers and on the strength of the TransRe brand. Consequently, TRL and TransRe will not accept risks, both underwriting and non-underwriting, that may materially impair or impact the reputation of TRL or TransRe.

Group risk: As a wholly owned subsidiary of a large international group, there is a risk TRL could be adversely affected by the actions of another company within the group. Should such an event arise TRL is able to rely on its own unencumbered capital.

Emerging risks: On an ongoing basis, TransRe and TRL undertake horizon scanning with a view to identifying new and emerging risks. Annually, TransRe holds a Global Emerging Risk Forum in New York with senior level executives and employees from across the world attending. Where new and emerging risks are identified, these are tracked and reported on at key fora. This helps to ensure TRL is able to react quickly should the environment in which it operates in change. Climate Change is considered within the emerging risk process; please see section A5 for further details.

C.7 Any other information

Covid-19

Underwriting Risk: As stated in section A, TRL will have modest direct exposure to our underwriting portfolio through our A&H, contingency and credit portfolios, as well as more indirect exposure from our casualty and property portfolios. It is too early to assess the impact of Covid-19 on TRL's underwriting portfolio as new events and losses arise daily throughout the world and governments take steps to manage the virus; however, through the application of risk limits and aggregate monitoring, TRL is well placed to absorb any losses arising from Covid-19.

Market, Counterparty & Liquidity Risk: Given TRL's high quality investment portfolio with limited exposure to equities, TRL has been largely shielded from the worst effects of recent global stock market large-scale declines. Management continues to monitor the impact of the volatile investment markets and will take proactive steps to ensure TRL's investment portfolio remains resilient to volatility.

Operational Risk: TransRe and TRL maintain comprehensive and well tested contingency plans in place which allow us to run the business effectively during times of operational stress. TRL has followed the UK Government's directive to ask employers to minimise their staff's travel; consequently, all TRL staff are working remotely and we anticipate that this will continue for some time. During this time, regular meetings are held between TRL's senior management team and with TransRe's senior executive team to ensure business processes continue to operate effectively.

All TRL staff have access to TransRe's and TRL's IT infrastructure remotely. Essential business interactions with staff, clients and brokers continue digitally and all business-critical processes are reviewed regularly to ensure deadlines can be met. Although there will be some operational inconvenience, TRL remains well positioned to support its key stakeholders including its staff, clients and brokers during this stressed time.

Risk Sensitivity

TRL's SCR coverage ratio as at 31 December 2019 is 172%. The below table shows the absolute change in the coverage ratio under several hypothetical scenarios.

Figure 21: SCR coverage ratio sensitivity analysis

Scenario	% change to coverage ratio
Exchange rates: +10%	-1%
Exchange rates: -10%	1%
Interest rates: +1%	-5%
Interest rates: -1%	4%
Credit spreads: +1%	-5%
Credit spreads: -1%	5%
Catastrophe loss: $100m net of all reinsurance	-44%

TRL does not consider there to be any other material information to disclose on its risk profile.

D. Valuation for solvency purposes

TRL's Solvency II assets and liabilities are presented on an economic basis consistent with the "fair value" accounting concept. TRL prepares its statutory financial statements in accordance with IFRS as adopted for use in the European Union and follows relevant parts of the UK's Companies Act 2006 applicable to companies reporting under IFRS. TRL exercises judgement in selecting each of its accounting policies. UK Company law and IFRS require management to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Full details of the basis of preparation of TRL's financial statements, critical accounting estimates and judgements and key accounting policies are set out in Notes 1 & 2 of the 2019 TRL Financial Statements.

TRL's IFRS valuation is used where consistent with Solvency II's economic basis. Assets and liabilities measured at cost or amortised cost in TRL's financial statements have been revalued to economic value. Solvency II also requires specific valuation approaches for some assets and liabilities; these have been followed.

The following sections describe the approach used by TRL for valuing its assets and liabilities, setting out whether the valuation bases used for Solvency II are either the same as or different to IFRS. There were no changes made to the recognition and valuation bases or to estimations during the reporting period.

D.1 Assets

The material classes of assets shown on TRL's Solvency II Balance Sheet, their Solvency II values and corresponding values shown in TRL's financial statements (all in USD) are summarised in the table below.

Figure 22: Summary assets as at 31 December 2019

$'000s	Solvency II	Financial statement assets	Difference
Deferred acquisition costs	0	69,181	(69,181)
Deferred tax assets	6,451	7,845	(1,394)
Investments (including accrued interest)			
Government bonds	244,374	243,203	1,171
Corporate bonds	290,019	287,830	2,189
Collateralised securities	208,358	207,759	599
Exchange traded funds	36,916	36,916	0
Interest receivable	0	3,957	(3,957)
Reinsurance recoverables			
Non-life excluding health	487,187	703,434	(216,247)
Health similar to non-life	2,524	5,761	(3,237)
Deposits to cedants	22,563	22,563	0
Total receivables			
Insurance and intermediaries receivables	87,904	276,205	(188,301)
Reinsurance receivables	47,697	59,059	(11,362)
Receivables (trade, not insurance)	5,607	5,607	0
Cash and cash equivalents	93,571	93,571	0
Total assets	**1,533,171**	**2,022,891**	**(489,720)**

The following sections provide further details on the specific valuation policies that TRL has applied to produce its Solvency II balance sheet, explaining the differences between these and the financial statement values set out within the table above.

Deferred acquisition costs ("DAC")

Under IFRS, the proportion of acquisition costs incurred that corresponds to the proportion of gross premiums written which are unearned at the balance sheet date is classified as DAC. Under Solvency II, acquisition costs are recognised on a cash flow basis within the reporting period, with any future cash flows for acquisition costs recognised in technical provisions.

Deferred tax

Deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) are determined by reference to the difference between the Solvency II balance sheet and the values ascribed for tax purposes.

A positive value is only ascribed to deferred tax assets where it is probable that future taxable profits will lead to the realisation of that deferred tax asset. This assessment takes into account time limits that apply to the carry forward of unused tax losses or credits.

Deferred tax balances are recognised and valued in relation to all assets and liabilities that are recognised for solvency or tax purposes. Deferred tax balances are not discounted.

Deferred tax is recognised and valued on a basis consistent with its treatment under IFRS. For example, under IFRS:

- all temporary differences between the assets and liabilities in the statement of financial position and their tax base are included within the calculation; and
- deferred tax assets or liabilities are accounted for using the balance sheet liability method and assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely.

However, for Solvency II purposes, the recognition and valuation of deferred tax assets or liabilities is carried out by reference to the Solvency II balance sheet rather than the accounting basis. The resulting amount of deferred tax differs as a result of changes in recognition and valuation of other balance sheet items.

The Company has made a s953(d) election under the US Tax Code whereby it is treated as a US company for US tax purposes and subject to Federal Income Tax at 21%. The deferred tax asset per the financial statements consists of tax on temporary differences and unused foreign tax credits. There are no unused tax losses to report. Temporary differences are recognised with respect to appropriate substantively enacted tax rates in the US (21%) and UK (19% reducing to 17% from 1 April 2020). On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020.

The adjustments in the table below reflect the differences between the financial statements and Solvency II in the excess of assets over liabilities between the two valuation methods and have been calculated to unwind at an expected tax rate of 19%.

Figure 23: Deferred tax calculation as at 31 December 2019

	$'000
Deferred tax asset/liability per financial statements	**7,845**
Adjustment needed (all timing differences are expected to unwind at a tax rate of 19%)	
Deferred acquisition costs	3,071
Change in technical provisions (incl. removal of unearned premium reserve)	(4,069)
Risk margin	6,251
Payable (trade, not insurance)	(6,647)
Total Solvency II deferred tax asset	**6,451**

Financial instruments

Recognition and derecognition of investments

For a background to TRL's approach to the recognition and derecognition of investments, see pages 30-34 of the 2019 TRL Financial Statements.

Fair value of investments

TRL defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants as at the measurement date. All TRL's investment assets recorded at fair value under IFRS and Solvency II are measured and classified in a hierarchy for disclosure purposes. TRL applies the IFRS 13 fair value hierarchy as described below for all financial assets and liabilities, which is broadly consistent with the one defined in the Solvency II Regulations. This hierarchy consists of three levels based on the observability of inputs available in the marketplace and is used to classify the fair values as discussed below:

- Level 1: Fair value measurements that are quoted prices in active markets that the Company has the ability to access for identical assets. Market price data is generally obtained from exchange or dealer markets. 4.8% of TRL's investment assets were classified as Level 1 as at 31 December 2019 (4% 2018).
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. 95.2% of TRL's investment assets were classified as Level 2 as at 31 December 2019 (96.0% 2018).
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. None of TRL's investment assets were classified as Level 3 as at 31 December 2018 or 2019. Further information on alternative valuation methods is included in section D4.

TRL's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, TRL considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the investment's level in the fair value hierarchy is determined by the lowest level input of significance to the measurement of its fair value. TRL determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment

For a background to TRL's approach to impairment see pages 33-34 of the 2019 TRL Financial Statements.

Valuation differences between the Solvency II and IFRS balance sheets

TRL considers its policy on the fair value of investments, as described above, to be consistent with the hierarchy of valuation methods required for Solvency II for both assets and liabilities within the balance sheet. All investments in TRL's investment portfolio as at 31 December 2019 and 2018 are carried at fair value. Accordingly, the investment valuation bases between TRL's Solvency II and IFRS balance sheets are the same.

Fair value sources and use of pricing vendors

TRL uses New England Asset Management (NEAM) to provide pricing and fair value of its investments.

Although TRL outsources the portfolio valuation function to its pricing vendor and investment manager, TRL is responsible for ensuring that the valuation methods and assumptions they employ provide reliable fair values.

Reinsurance recoverables

For the differences in the valuation methodology between IFRS and Solvency II see section D2.

(Re)insurance and intermediary receivables and payables

Insurance and reinsurance receivables and payables are recognised on a Solvency II basis once notified as due for payment. These include amounts due to and from insurers, retrocessionaires, agents and brokers. Receivables and payables are recognised at the amount expected to be received or paid when due. Due to the short-term nature of TRL's (re)insurance receivables and payables, amounts are not discounted on either an IFRS or Solvency II basis.

The presentation of (re)insurance receivables and payables on the Solvency II balance sheet differs from TRL's statutory financial statements, since (re)insurance receivables and payables for financial reporting purposes include estimated premiums and claims, which are included in technical provisions in the Solvency II balance sheet as they are not yet due.

Other receivables (trade not insurance)

The valuation and presentation of TRL's other receivables and payables in the Solvency II balance sheet, is consistent with the treatment for TRL's external financial reporting. TRL's other receivables are considered to be short term and therefore do not need to be discounted.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and on demand deposits with banks, together with short-term highly liquid investments that are readily convertible into known amounts of cash and that are not subject to a significant risk of a change in value. Such investments are classified as cash equivalents where their maturity at acquisition is less than three months. Cash balances held in accounts with investment fund managers and custodians are treated as cash equivalents.

Foreign currency transactions and balances

TRL presents its financial statements and Solvency II reporting in US dollars, which is TRL's functional currency. TRL applies a consistent policy for translating transactions and balances in currencies other than the relevant currency of presentation between its financial statements and Solvency II reporting.

For further background to TRL's approach to foreign currency transactions and balances see page 26 of the 2019 Financial Statements.

Translation to functional currency

For a background to TRL's approach to translation to functional currency see page 26 of the 2019 Financial Statements.

Leasing arrangements

TRL had no operating or financial leasing arrangements during 2019.

D.2 Technical provisions

TRL holds technical provisions to represent the current amount it would have to pay for an immediate transfer of its obligations to another insurer. The technical provisions are comprised of two key elements:

- Best estimate liabilities ("BEL") are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates. These include all of the relevant cash inflows and outflows to meet the requirements of the policies TRL is obligated to at the valuation date.
- The risk margin represents an allowance for the cost of capital necessary to support the policies TRL is obligated to at the valuation date over their lifetime. It is calculated by taking 6% of future

capital requirements attributable to the policies and discounting back to the relevant balance sheet date using risk free discount rates.

TRL calculates its technical provisions using the sum of the best estimate liability ("BEL") and risk margin, therefore:

Technical Provisions = Best Estimate Liability + Risk Margin

Segmentation into lines of business

BELs are segmented into twelve lines of business for non-life insurance obligations (with additional segmentation for non-proportional reinsurance accepted) and three lines of business for health insurance obligations pursued on a similar basis to non-life insurance (with additional segmentation for non-proportional reinsurance accepted). As at the reporting date, TRL had one outstanding claim for which a portion of the settlement had been awarded as a periodic payment order. The corresponding obligations in respect of this award are not material, and hence TRL has classified the obligations as non-life business, rather than unbundling the periodic payment orders as "annuities stemming from non-life insurance contracts".

Lines of business for financial reporting purposes under IFRS are mapped to Solvency II lines of business according to "sub-department" classification in TRL's accounting system. The mapping is subject to allocations for certain sub-departments, which include private and commercial motor and multi-class lines of business. With the exception of these allocations, the sub-departments and Solvency II lines of business are in one-to-one correspondence.

Figure 24: Technical provisions by Solvency II line of business as at 31 December 2019

Solvency II line of business ($'000s)	Gross Best Estimate	Recoverables	Net	Risk Margin	Net TPs
Marine, aviation and transport insurance	184,697	104,928	79,769	7,609	87,378
Motor vehicle liability insurance	153,922	87,788	66,134	6,308	72,442
Fire and other damage to property insurance	124,915	72,362	52,553	5,013	57,566
Non-proportional property reinsurance	87,306	54,548	32,758	3,125	35,883
Non-proportional marine, aviation and transport reinsurance	84,050	54,830	29,220	2,787	32,007
Credit and suretyship insurance	57,543	33,207	24,336	2,321	26,657
Non-proportional casualty reinsurance	56,764	32,741	24,023	2,292	26,315
General liability insurance	49,389	28,789	20,600	1,965	22,565
Other motor insurance	27,163	15,489	11,674	1,114	12,788
Legal expenses insurance	4,120	2,505	1,615	154	1,769
Income protection insurance	3,058	1,822	1,236	118	1,354
Non-proportional health reinsurance	1,682	702	980	94	1,074
Total	**834,609**	**489,711**	**344,898**	**32,900**	**377,798**

Technical provisions bases, methodologies and key assumptions

Basis

TRL uses the IFRS financial reporting framework as the starting basis for determining the Solvency II technical provisions.

The following sections outline the key methodologies and assumptions in determining the technical provisions. Where relevant, adjustments to the IFRS basis to move to the Solvency II basis are highlighted.

Figure 25: IFRS to Solvency II reconciliation as at 31 December 2019

Solvency II line of business ($'000s)	Assumed	Ceded	Net
IFRS Technical Provisions	**1,144,653**	**709,194**	**435,459**
Less deferred acquisition costs	(69,181)	(53,017)	(16,164)
Add contingent acquisition costs	(12,703)	(7,689)	(5,014)
Reserving margins	(58,847)	(13,909)	(44,938)
Future premiums & acquisition costs	(169,902)	(105,995)	(63,907)
Future other expenses	54,989	-	54,989
Legally obliged unincepted business	(16,522)	(14,995)	(1,527)
Discounting	(37,878)	(23,663)	(14,215)
Counterparty default	-	(215)	215
Solvency II Best Estimate	**834,609**	**489,711**	**344,898**
Risk margin	32,900	-	32,900
Solvency II Technical Provisions	**867,509**	**489,711**	**377,798**

Figure 26: IFRS to SII reconciliation of gross technical provisions for top 5 Solvency II lines of business as at 31 December 2019

Solvency II Line of Business Gross ($'000s)	Marine, Aviation, Transport (Prop)	Motor Vehicle Liability (Prop)	Fire and Property (Prop)	Property (Non-prop)	Marine, Aviation, Transport (Non-prop)	Other	Total
IFRS technical provisions	258,948	205,206	180,077	111,017	100,531	288,874	1,144,653
Deferred acquisition costs	(16,594)	(12,433)	(17,287)	(328)	(113)	(22,426)	(69,181)
Contingent commission costs	(75)	(16,738)	5,242	442	541	(2,115)	(12,703)
Reserving margins	(9,729)	396	(16,242)	(6,354)	(3,035)	(23,883)	(58,847)
Future premiums & acquisition costs	(56,431)	(30,264)	(28,210)	(5,705)	(9,671)	(39,621)	(169,902)
Future other expenses	16,317	8,170	10,743	2,557	2,351	14,851	54,989
Legally obliged unincepted business	1,806	3,006	(2,676)	(10,815)	(2,250)	(5,593)	(16,522)
Discounting	(9,545)	(3,421)	(6,732)	(3,508)	(4,304)	(10,368)	(37,878)
Counterparty default	0	0	0	0	0	0	0
Solvency II best estimate	**184,697**	**153,922**	**124,915**	**87,306**	**84,050**	**199,719**	**834,609**
Risk margin	7,609	6,308	5,013	3,125	2,787	8,058	32,900
Solvency II technical provisions	**192,306**	**160,230**	**129,928**	**90,431**	**86,837**	**207,777**	**867,509**

Included within "other" are Credit and Suretyship which has gross IFRS technical provisions of $94.1m and a SII best estimate of $57.5m; and non-proportional Casualty which has gross IFRS technical provisions of $62.2m and a SII best estimate of $56.8m.

Figure 27: IFRS to SII reconciliation of net technical provisions for top 5 Solvency II lines of business as at 31 December 2019

Solvency II Line of Business Net ($'000s)	Marine, Aviation, Transport (Prop)	Motor Vehicle Liability (Prop)	Fire and Property (Prop)	Property (Non-prop)	Marine, Aviation, Transport (Non-prop)	Other	Total
IFRS technical provisions	104,471	83,426	72,519	30,801	28,094	116,148	435,459
Deferred acquisition costs	(3,994)	(2,142)	(4,608)	(72)	(53)	(5,295)	(16,164)
Contingent commission costs	(30)	(6,695)	2,099	246	217	(851)	(5,014)
Reserving margins	(9,668)	(3,315)	(11,918)	(2,018)	(1,340)	(16,679)	(44,938)
Future premiums & acquisition costs	(23,552)	(12,089)	(11,779)	338	(868)	(15,957)	(63,907)
Future other expenses	16,317	8,170	10,743	2,557	2,351	14,851	54,989
Legally obliged unincepted business	(10)	169	(1,879)	1,987	1,856	(3,651)	(1,528)
Discounting	(3,806)	(1,420)	(2,658)	(1,106)	(1,061)	(4,165)	(14,216)
Counterparty default	41	30	34	25	24	63	217
Solvency II best estimate	**79,769**	**66,134**	**52,553**	**32,758**	**29,220**	**84,464**	**344,898**
Risk margin	7,609	6,308	5,013	3,125	2,787	8,058	32,900
Solvency II technical provisions	**87,378**	**72,442**	**57,566**	**35,883**	**32,007**	**92,522**	**377,798**

BEL calculation method

The BEL is calculated as the sum of the following two components:

Claims provision

TRL holds a claims provision that relates to claims events that are already incurred, regardless of whether these claims have been reported or not. The provision includes all cash flows associated with future benefits, expenses and premiums related to the claim events. TRL considers the expected incidence and cost of future claims, including infrequent, high severity claims and latent claims. The best estimate claims provision is calculated as:

- the best estimate of outstanding losses, and any expenses in loss adjustment (Loss Adjustment Expenses, "LAE");
- plus the best estimate of incurred-but-not-reported claims ("IBNR") based on earned premiums;
- plus the best estimate of unpaid non-contingent acquisition costs that have been incurred;
- plus the best estimate of unpaid contingent commission on earned premiums;
- plus the best estimate of unpaid other expenses that have been incurred;
- less the best estimate of unpaid premiums that have been earned.

Further information on the calculation of these items is discussed in the following sections.

Premiums provision

TRL holds a premium provision for events which may happen in the future that fall within the contract boundary. The provision includes all cash flows associated with all future premiums, claims and expenses related to these events. TRL considers the expected incidence and cost of future claims, including infrequent, high severity claims and latent claims. The best estimate premium provision is calculated as:

- the best estimate of IBNR claims based on unearned premiums;
- plus the best estimate of unpaid non-contingent acquisition costs that have not been incurred;
- plus the best estimate of unpaid contingent acquisition costs based on unearned premiums;
- plus the best estimate of unpaid other expenses based on unearned premiums;
- less the best estimate of unpaid premiums that have not been earned.

Further information on the calculation of these items is discussed in the following sections.

Methodologies for loss reserves and IBNR

The methods employed to estimate loss reserves include the following:

Paid loss development, incurred loss development methods

In the loss development methods, paid and incurred losses are projected to the time period by which the liabilities are extinguished (known as the 'ultimate' time period) by applying appropriate development factors to the inception-to-date paid and incurred losses to date.

Paid Bornhuetter-Ferguson ("BF") and incurred BF methods

In the Bornhuetter Ferguson methods, estimates of unpaid and unreported losses based on earned premiums (on an ultimate basis) are calculated by multiplying earned or ultimate premiums for each contract by an expected loss ratio ("ELR") and an estimated percentage of unpaid or unreported losses. The percentages of unpaid or unreported losses are derived from the loss development factors described below.

In establishing reserves for IBNR losses, three key actuarial judgements are used to project losses:

- Loss development factors ("LDF") – these are used to arrive at the ultimate amount of losses incurred for each underwriting year based on reported loss information. These factors, which are calculated initially based on historical loss development patterns (i.e. the emergence of reported losses over time relative to the ultimate losses to be paid), may then be adjusted for current trends.
- Loss trend factors ("LTF") – these typically focus on any underlying trends which may progress through the projection into the future, such as provisions for inflation, including social inflation (awards by judges and juries which increase progressively in size at a rate exceeding that of general inflation) and trends in court interpretations of coverage.
- Expected loss ratios ("ELR") – for the latest underwriting years these generally reflect the ELRs from prior underwriting years adjusted for LTFs, as well as the impact of changes in rating strength and other quantifiable factors.

These methods yield an indication of the ultimate losses for each underwriting year. The IBNR reserve is then determined by subtracting the reported losses from the indicated ultimate losses.

Estimates of reserves for IBNR claims take into account a number of assumptions with respect to factors that will affect ultimate losses. The techniques TRL uses (described above) are employed to estimate ultimate losses, including the delay between the claim being reported to the insurer, and the insurer reporting the claim to TRL. Expert judgement is employed to select the most appropriate method, particularly when the delays previously identified within the data fluctuate between claims.

During the loss settlement period, additional facts regarding individual claims and trends will emerge. As these facts and trends emerge, it usually becomes necessary to refine and adjust the loss reserves upward or downward; and even then the ultimate net liability calculated by TRL may be materially different from the original estimates. There is potential for significant variation in the development of loss reserves when actual costs differ from those costs implied by the use of the assumptions employed in the process of setting reserves.

Methodologies for expired and unexpired periods of coverage

With respect to expired periods of coverage, IBNR amounts calculated under IFRS are intended to reflect undiscounted best estimates of unpaid and unreported obligations, without margins for prudence.

With respect to unexpired periods of coverage, the valuation of technical provisions under Solvency II includes future cash flows with respect to premiums, losses (including claims management costs) and acquisition costs. Consequently, differences arise between the valuation of technical provisions in the IFRS financial statements of TRL and the corresponding valuation of technical provisions for Solvency II.

The estimation of unpaid and unreported losses arising from unexpired periods of coverage is based on the same principles underlying the corresponding calculations for expired periods of coverage. TRL estimates ultimate losses for each contract by multiplying:

- ultimate premiums calculated for each contract, by
- the expected loss ratio; and
- an estimated percentage of unpaid or unreported losses.

The percentages of unpaid or unreported losses are derived from loss development factors and the indicated IBNR reserve is then determined by subtracting the reported losses from the indicated ultimate losses.

Future premiums & acquisition costs

Under IFRS, unpaid premiums and acquisition costs are shown separately on the balance sheet at the accounting date as insurance and reinsurance receivables and payables.

Under Solvency II, the cash flows in respect of future claims are reduced by the amount of expected future premium cash inflows and increased by the amount of expected future acquisition costs cash outflows.

Future other expenses

Under IFRS, unpaid other income or expenses are shown separately on the balance sheet at the accounting date as other receivables or payables as appropriate.

Under Solvency II, technical provisions are increased by the amount of expected future cash outflows in respect of other expenses. TRL estimates the reserves for other expenses, as:

- other acquisition costs;
- claims management costs;
- general administration costs;
- overhead costs; and
- investment management costs.

Undiscounted best estimates of unpaid other expenses are then allocated by contract and Solvency II line of business and discounted back to the valuation date using risk free rates.

The starting point for the calculation of the future other expense cash flows is historical data for the payment of other expenses by calendar period. TRL calculates paid claims management costs and investment management costs, expressed as percentages of paid and incurred losses, and paid other acquisition costs, general administration costs and overhead costs, expressed as percentages of linear combinations of paid and written premiums. Best estimates of unreported claims management costs and investment management costs are then calculated by multiplying the relevant percentages by linear combinations of outstanding and IBNR losses. Best estimates of unreported other acquisition costs, general administration costs and overhead costs are calculated by multiplying the relevant percentages by linear combinations of accrued and unreported premiums.

Legally obliged unincepted business

At any given time, TRL may have contracts that have been written but have not yet incepted (i.e. the cover has not yet commenced). For example, a contract that was bound on 28 December 2019 which incepts on 1 January 2020 would be included within legally obliged unincepted business at 31 December 2019.

Under IFRS, the valuation of insurance reserves does not include legally obliged unincepted contracts.

Under Solvency II, cashflows arising from these contracts are included within the premium provision. The calculations of technical provisions relating to legally obliged unincepted business use the same principles as the calculations for existing business; estimates of ultimate losses for each contract are obtained by multiplying ultimate premiums by an expected loss ratio for the forthcoming underwriting year. Expected loss ratios for forthcoming underwriting years are generally calculated based on the expected loss ratios from prior underwriting years, with adjustments to allow for loss trend factors and other quantifiable factors.

Events not in data

TRL accounts for events not in data ("ENID") using a scenario approach, based on the business profile and data available.

TRL and the London branch of TRC have more than 24 years of credible claims experience, which is used to derive assumptions. This historical claims experience contains many significant natural and man-made catastrophe losses.

Natural and man-made catastrophe scenarios, with associated severities and return periods, are established using expert judgement through discussions with underwriters and the catastrophe modelling team.

These scenarios, along with the historic data, are used in the selection of actuarial assumptions underlying the calculation of technical provisions for both solvency purposes and for the valuation in financial statements. As a result, ENID are implicitly included in underlying reserving patterns.

The specific ENID claim and premium provisions are split out using calculated factors for each line of business.

Discounting

Technical provisions are not discounted under IFRS.

Under Solvency II, TRL calculates best estimates separately for obligations in different currencies using the relevant risk-free term structures of interest rates prescribed by EIOPA. The set of currencies for which spot discount curves are provided by EIOPA form a subset of the complete table of currencies defined in the accounting system of TRL. Where, for a given currency, spot discount curves are not provided by EIOPA, the spot discount curve for US dollars is used by default or, if deemed material to the calculation of fair values, the relevant term structure determined according to the methodology specified in the Solvency II technical specifications.

The allocation of unpaid cash flows to different currencies with respect to premiums, losses, acquisition costs and other expenses is estimated for each contract based on corresponding historical allocations of inception-to-date cash flows and accruals, and other relevant information.

Development factors of paid premiums, losses and acquisition costs are used to separate expected future cash flows into incremental amounts in future calendar periods. Incremental expected cash flows are then discounted at the risk-free discount rate applicable for the relevant maturity at the accounting date. Discounting estimates of unpaid other expenses for the time value of money is based on development patterns of paid premiums for other acquisition costs, general administration costs and overheads; and paid losses for claims management costs and investment management costs.

Counterparty default

TRL does not adjust the technical provisions calculated under IFRS for potential counterparty default.

Under Solvency II, the calculations of ceded technical provisions are adjusted to reflect the potential for default events, which are defined to occur whenever counterparties fail to meet all of their obligations in full, whether arising from insolvency or dispute. The adjustment, which is given by the expected present value of the change in cash flows underlying the amounts recoverable, is calculated by multiplying:

Probability of default *x* *Loss given default*

These are defined as follows:

- Probability of default — cash flows are adjusted to reflect the likelihood of default at different time periods, considering that cumulatively, counterparties are more likely to default as time moves on. The distribution of the time of default is assumed to have an exponential distribution, calibrated according to credit quality and the corresponding probability of default over one year. The derivation of credit quality is based on official credit ratings corresponding to those attributed by a commercial rating agency such as A.M. Best, S&P, Moody's and Fitch, where such credit ratings are available. Where more than one official credit rating is available for a counterparty, the second-highest credit quality step is used.
- Loss given default — this is the estimated impact of the default. Unless reliable estimates of these losses are available, the adjustment is calculated using an assumed loss of 50%. With the exception of the TRC Quota Share, which is secured by the TRC Trust Agreement, TRL does not adjust the amounts recoverable to allow for deposits or collaterisation arrangements. The loss given default for the TRC Quota Share is reduced by the ratio of the current value of the collateral and the current outstanding and IBNR claims allocated to the TRC Quota Share.

Risk margin

The risk margin is calculated as the present value of future SCRs, multiplied by the prescribed rate for the cost of capital of 6% per annum, as determined by Solvency II regulation.

The following risks from the SCR are projected into the future:

- insurance risk (both reserve and premium risk) with respect to obligated business, whether incepted or not;
- counterparty default risk;
- operational risk; and
- unhedgeable or unavoidable market risk.

The cost of capital at each time period is discounted back to the valuation date using the risk free rate.

Reinsurance arrangements within the technical provisions

Under Solvency II, TRL reflects the value of reinsurance agreements where risk is ceded to a third party (which includes consideration of the counterparty default calculations above) within the technical provisions. This allows TRL to denote a technical provision figure net of reinsurance.

Existing reinsurance

TRL employs both proportional and non-proportional retrocession.

With respect to proportional retrocession, outwards premiums and recoveries are calculated and included on the basis of correspondence, i.e. future premiums are included only to the extent that any associated liabilities are also included in the technical provisions. If a contractual liability does not exist, then the associated future premium cash flows are not taken into account within the valuation of technical provisions under Solvency II.

With respect to existing non-proportional retrocession, the calculation of recoverables is based on the principle of correspondence, but future premiums are subject to contractual minimums.

Future reinsurance purchases

To the extent that TRL has a history of renewing outwards non-proportional retrocession, the purchase of future outwards retrocession is assumed in the assessment of technical provisions under Solvency II. In particular, expected cash flows arising from future retrocession that will cover existing inwards contracts, but have not yet been purchased at the valuation date, are included in the valuation of the best estimate according to the principle of correspondence.

Uncertainty within the technical provisions

TRL writes a variety of coverages whose major risk factors materially impact the variability of TRL's loss reserves. In particular, TRL's portfolio has exposure to long-tail casualty lines of reinsurance business including some high excess layers of coverage in volatile long-tail classes such as professional indemnity and directors and officers.

At the primary insurance level (i.e. the insurer as opposed to reinsurer level), there are significant risk factors which contribute to the variability and unpredictability of loss cost trends and loss emergence patterns. As a reinsurer, TRL faces additional risk factors arising from its dependence upon the claims reserving and reporting practices of its cedants, which vary greatly by size, specialisation, degree of sophistication, and country of operation, and are subject to change without notice.

It is also inherently more difficult for reinsurers to quantify unpaid liabilities under long-tail coverages because it takes longer for credible loss experience to emerge compared to the initial writer of the risks. Similarly, the loss experience under non-proportional coverages can take relatively longer to emerge. TRL's portfolio includes exposure to high excess liability layers and casualty lines of business, for which loss cost trends are especially difficult to assess. In addition, a reinsurer's loss experience may vary due to a concentration of small risks occurring close together, which can impact several layers of coverage across different lines of business and across different cedants.

The variability in the loss cost trends, the difficulty inherent in estimating developing losses and infrequent but high impact events, and the correlation across reinsurance coverages and cedants all contribute to the risk of material uncertainty and deviation in TRL's loss reserves.

TRL continually assesses the reserve adequacy of IBNR in light of the following factors:

- current levels of reserves for reported claims and expectations with respect to reporting lags;
- catastrophe events;
- historical data;
- legal developments; and
- economic conditions, including the effects of inflation.

The actuarial methodologies employed to calculate loss and IBNR development incorporate the inherent lag from the time claims occur to when they are reported to an insurer and to when the insurer reports the claims to their reinsurers. Certain actuarial methodologies may be more appropriate than others in instances where this lag may not be consistent from period to period. Consequently, additional actuarial judgement is employed in the selection of methodologies to best incorporate that potential impact. Information gathered through underwriting and claims audits is also considered.

The estimation of TRL's loss reserves is made more difficult and subjective in view of changing legal and economic environments that impact the development of claims. Such factors, both internal and external, which contribute to the variability and unpredictability of loss costs, include:

- trends relating to jury awards;
- social trends;
- medical inflation;
- worldwide economic conditions;
- tort reforms;
- court interpretations of coverages;
- the regulatory environment;
- underlying policy pricing;
- terms and conditions; and
- claims handling.

Consequently, quantitative techniques are frequently supplemented by subjective considerations and expert judgement. In addition, TRL is mindful that trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future. Owing to the inherent uncertainties in the process of establishing these liabilities, the actual ultimate loss from a claim is likely to differ, perhaps materially, from the liability initially recorded.

The uncertainty inherent in estimating IBNR relating to unexpired periods of coverage is exacerbated by the application of the same underlying valuation techniques to the calculation of technical provisions in respect of unexpired periods of coverage, including obligations arising from legally obliged unincepted business.

With respect to unexpired periods of coverage, TRL's loss reserves include exposure to extreme or exceptional events, both natural and man-made. Unexpired periods of coverage relating to property and casualty reinsurance contracts of TRL cover unpredictable events, including exposures to natural catastrophes such as:

- hurricanes;
- windstorms;
- tornadoes;
- earthquakes;
- floods; and
- other natural disasters;

and man-made catastrophes such as:

- fires;
- industrial explosions;
- marine and aviation accidents
- riots; and
- other man-made disasters, including those that may result from terrorist activity.

Management expects that the loss experience of TRL will include infrequent events of great severity from time to time and the occurrence of losses from such events will cause substantial volatility in the financial results of TRL.

The frequency and severity of catastrophe losses are inherently unpredictable. Insured losses arising out of a single occurrence have the potential to impact a wide range of lines of business.

The severity of catastrophe losses is subject to a high level of uncertainty arising out of extremely complex causation and coverage issues, which can include:

- attribution of losses to different perils;
- potential legal and regulatory developments related to losses; and
- inflation in repair costs owing to the limited availability of labour and materials after the occurrence of catastrophic events.

With respect to discounting for the time value of money, the difficulty inherent in estimating the currency and timing of future cash flows, including tail factors for long-tail classes of business, contribute to the risk of adverse deviation in the technical provisions of TRL.

Sensitivity analysis for technical provisions

The following table considers sensitivities on the key assumptions underlying the technical provisions and shows the percentage change in gross technical provisions for each of these sensitivities.

Figure 28: Technical provision sensitivities as at 31 December 2019

	Exchange Rates		Interest Rates		Reserving Assumptions*	
Key assumptions	10%	-10%	1%	-1%	5%	-5%
Technical provisions	6%	-6%	-4%	3%	18%	-13%

* This sensitivity includes a +/-5% change to the ELR assumptions along with an adjustment of +/- 5% to the tail of the loss development.

Exclusions from technical provisions

There are a number of transitional measures of the Solvency II regime that firms can apply for:

Matching adjustment

TRL does not use the matching adjustment within the calculation of technical provisions.

Volatility adjustment

The volatility adjustment to risk free rates is not used by TRL in the calculation of technical provisions.

Transitional measures to Technical Provisions (TMTP)

TRL does not apply any transitional arrangements to the Solvency II balance sheet.

Transitional risk-free interest rate-term structure

TRL does not apply the transitional risk-free interest rate term structure in the calculation of technical provisions.

Changes in assumptions since prior period

There have been no material changes to relevant assumptions since the prior period.

D.3 Other liabilities

The material classes of other liabilities shown on TRL's Solvency II balance sheet, their Solvency II values and corresponding values shown in the 2019 financial statements are summarised in the table below.

Figure 29: Other liabilities – IFRS & Solvency II reconciliation as at 31 December 2019

($'000s)	Solvency II	Financial statement liabilities	Difference
Insurance and intermediary payables	24,955	24,379	576
Reinsurance payables	58,664	189,754	(131,090)
Payables (trade, not insurance)	1,170	36,155	(34,985)
Deferred acquisition costs	0	53,016	(53,016)
Total other liabilities	**84,789**	**303,304**	**(218,515)**
Technical provisions	867,509	1,144,653	(277,144)
Total liabilities	**952,298**	**1,447,957**	**(495,659)**

The main valuation differences between Solvency II and financial statement balances presented in figure 29 are as follows:

- IFRS reinsurance payables include technical accruals, which for Solvency II are subsumed within technical provisions;
- IFRS trade payables include accrued "other expenses" but for Solvency II, accrued "other expenses" are subsumed within technical provisions; and,
- technical provisions differences arise due to the differing treatments of technical accruals and accrued other expenses referred to above.

TRL has no financial or operating lease arrangements.

The following sections provide further details on the specific valuation policies that TRL has applied to produce its Solvency II balance sheet.

(Re)insurance and intermediaries payable

Please see section D1 (Re)insurance and intermediaries receivable.

Payables (trade not insurance)

Please see section D1 Other receivables (trade not insurance). The reduction in payables under Solvency II relates to accrued insurance related expenses not yet due, which have been moved to technical provisions (see Figure 24).

Provisions

At 31 December 2019, TRL held no provisions in its Financial Statements or on its Solvency II balance sheet.

Contingent liabilities

TRL does not consider any contingent liabilities exist as at 31 December 2019.

Employee benefits

TRL does not consider any employee benefit liabilities exist as at 31 December 2019.

Aggregation of liabilities

TRL does not aggregate liabilities into material classes other than those reported in the balance sheet QRT (S.02.01.02).

D.4 Alternative methods for valuation

TRL did not hold any investments classified as level 3 under IFRS 13 in the current or prior year.

Further information on alternative methods used for the valuation of assets is included in D.1 under “Fair value of investments”. There are no alternative valuation techniques applied for any of those material classes of other liabilities described in D.3.

D.5 Any other information

TRL does not consider there to be any other material information to disclose on its valuation for solvency purposes.

E. Capital management

E.1 Own funds

TRL's own funds comprise mostly ordinary paid-up share capital which is classified as Tier 1 own funds.

In addition, TRL recognises a reconciliation reserve of $70,991k (2018: $22,952k) which is classified as Tier 1 own funds and a deferred tax asset which is classified as Tier 3 own funds. Tier 3 Net Deferred Tax Assets are not eligible to cover the MCR. None of the other limits are exceeded. As at 31 December 2019, the available own funds of TRL were as follows:

Figure 30: Eligible own funds by tier

Tier	Instruments	At 31 December ($'000s)	
		2019	2018
Tier 1	Ordinary share capital Reconciliation reserve	500,000 70,991	500,000 22,952
Tier 2	Not applicable	-	-
Total own funds to cover MCR		**570,991**	**522,952**
Tier 3	Net deferred tax asset	6,451	2,712
Total own funds to cover SCR		**577,442**	**525,664**

As at 31 December 2019, TRL had no ancillary own funds.

The reconciliation reserve of $70,991k is calculated below and is dependent on the level of excess assets over liabilities, the values of Ordinary Share Capital, Deferred Tax Assets and Restricted Own Fund Items. The reconciliation reserve is not considered to be significantly volatile; however, the potential for volatility does exist and is discussed in the sensitivity analyses provided in sections C7 and D2 of this report. Within the reconciliation reserve there was a change in the excess of assets over liabilities of $52.3m, owing primarily to the balance of net investment income, net realised and unrealised gains on investments, and deferred tax. There were no other material changes in the reconciliation reserve over the reporting period.

Figure 31: Reconciliation Reserve

Reconciliation Reserve	At 31 December ($'000s)	
	2019	2018
Excess of assets over liabilities	**580,873**	**528,612**
Less:		
Ordinary share capital	(500,000)	(500,000)
Deferred tax asset	(6,451)	(2,712)
Restricted Own Fund items	(3,431)	(2,948)
Reconciliation reserve	**70,991**	**22,952**

Note that adjustments for Restricted Own Fund items relates to ring-fenced funds.

Every quarter TRL reviews its own funds against the MCR and SCR requirements. The review is undertaken by the Risk Management function and is presented to the Risk Management Committee and Risk & Audit Committee as part of the ongoing review process. Included in the analysis is a forward- looking review that takes into consideration TRL's three-year planning horizon. There have been no material changes to own funds during the year.

The overall objective of TRL, in relation to own funds, is to maintain a suitable buffer of Tier 1 capital above the SCR ensuring the levels of own funds within TRL are within its risk appetite.

As part of TRL's ORSA process (see section B) a number of stress tests are undertaken to determine the impact on TRL's own funds and whether they would deteriorate below the required Tier 1 buffer.

TRL has a range of actions at its disposal, which are designed to mitigate the impact of any extreme or unusual scenarios causing its capital position to deteriorate. These include:

- the ability to call on additional capital under a Capital Maintenance Agreement with its parent company TRC;
- revisions to the TRL business plan, such as changes to the composition of business; and
- the purchase of additional retrocession.

As set out in TRL's Articles of Association, the Directors have the ability to cancel any dividend or other distribution at any time before actual payment if they consider that payment of the dividend or other distribution would cause TRL to fail to meet any applicable capital or solvency requirement, including its SCR.

Below is an explanation of material differences between the net assets in TRL's 2019 Financial Statements and the excess of assets over liabilities as calculated for solvency purposes:

Figure 32: IFRS to Solvency II Reconciliation as at 31 December 2019

	($'000s)	Description
IFRS net assets	**574,933**	
Change in:		
Net deferred acquisition costs	(16,165)	Adjustment from IFRS insurance reserves to Solvency II TPs
(Re)insurance receivables	(199,661)	Estimated premium and contingent commission reserve not yet due moved to TPs
(Re)insurance recoverables	(219,483)	Adjustment from reinsurer's share of IFRS insurance reserves to Solvency II TPs
(Re)insurance payables	130,514	Estimated premium and contingent commission reserve not yet due moved to TPs
Other payables	34,985	Accrued insurance related expenses not yet due moved to TPs
Technical provisions	310,043	Adjustment from IFRS insurance reserves to Solvency II TPs
Risk margin	(32,900)	Inclusion of Solvency II risk margin
Deferred tax asset	(1,393)	Pre-tax change in net assets x 19% deferred tax rate
Solvency II excess of assets over liabilities	**580,873**	

The principal differences between IFRS and Solvency II own funds are due to differences in technical provisions, including the removal of DAC and the inclusion of the risk margin. The differences in (re)insurance payables and receivables and other payables are due to the removal of estimated premium, accruals and/or contingent commission reserves, which are contained within the Solvency II technical provisions.

Please see section D1 for further information on the valuation of assets under Solvency II, section D2 for a reconciliation between the IFRS and Solvency II technical provisions and section D3 for other liabilities.

The reduction to own funds (via the reconciliation reserve) is made for any restricted own fund items within a ring-fenced fund, as shown in Figure 31. TRL has deposits to cedants (comprising funds withheld and formal trusts), a portion of which represents ring-fenced funds. Given their immateriality, TRL estimates the surplus assets in such deposits, and deducts them from eligible own funds as an adjustment to own funds for ring-fenced funds.

TRL has not applied to use any transitional measures for the calculation of own funds. Grandfathering is not required because all own funds items meet the Solvency II classification criteria.

TRL does not voluntarily disclose any other solvency ratios other than those reported on the own funds QRT (S.23.01).

E.2 SCR and MCR

TRL uses the Solvency II Standard Formula ("SF"), a partial internal model for certain sub-modules and a capital add on ("CAOn") described below to calculate its SCR.

Figure 33: Solvency II capital requirements as at 31 December

	2019 ($'000s)	2018 ($'000s)
Eligible Own Funds to cover SCR	577,442	525,664
Eligible Own Funds to cover MCR	570,991	522,952
Minimum Capital Requirement	84,163	81,161
Basic Solvency Capital Requirement	296,612	285,837
Operational risk	25,038	23,807
Capital add-on	15,000	15,000
Solvency Capital Requirement	**336,650**	**324,644**
Market risk	57,048	59,141
Counterparty default risk	28,367	29,164
Health underwriting risk	16,922	16,558
Non-life underwriting risk	259,496	246,946
less Diversification	(65,221)	(65,973)
Basic Solvency Capital Requirement:	**296,612**	**285,837**
Non-life catastrophe risk	139,975	135,470
Non-life premium & reserve risk	182,551	171,789
Non-life lapse risk	40,549	38,507
less diversification	(103,579)	(98,820)
Non-life underwriting risk:	**259,496**	**246,946**

TRL's SCR increased by $12.0m during 2019, owing primarily to the increase in net insurance reserves, and hence the corresponding charge for reserve risk.

TRL does not use any undertaking specific parameters in the calculation of the SCR.

Simplifications have been used only where specified in the Solvency II Delegated Acts. The simplifications used by TRL are listed below:

- Article 107: simplified calculation of the risk mitigating effect for reinsurance arrangements or securitisation;
- Article 111: simplified calculation of the risk mitigating effect; and
- Article 112: simplified calculation of the risk adjusted value of collateral to take into account the economic effect of the collateral.

These simplifications relate to the counterparty default risk module.

No other simplifications are used by TRL in the calculation of the SCR.

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment.

Partial Internal Model & Capital Add-on

Effective 31 December 2018, the PRA approved TRL's application for a PIM, which replaces the following two sub-modules of the SF:

- natural catastrophe risk; and
- catastrophe risk of non-proportional property reinsurance.

During 2019, TRL developed an enhancement to the PIM to include man-made catastrophe risk and other catastrophe risk. The application for approval of the enhancements to the PIM was filed in December 2019. Until the enhancements to the PIM are approved, TRL is required to maintain a CAOn of $15.0 million.

All data used in the PIM is reviewed at least annually and updated appropriately to ensure it is fit for use. TRL integrates the results of its PIM with the SF using method 4 as described in the delegated acts.

TRL's SCR is the sum of the SF including the PIM and the CAOn.

Calculation of the MCR

In order to calculate the MCR, TRL uses the net written premiums on a Solvency II basis split by Solvency II line of business. Written premiums are defined in Article 1(11) of Delegated Regulation (EU) 2015/35 as the premiums due to be received by the undertaking during the period under consideration regardless of whether such premiums relate in whole or in part to insurance or reinsurance cover provided in a different time period.

The inputs applied to the calculation of the MCR are made up of the technical provisions (excluding the risk margin) and net written premiums over the last year (for line of business), together with the prescribed minimum (or "absolute floor") and the most recently calculated SCR.

TRL's linear MCR falls below the SCR corridor of between 25% and 45% of the SCR. Accordingly TRL's MCR has been adjusted upwards to equal 25% of its SCR, as required by Solvency II.

There have been no changes to TRL's business or operations, which would have resulted in a material change to the MCR or SCR calculation.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

TRL does not use the duration-based equity risk sub-module to calculate the SCR.

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

TRL uses a PIM to calculate the SCR for natural catastrophe risk and the catastrophe risk of non-proportional reinsurance property as shown in section C.

In order to calculate the Solvency Capital Requirement using the PIM, TRL utilises a third party Catastrophe Model to model the frequency and severity of events for windstorm, earthquake and flood allowing for the dependencies between regions and perils. The third party Catastrophe Modelling software uses exposure data which is input by TRL. TRL usually receives exposure data from third party sources for the purposes of modelling cedant exposures. This data arrives in a variety of formats, quality and completeness. Exposure data attempts to capture risk information for a portfolio which ranges from primary and secondary characteristics to policy terms and inuring reinsurance. All data used in the PIM is reviewed at least annually and updated if needed to ensure it is fit for use.

TRL's PIM compares to the SF which calculates the SCR for natural catastrophe risk and catastrophe risk of non-proportional property using shocks based on exposures and earned premiums.

Consistent with the SF, the risks in TRL's PIM are calibrated to a 99.5% confidence level over a one year time period.

E.5 Non-compliance with the MCR and non-compliance with the SCR

There have been no instances of non-compliance with the MCR and SCR by TRL.

E.6 Any other information

TRL does not consider there to be any other material information to disclose regarding capital management.

Appendix 1: Abbreviations used in this report

ABS	Asset Backed Securities
A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
BEL	Best Estimate Liabilities
BF	Bornhuetter-Ferguson
BlackRock	BlackRock, Inc and BlackRock Investment Management (UK) Limited
bps	Basis points (0.01%)
CAO	Chief Administration Officer
CAOn	Capital Add On
CCD	Corporate Compliance Department
CCO	Chief Compliance Officer (New York)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMBS	Commercial Mortgage Backed Security
Covid-19	2019 Novel Coronavirus
CPD	Continuing Professional Development
CRO	Chief Risk Officer (New York)
CUO	Chief Underwriting Officer
Calpe	Calpe Insurance Company Limited (Gibraltar)
Certification Function	Any function identified as a certification function under the SM&CR
DAC	Deferred Acquisition Costs
EIOPA	European Insurance and Occupational Pensions Authority
ELR	Expected Loss Ratio
ENID	Events not in Data
EPIFP	Expected Profit included in Future Premiums
ERM	Enterprise Risk Management
ETF	Exchange Traded Fund
EU	European Union
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound
GRM	Global Risk Management
HR	Human Resources
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
IFRS	International Financial Reporting Standards
iNED	Independent Non-executive Director
ISA	International Standards on Auditing
ILS	Insurance Linked Securities
IT	Information Technology
KYC	Know Your Counterparty
LAE	Loss Adjustment Expenses

LBO	TRC London Branch Office
LDF	Loss Development Factors
LTF	Loss Trend Factors
MAT	Marine, Aviation and Transport
MBS	Mortgage Backed Securities
MCR	Minimum Capital Requirement
Moody's	Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their affiliates
NatWest	National Westminster Bank
NAV	Net Asset Value
NEAM	New England Asset Management
NED	Non-executive Director
NYSE	New York Stock Exchange
ORSA	Own Risk and Solvency Assessment
PIM	Partial Internal Model
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
RCO	Regional Compliance Officer
RSR	Regular Supervisory Report
S&P	Standard & Poor's Financial Services LLC and/or its affiliates
SCR	Solvency Capital Requirement
SF	Standard Formula
SFCR	Solvency and Financial Condition Report
SII	Solvency II Directive
SM&CR	The Senior Managers and Certification Regime
SMF	Senior Manager Function under the SM&CR
SPV	Special Purpose Vehicle
TMTP	Transitional Measures to Technical Provisions
TPs	Technical Provisions
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRC Guarantee	The guarantee described in section B1
TRC Quota Share	The quota share reinsurance agreement described in section B1
TRC Trust Agreement	The trust agreement described in section B1
TReIMCo	TReIMCo Limited, a Corporate Member at Lloyd's
TRH	Transatlantic Holdings, Inc.
TRL	TransRe London Limited
TRLS	TransRe London Services Limited
UK	United Kingdom
UPR	Unearned Premium Reserve
US or USA	United States of America
USD	United States of America Dollar
XOL	Excess of loss

Appendix 2: Public Quantitative Reporting Templates (QRTs)

Templates		
S.02.01.02	Balance Sheet	Relevant element
S.05.01.02	Premiums, claims and expenses by line of business	Other information
S.05.02.01	Premiums, claims and expenses by country	Other information
S.17.01.02	Non-Life Technical Provisions	Relevant element
S.19.01.21	Non-life insurance claims	Other information
S.23.01.01	Own funds	Relevant element
S.25.02.21 PIM	Solvency Capital Requirement - for undertakings on Standard Formula and partial internal model	Relevant element
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Relevant element

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	6,451
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	779,667
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	742,751
R0140	*Government Bonds*	244,374
R0150	*Corporate Bonds*	290,019
R0160	*Structured notes*	0
R0170	*Collateralised securities*	208,358
R0180	*Collective Investments Undertakings*	36,916
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	489,711
R0280	*Non-life and health similar to non-life*	489,711
R0290	*Non-life excluding health*	487,187
R0300	*Health similar to non-life*	2,524
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	22,563
R0360	Insurance and intermediaries receivables	87,904
R0370	Reinsurance receivables	47,697
R0380	Receivables (trade, not insurance)	5,607
R0390	Own shares (held directly)	0
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	93,571
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	1,533,171

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	867,509
R0520	*Technical provisions - non-life (excluding health)*	862,557
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	829,869
R0550	*Risk margin*	32,688
R0560	*Technical provisions - health (similar to non-life)*	4,952
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	4,741
R0590	*Risk margin*	211
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	24,955
R0840	Payables (trade, not insurance)	58,664
R0850	Subordinated liabilities	1,170
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	952,298
R1000	**Excess of assets over liabilities**	580,873

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	0	0	0	0	37	2,261	0	0	0	0	0	0	0	0	0	2,298
R0120	Gross - Proportional reinsurance accepted	0	5,086	0	119,096	21,017	126,292	109,671	41,156	67,306	13,888	0	0	0	0	0	0	503,512
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	6,052	20,744	39,655	77,379	143,830
R0140	Reinsurers' share	0	3,052	0	71,458	12,610	75,797	67,360	24,693	41,031	8,333	0	0	3,792	12,517	27,599	60,832	409,074
R0200	Net	0	2,034	0	47,638	8,407	50,532	44,572	16,463	26,275	5,555	0	0	2,260	8,227	12,056	16,547	240,566
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	0	0	34	1,710	0	0	0	0	0	0	0	0	0	1,744
R0220	Gross - Proportional reinsurance accepted	0	4,233	0	105,753	18,662	123,022	100,773	32,202	70,958	11,411	0	0	0	0	0	0	467,014
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	6,136	21,158	40,002	77,945	145,241
R0240	Reinsurers' share	0	2,540	0	63,447	11,197	73,837	61,264	19,321	42,837	6,847	0	0	3,857	12,748	28,020	61,463	387,379
R0300	Net	0	1,693	0	42,306	7,465	49,219	41,219	12,881	28,121	4,564	0	0	2,279	8,410	11,982	16,482	226,620
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	0	0	7	-144	0	0	0	0	0	0	0	0	0	-137
R0320	Gross - Proportional reinsurance accepted	0	2,950	0	82,089	14,486	96,394	73,345	25,384	25,096	7,764	0	0	0	0	0	0	327,508
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	815	16,001	23,066	12,243	52,125
R0340	Reinsurers' share	0	1,770	0	49,250	8,691	57,963	43,689	15,230	15,168	4,658	0	0	519	9,648	20,116	5,984	232,688
R0400	Net	0	1,180	0	32,839	5,795	38,438	29,512	10,154	9,928	3,106	0	0	296	6,353	2,950	6,259	146,808
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	797	0	9,996	1,764	17,864	17,337	5,444	14,201	1,753	0	0	347	1,099	2,650	4,492	77,744
R1200	**Other expenses**																	
R1300	**Total expenses**																	77,744

S.05.02.01

Premiums, claims and expenses by country

Non-life

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GI	MT	ES	US	BM	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	2,240	0	0	0	0	0	2,240
R0120	Gross - Proportional reinsurance accepted	230,183	112,268	39,044	34,830	18,805	18,197	453,327
R0130	Gross - Non-proportional reinsurance accepted	87,900	6,572	1,023	1,151	10,044	2,424	109,114
R0140	Reinsurers' share	210,035	71,307	24,041	21,589	17,844	12,371	357,187
R0200	Net	110,288	47,533	16,026	14,392	11,005	8,250	207,494
	Premiums earned							
R0210	Gross - Direct Business	1,648	0	0	0	0	0	1,648
R0220	Gross - Proportional reinsurance accepted	221,420	103,986	21,731	39,780	14,585	17,781	419,283
R0230	Gross - Non-proportional reinsurance accepted	88,497	6,851	1,043	1,099	10,209	2,378	110,077
R0240	Reinsurers' share	205,365	66,501	13,666	24,527	14,996	12,094	337,149
R0300	Net	106,200	44,336	9,108	16,352	9,798	8,065	193,859
	Claims incurred							
R0310	Gross - Direct Business	-123	0	0	0	0	0	-123
R0320	Gross - Proportional reinsurance accepted	149,187	76,178	20,694	18,487	10,009	12,323	286,878
R0330	Gross - Non-proportional reinsurance accepted	30,933	6,037	420	663	5,498	5,493	49,044
R0340	Reinsurers' share	113,190	49,325	12,668	11,490	9,063	10,689	206,425
R0400	Net	66,807	32,890	8,446	7,660	6,444	7,127	129,374
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	41,737	10,308	1,998	6,573	3,202	3,370	67,188
R1200	**Other expenses**							0
R1300	**Total expenses**							67,188

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	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	Total Non-Life obligation
		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	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
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	657	0	11,644	2,055	6,868	6,048	3,419	1,315	992	0	0	-2,474	-3,125	-4,001	-15,190	8,208
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	469	0	7,836	1,380	4,649	4,573	2,730	2,042	682	0	0	-1,771	-2,599	2,418	-13,628	8,781
R0150	**Net Best Estimate of Premium Provisions**	0	188	0	3,808	675	2,219	1,475	689	-727	310	0	0	-703	-526	-6,419	-1,562	-573
	Claims provisions																	
R0160	Gross	0	2,401	0	142,278	25,108	177,829	118,867	45,970	56,228	3,128	0	0	4,156	59,889	88,051	102,496	826,401
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	1,353	0	79,952	14,109	100,279	67,789	26,059	31,165	1,823	0	0	2,473	35,340	52,412	68,176	480,930
R0250	**Net Best Estimate of Claims Provisions**	0	1,048	0	62,326	10,999	77,550	51,078	19,911	25,063	1,305	0	0	1,683	24,549	35,639	34,320	345,471
R0260	**Total best estimate - gross**	0	3,058	0	153,922	27,163	184,697	124,915	49,389	57,543	4,120	0	0	1,682	56,764	84,050	87,306	834,609
R0270	**Total best estimate - net**	0	1,236	0	66,134	11,674	79,769	52,553	20,600	24,336	1,615	0	0	980	24,023	29,220	32,758	344,898
R0280	**Risk margin**	0	118	0	6,308	1,114	7,609	5,013	1,965	2,321	154	0	0	94	2,292	2,787	3,125	32,900
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	0	3,176	0	160,230	28,277	192,306	129,928	51,354	59,864	4,274	0	0	1,776	59,056	86,837	90,431	867,509
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	1,822	0	87,788	15,489	104,928	72,362	28,789	33,207	2,505	0	0	702	32,741	54,830	54,548	489,711
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	1,354	0	72,442	12,788	87,378	57,566	22,565	26,657	1,769	0	0	1,074	26,315	32,007	35,883	377,798

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2011	0	0	0	0	0	0	0	0	0			0	0
R0180	2012	0	0	0	0	0	0	0	0				0	0
R0190	2013	0	0	0	0	0	0	0					0	0
R0200	2014	9,367	93,240	87,431	59,228	20,595	21,318						21,318	291,179
R0210	2015	7,271	82,549	95,990	49,522	24,256							24,256	259,588
R0220	2016	10,183	101,044	91,114	57,670								57,670	260,011
R0230	2017	5,023	126,618	125,959									125,959	257,600
R0240	2018	4,602	121,639										121,639	126,241
R0250	2019	7,044											7,044	7,044
R0260												Total	357,886	1,201,663

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0		0
R0170	2011	0	0	0	0	0	0	0	0	0			0
R0180	2012	0	0	0	0	0	0	0	0				0
R0190	2013	0	0	0	0	0	0	0					0
R0200	2014	159,241	218,353	142,742	95,780	74,090	50,212						49,157
R0210	2015	157,424	208,101	151,815	99,031	69,184							67,433
R0220	2016	159,267	225,685	174,341	113,385								110,548
R0230	2017	280,340	299,298	221,754									216,217
R0240	2018	188,666	246,586										240,214
R0250	2019	147,091											142,832
R0260												Total	826,401

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	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	500,000	500,000	0	0	0
R0030	Share premium account related to ordinary share capital	0	0	0	0	0
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0	0	0	0
R0050	Subordinated mutual member accounts	0	0	0	0	0
R0070	Surplus funds	0	0	0	0	0
R0090	Preference shares	0	0	0	0	0
R0110	Share premium account related to preference shares	0	0	0	0	0
R0130	Reconciliation reserve	70,991	70,991	0	0	0
R0140	Subordinated liabilities	0	0	0	0	0
R0160	An amount equal to the value of net deferred tax assets	6,451	0	0	0	6,451
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	577,442	570,991	0	0	6,451
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	577,442	570,991	0	0	6,451
R0510	Total available own funds to meet the MCR	570,991	570,991	0	0	0
R0540	Total eligible own funds to meet the SCR	577,442	570,991	0	0	6,451
R0550	Total eligible own funds to meet the MCR	570,991	570,991	0	0	0

		Total
R0580	**SCR**	336,650
R0600	**MCR**	84,163
R0620	**Ratio of Eligible own funds to SCR**	172%
R0640	**Ratio of Eligible own funds to MCR**	678%

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	580,873
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	506,451
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	3,431
R0760	**Reconciliation reserve**	70,991

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	114,242
R0790	**Total Expected profits included in future premiums (EPIFP)**	114,242

S.25.02.21

Solvency Capital Requirement -
for undertakings using the standard formula and partial internal model

USP Key

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

USP Key

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

USP Key

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

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
1	1	Market risk	57,048	0	9	
2	2	Counterparty default risk	28,367	0	9	Counterparty default risk
3	4	Health underwriting risk	16,922	0	9	
4	5	Non-life underwriting risk	259,496	118,934	9	
5	7	Operational risk	25,038	0	9	

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	386,871
R0060	Diversification	-65,221
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	321,650
R0210	Capital add-ons already set	15,000
R0220	**Solvency capital requirement**	336,650
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	68,446

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	1,236	1,792
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	66,133	44,199
R0060	Other motor insurance and proportional reinsurance	11,674	7,800
R0070	Marine, aviation and transport insurance and proportional reinsurance	79,769	46,497
R0080	Fire and other damage to property insurance and proportional reinsurance	52,552	40,101
R0090	General liability insurance and proportional reinsurance	20,600	12,953
R0100	Credit and suretyship insurance and proportional reinsurance	24,336	26,181
R0110	Legal expenses insurance and proportional reinsurance	1,615	5,227
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	982	2,288
R0150	Non-proportional casualty reinsurance	24,023	8,578
R0160	Non-proportional marine, aviation and transport reinsurance	29,220	12,199
R0170	Non-proportional property reinsurance	32,758	17,378

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	68,446
R0310	SCR	336,650
R0320	MCR cap	151,493
R0330	MCR floor	84,163
R0340	Combined MCR	84,163
R0350	Absolute floor of the MCR	4,127
R0400	**Minimum Capital Requirement**	84,163