Calpe Insurance Company Limited

Solvency and Financial Condition Report

As at 31 December 2021

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About this document

This document is the Solvency and Financial Condition Report ("SFCR") for Calpe Insurance Company Limited ("Calpe") as at 31 December 2021.

This SFCR covers Calpe on a solo basis.

Calpe's functional and presentational currency is pounds sterling ("GBP").

Directors' statement

The Directors are responsible for preparing the SFCR in accordance with Solvency II, as adopted into Gibraltar law by the Financial Services (Insurance Companies) Regulations 2020 ("Solvency II") and the Gibraltar Financial Services Commission ("GFSC") rules.

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

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

in all material respects with the requirements of Solvency II and the GFSC rules as applicable to Calpe.

On behalf of the Board

Paul Cole
Director
8 April 2022

Douglas Murray
Director
8 April 2022

Executive summary

Calpe is a private limited company headquartered in Gibraltar and a wholly owned subsidiary of Transatlantic Reinsurance Company ("TRC"), a reinsurance company domiciled in New York, USA. Calpe's ultimate parent undertaking is Alleghany Corporation ("Alleghany"), incorporated in Delaware, USA. Calpe is licensed by the Gibraltar Financial Services Commission and commenced underwriting in November 2010.

Calpe's primary focus is on writing United Kingdom ("UK") motor and general liability business on a co-insurance basis and in support of Managing General Agents ("MGAs"). As part of the firm's Brexit plans, all of its direct insurance business in the Republic of Ireland was placed into orderly run-off. This business is now sourced via two reinsurance arrangements of regulated insurance carriers. Calpe will continue to service the Irish business in run-off under the Irish insurance temporary run off regime.

Calpe continues to benefit from the 80% Quota Share treaty that it places with TransRe London Limited ("TRL"). In the fourth quarter of 2021, A.M. Best reaffirmed the A+ rating with stable outlook for TRC and several of its subsidiaries, including Calpe.

On 20 March 2022, Alleghany, Calpe's ultimate parent undertaking and controlling party, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Berkshire Hathaway Inc. ("Berkshire Hathaway"), and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("Merger Sub"). Pursuant to the Merger Agreement and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will be merged with and into Alleghany, with Alleghany continuing as the surviving corporation and a wholly owned subsidiary of Berkshire Hathaway. The transaction is expected to close in the fourth quarter of 2022, subject to customary closing conditions, including approval by Alleghany's stockholders and receipt of regulatory approvals. Alleghany will continue to operate as an independent subsidiary of Berkshire Hathaway after closing.

Business and performance

Calpe delivered a result that was worse than expected, closing 2021 with a gross loss ratio of 92% (2020: 67%) and a gross combined ratio of 117% (2020: 88%) on a Solvency II basis and delivering a loss after tax for the financial year of £5.33m (2020: £1.62m) under UK generally accepted accounting practices ("UK GAAP"). The result was significantly impacted by the performance of one its key MGA partners which entered receivership in February 2022. Provisions have been made in Calpe's 2021 accounts to reflect the bad debt exposure and anticipated additional run-off costs. Calpe's priority is to ensure that the best interests of our customers continue to be met, and insurance policies are handled in an orderly manner.

More broadly, the soft motor rating environment experienced in 2020 continued through 2021. This was largely driven by the continued lockdown restrictions, impending whiplash reforms and the Financial Conduct Authority ("FCA") general insurance pricing reforms which came into force at the start of 2022. In contrast to motor, the general casualty market saw positive rate increases.

Calpe is continuing to closely monitor the impacts of Covid-19 as it continues its transition into an endemic state. Covid-19 has provided a challenging environment for insurers, albeit with reduced loss frequencies in the motor business. The reduction in claims frequency has led to pressure for insurers to recognise the improving landscape, by holding or reducing rates, yet claims inflation is still prevalent, and increasing in some sectors. Covid-19 continued to impact the motor account through 2021, most notably for taxi business, where volumes remained suppressed.

Calpe delivered gross written premium ("GWP") on a Solvency II basis of £67,477k compared to £101,500k in 2020, representing a decrease of 33.5%. Whilst premium volumes were down significantly year-on-year, claims incurred increased, from £69,894k in 2020 to £76,486k in 2021, partly as a result of a claim for which a periodic payment order ("PPO") was awarded during the year. The combined effect of reduced premiums and increased claims, combined with provisions and write-offs arising from the MGA failure, contributed to an overall underwriting loss on a Solvency II gross basis of £13,983k in 2021 compared to an underwriting profit of £13,041k in 2020. On a net basis, after the impact of the 80% quota share arrangement, Calpe returned an underwriting loss of £4,461k compared to a net underwriting profit of £868k in 2020.

In addition, largely in response to rising bond yields as economies recovered and inflation rose, Calpe's investment portfolio produced a combined loss of £1,132k for the year (2020: gain £2,256k).

With close oversight from TransRe's in-house claims team and the Calpe Claims and Underwriting committee, our MGAs and co-insurers and their claims handling teams have been operating on a "business as usual" basis throughout 2021 and continued to respond to enquiries and handle claims in a timely fashion. Whilst one of our MGAs was placed in orderly run-off in January 2022, the best interests of our policyholders and claimants continue to be met.

On 24th February 2022, Russia began a military invasion of Ukraine, in a major escalation of the Russo-Ukrainian conflict that had begun in 2014. Calpe is currently reviewing its exposures across its portfolio and believes it does not have a material exposure to the conflict. Calpe does not have any live policies that cover either Russian or Ukrainian domiciled risks.

System of governance

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

Calpe's Board maintains ultimate responsibility for the oversight of Calpe. There are three committees reporting up into the Calpe Board. The Board and committees operate under the guidance of formal terms of reference which are agreed by the Board.

In addition, Calpe separately identifies key functions (Risk, Compliance, Internal Audit, and Actuarial), all of which have their own key function holder who is responsible for reporting up into the Board or Board committees. The members of the Board, along with the key function holders and approved persons, are subject to fit and proper assessments on an ongoing basis.

Oversight and measurement of Calpe's performance involves extensive involvement of the Actuarial function. Calpe's Internal Audit function provides independent and objective analysis and assurance over its operations.

Calpe 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 Calpe. Where appropriate, since March 2020, Board, Board committee, and Board management committee meetings have been held remotely, where this has been necessary, because of lockdowns or other travel restrictions. The system of governance in Calpe has not materially changed during the year.

Since inception of the company, insurance management services, including underwriting, claims, reinsurance support, governance, company secretarial, financial management, regulatory and compliance services, have been provided by Artex Risk Solutions ("Artex"), under an insurance management services agreement. In 2021, the agreement with Artex was terminated and an equivalent agreement was entered into with Robus Risk Services ("Robus"), following a period of due diligence and approval by Calpe's Board. The transition has been completed successfully without any interruption to Calpe's business operations.

Risk management

There is a strong risk management framework and culture within Calpe that seeks to manage the key risks to the business. Calpe's enterprise risk management ("ERM") framework is supported by a comprehensive set of risk policies, guidelines, processes, procedures and management information. The framework is aligned with the regulatory requirements under the Solvency II directive, as transposed into Gibraltar law, and the Financial Services (Insurance Companies) Regulations 2020. An integral part of Calpe's framework is its Own Risk and Solvency Assessment ("ORSA") which provides management with a key tool to assess and evaluate the risks it faces. These risks are measured against Calpe's capital ensuring that Calpe is able to meet its strategic and business objectives. An ORSA report is prepared at least annually.

In keeping with its risk appetite and tolerances, Calpe continues to purchase excess of loss ("XOL") reinsurance to protect its portfolio. Following the changes to the Ogden rate, as anticipated, Calpe experienced significant rate increases for its 2020 renewals. The 2021 renewal season saw the market remain largely flat or with small improvements on the back of the 2020 increases.

Calpe undertakes detailed stress and scenario testing within its ORSA process. 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 combination of severe underwriting losses plus a severe increase in reported claims and incurred but not reported ("IBNR") claims. The analysis undertaken indicates Calpe is well capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach its SCR. Calpe's underwriting risk profile is therefore resilient to severe shocks and is within the Board approved risk appetite. This has been further demonstrated following one of its key MGA partners entering receivership.

Valuation for Solvency II purposes

Assets and liabilities, including technical provisions, are valued in Calpe's regulatory balance sheet according to Solvency II rules and related guidance, giving valuations which differ from those in the financial statements, under UK GAAP.

During the year Calpe obtained regulatory consent to change the accounting basis under which the financial statements are prepared from IFRS to UK GAAP. This change did not give rise to any material change to the net assets of the Company on a statutory accounting basis.

As at 31 December 2021, Calpe's excess of assets over liabilities under Solvency II was £28,192k (2020: £35,028k) compared to £31,080k (2020: £38,440k) under UK GAAP.

Section D provides a description of the methods, bases and assumptions employed in valuing assets and liabilities in the regulatory balance sheet, together with an analysis of material differences between UK GAAP and regulatory valuation bases.

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 Calpe against Calpe's regulatory capital requirements (the amount of capital the firm is required to hold).

Figure 1: Own funds by tier and capital requirements

Tier	Instrument	At 31 December (£'000s) 2021	2020
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(2,221)	4,649
Tier 2	Not applicable	-	-
Total own funds to cover MCR		**27,779**	**34,649**
Tier 3	Net deferred tax asset	413	379
Total own funds to cover SCR		**28,192**	**35,028**
MCR		**5,051**	**5,294**
SCR		**20,205**	**21,177**
MCR coverage ratio		**549.9%**	**654.5%**
SCR coverage ratio		**139.5%**	**165.4%**

Overall Calpe held 139.5% (2020: 165.4%) of its SCR and 549.9% (2020: 654.5%) of its MCR at 31 December 2021. There have been no instances of non-compliance with the MCR and SCR in the current or previous year.

The drop in SCR ratio is due to a £6,836k reduction in own funds to cover the SCR, although the SCR also reduced by £972k. The decrease in own funds is due to a £6,870k reduction in the reconciliation reserve offset by a £34k increase in the net deferred tax asset. The reduction in the reconciliation reserve is predominantly due to losses incurred with respect to the MGA partner now in receivership.

The reductions in the MCR and MCR ratios are in line with the movements in the SCR and SCR ratios.

A. Business and performance

A.1 Business

Company information

Calpe Insurance Company Limited:	5/5 Crutchett's Ramp Gibraltar GX11 1AA Company number: 104429 Legal Entity Identifier: 2138004X13159LETLH50
External auditors:	EY Regal House Queensway GX111AA Gibraltar
Regulator	Gibraltar Financial Services Commission PO Box 940 Suite 3, Ground Floor Atlantic Suites Europort Avenue Gibraltar

Calpe is a private limited company, limited by shares, with its registered office in Gibraltar. It is a wholly owned subsidiary of TRC, which is a reinsurance company domiciled in New York, USA. Calpe is headquartered in Gibraltar and is licensed by the Gibraltar Financial Services Commission and commenced underwriting on 1 November 2010.

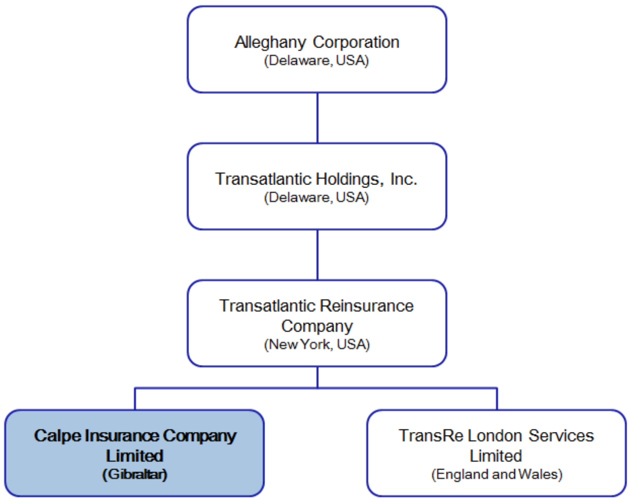
Calpe's ultimate parent undertaking is Alleghany, a company incorporated in Delaware, USA. Alleghany is listed on the New York Stock Exchange (NYSE: Y). Further information on Alleghany is available at www.alleghany.com.

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 Calpe.

Other than TRC, TRH and Alleghany, there are no other holders of qualifying holdings in Calpe. Calpe has no related undertakings as defined in Regulation 191 of the Financial Services (Insurance Companies) Regulations 2020. 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.

On 20 March 2022, Alleghany, Calpe's ultimate parent undertaking and controlling party, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Berkshire Hathaway Inc. ("Berkshire Hathaway"), and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("Merger Sub"). Pursuant to the Merger Agreement and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will be merged with and into Alleghany, with Alleghany continuing as the surviving corporation and a wholly owned subsidiary of Berkshire Hathaway. The transaction is expected to close in the fourth quarter of 2022, subject to customary closing conditions, including approval by Alleghany's stockholders and receipt of regulatory approvals. Alleghany will continue to operate as an independent subsidiary of Berkshire Hathaway after closing.

Figure 2: Organisational structure chart



(All subsidiaries are 100% owned and controlled.)

Calpe is predominantly a primary insurer but also writes reinsurance for Irish portfolios on a quota share basis. Calpe sells insurance both as a co-insurer in support of other insurers and as either a sole insurer or co-insurer through managing general agents ("MGAs"). Calpe underwrites a mixed portfolio of risks across the motor market from personal lines to commercial risks, with the intention of maintaining a portfolio of niche risks, avoiding over-dependence on any one sector. In addition to the motor book, Calpe also supports a specialist niche MGA that writes Employers' Liability and Public Liability business in the United Kingdom and the Republic of Ireland.

TRC, together with certain other (re)insurance subsidiaries including Calpe, is rated A+ with stable outlook by A.M. Best.

Market commentary

Overall, Calpe delivered gross written premium ("GWP") on a Solvency II basis of £67,477k compared to £101,500k in 2020, representing a decrease of 33.5%. Whilst premium volumes were down significantly year-on-year, claims incurred increased, from £69,894k in 2020 to £76,486k in 2021. The combined effect of reduced premiums and increased claims was to produce an overall underwriting loss on a Solvency II gross basis of £13,983k in 2021 compared to an underwriting profit of £13,041k in 2020. Calpe posted a combined loss (including investment income and realised and unrealised gains) of £1,132k (2020: combined gain of £2,256m) on its investment portfolio.

The results were significantly impacted by the failure of one of Calpe's key MGA partners which was placed into receivership in February 2022.

Covid-19 has continued to provide a challenging environment for insurers. However, loss frequencies in the motor market continued below pre-Covid levels in 2021. With the relaxation in Covid-19 restrictions, there were signs that claims frequency was trending back towards normal levels. However, due primarily to shifts in driving patterns, the expectation is that the 'new normal' will see claims frequencies remaining below pre-pandemic levels. The impact of Covid-19 on losses created further pressure for motor insurers to reduce premium rates, particularly as 2020 was reported to be a record year for the motor market in terms of benign loss ratios. Our response to market conditions has varied by account, ranging from small discounts to temporarily withholding inflationary monthly increases. All discounts had unwound by the fourth quarter of 2021.

Whilst the pandemic has generally led to significant reductions in claims frequency across the market, not all accounts have benefitted to the same degree and, in a number of cases, claims inflation has largely offset the benefits of reduced frequency. Further, some unusual claims patterns emerged during lockdown, possibly due to empty roads leading to higher driving speeds with a greater prevalence of vulnerable road users, such as cyclists and pedestrians on the roads. Spare part supply issues have resulted in increased repair times and costs, while credit hire increases and court delays also impacted claims settlements in 2021.

Whilst road traffic volumes have returned to pre-pandemic levels, claims frequency across the market is still circa 5 per cent lower than pre Covid levels, largely as a result of changes in driving patterns and car usage, for instance reduced car travel during weekday commuting times

Nevertheless, the market saw significant rate reductions during the first half of 2021, and a further softening of rates during the second half of the year.

The whiplash reforms came into force in 2021, with the expectation that any savings that they drove should be passed on to policyholders. Whilst some savings are associated with these reforms in isolation, claims inflation is driven by a number of factors other than bodily injury costs, such as increases in wages, and costs for spare parts, credit hire and replacement vehicles. Calpe continues to closely monitor and manage overall claims inflation and will seek to ensure that rating levels are adjusted to reflect all inflationary elements.

From a Calpe perspective, other than minor selective reductions linked to reduced claims frequency, overall premium rating levels were maintained during 2021. In fact, Calpe continued to apply rate increases where necessary to counter claims inflation and loss experience.

Although Calpe did not have any significant direct exposure to losses arising from Covid-19 risks, certain sectors experienced reduced premium volumes, in particular for taxi business, where Calpe experienced a higher than normal policy cancellation rate and lower conversion ratios due to contraction in business activity. In response, we adapted coverage to reflect the changing needs of the taxi business.

Overall Calpe's aim is to generate profit rather than business volume. Our focus on profitable business has impacted business volumes with retention levels reducing and new business conversion rates dropping.

Reinsurance spend is still our largest outgoing and forms a key component of our pricing. Following two years of increased reinsurance pricing, post the discount rate change in 2019, we expect 2022 to be a benign year in terms of reinsurance pricing.

On the regulatory front, in September 2020, the FCA published their findings from their General Insurance Pricing Practices ("GIPP") Market Study which included a proposed package of remedies to be implemented during 2021 and early 2022. After the consultation period, the new rules came into force in October 2021 with the implementation on pricing effective 1 January 2022.

In contrast, there is clear evidence that other sectors are returning to normal. Calpe's casualty portfolio continues to perform in line with expectations and showed positive growth in a positive rating environment. Our business partners are reporting increased submission flow, driven by their tenure in the market and the strong rated paper offered by Calpe.

Reinsurance costs continue to form a significant part of pricing. With investment returns significantly down for the foreseeable future, we do not expect reinsurance costs to reduce and instead anticipate them remaining flat or for small inflationary increases to be applied. In order to maintain margins, it is clear that lower investment returns, along with other influences, both positive and negative, will need to be reflected in original rates.

Strategy and portfolio

Calpe's strategy is to achieve long-term book value growth consistent with the TransRe group objective of being a global property/casualty reinsurer of choice.

In the current low yield investment environment, Calpe's focus on underwriting profitability is paramount to support the aim of book value growth. Premium income distribution by line of business is shown in Figures 3 and 4.

Figure 3a: Solvency II line of business (gross written premium) as at 31 December 2021

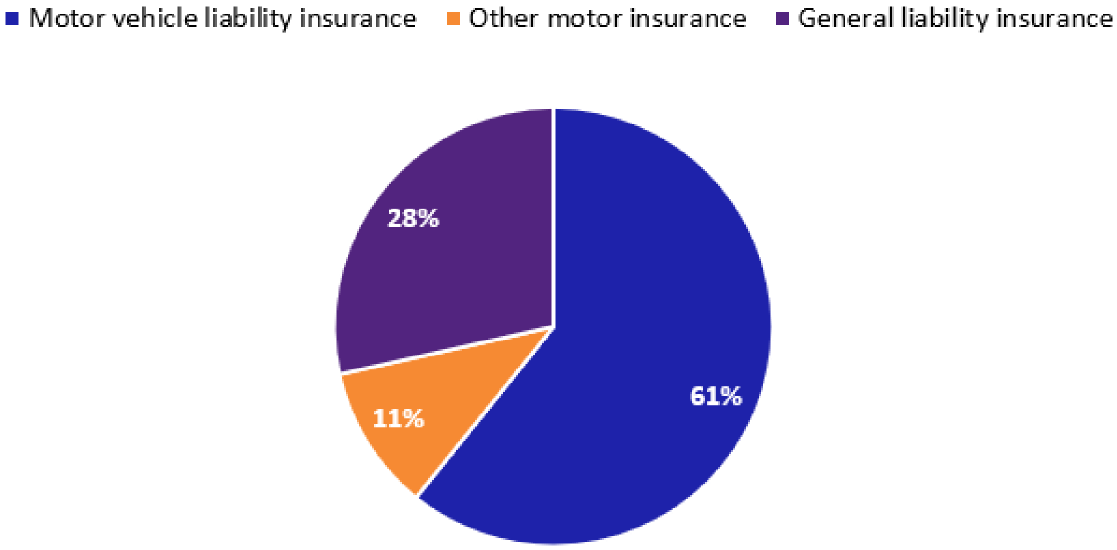


Figure 3b: Solvency II line of business (gross written premium) as at 31 December 2020

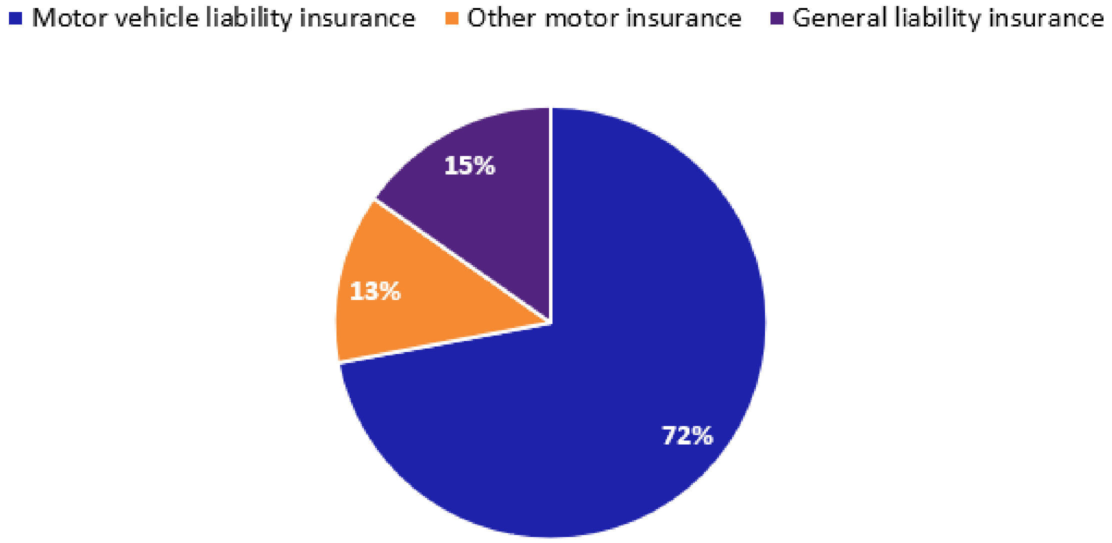
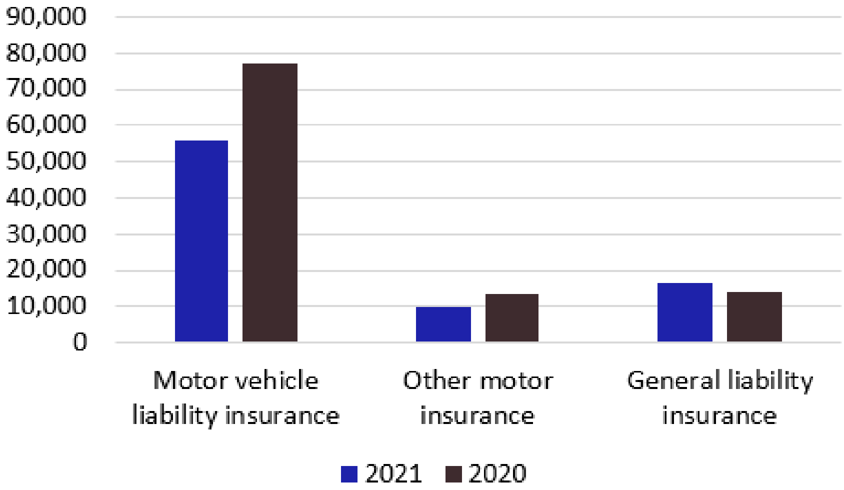


Figure 4: Solvency II line of business (gross earned premium £'000s)



Calpe currently holds permission to write motor vehicle and motor vehicle liability, fire and natural forces, damage to property, general liability and assistance. We are seeing a flight to quality in the market and our A+ A.M. Best rating ensures that we continue to see a good submission flow of motor and non-motor classes.

The portfolio remained dominated by motor, representing 61% (2020: 72%) of GWP for the year.

No new classes of business were introduced in 2021.

A.2 Underwriting performance

The most significant influence on Calpe's underwriting performance was the performance of one key MGA partner and the receivership that followed. The provisions made for bad debt with respect to adjustments of commission due to Calpe, and a provision for anticipated additional run-off costs have had major impact on the results. The poor performance of this arrangement contributed to a net underwriting loss (after reinsurance) of £4,461k for 2021 (2020: profit of £868k). For details of the split of Calpe's underwriting performance, please refer to Quantitative Reporting Template ("QRT") S.05.01 in Appendix 2.

Underwriting performance by line of business

Calpe's business falls into four of the Solvency II lines of business. The tables below summarise the performance of those lines of business on a gross assumed and net basis after all outwards reinsurance, including the TRL Quota Share described in section B1.

For motor business, Solvency II requires firms to report their results split between motor vehicle liability and other motor business. For reporting purposes Calpe allocates the motor results between these reporting classes based on claims results by head of damage. Premiums are earned evenly over the risk period of the insurance policy. Calpe's loss ratio used to derive the claims incurred results is based on actuarial derived best estimate losses that are reviewed on a quarterly basis. During 2021, Calpe received notification that a large claim had been settled as a PPO, increasing its number of settled PPO claims to four and driving the increase in gross and net claims incurred for the annuities line of business.

Figure 5a: Underwriting performance by Solvency II line of business (gross) 2021

Gross (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	41,024	7,240	19,213	0	67,477
Premiums earned	55,984	9,880	17,038	0	82,902
Claims incurred	(55,076)	(9,720)	(7,696)	(3,994)	(76,486)
Expenses	(11,676)	(2,060)	(6,663)	0	(20,399)
Underwriting profit/(loss)	(10,768)	(1,900)	2,679	(3,994)	(13,983)
Loss ratio	98%	98%	45%	0%	92%

Figure 5b: Underwriting performance by Solvency II line of business (net) 2021

Net (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	6,719	1,186	3,371	0	11,276
Premiums earned	9,065	1,600	3,048	0	13,713
Claims incurred	(7,864)	(1,388)	(1,163)	(605)	(11,020)
Expenses	(4,884)	(862)	(1,408)	0	(7,154)
Underwriting profit/(loss)	(3,683)	(650)	477	(605)	(4,461)
Loss ratio	87%	87%	38%	0%	80%

Figure 5c: Underwriting performance by Solvency II line of business (gross) 2020

Gross (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	73,109	12,902	15,489	0	101,500
Premiums earned	76,904	13,571	13,871	0	104,346
Claims incurred	(50,810)	(8,967)	(9,854)	(264)	(69,895)
Expenses	(14,113)	(2,490)	(4,808)	0	(21,411)
Underwriting profit/(loss)	11,981	2,114	(791)	(264)	13,040
Loss ratio	66%	66%	71%	0%	67%

Figure 5d: Underwriting performance by Solvency II line of business (net) 2020

Net (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	11,525	2,034	2,753	0	16,312
Premiums earned	12,591	2,222	2,467	0	17,280
Claims incurred	(9,052)	(1,597)	(1,371)	(46)	(12,066)
Expenses	(2,892)	(510)	(944)	0	(4,346)
Underwriting profit/(loss)	647	115	152	(46)	868
Loss ratio	72%	72%	56%	0%	70%

For details and the breakdown of premiums, claims and expenses by geographical spread please refer to QRT S.05.02.01 in Appendix 2.

A.3 Investment performance

Financial investments

Calpe's investment portfolio is made up exclusively of fixed income securities and cash. Fixed income securities comprise government and corporate bonds as shown in Figure 6a.

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), dividends from exchange traded funds ("ETFs"), 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.

During the year, Calpe invested €5.8m (£4.9m equivalent) in an ETF designed to track the performance of Euro denominated investment grade corporate bonds. Other than the ETF purchase, there were no material changes to the investment portfolio.

Largely as a consequence of rising bond yields during 2021, Calpe returned a total investment loss of £1.1m on a portfolio valued at £53.4m at the year end. The combined net loss of £1,132k (2020: total net return of £2,256k), included interest income of £517k (2020: £662k) and capital losses of £1,649k (2020: £1,594k).

Figure 6a: Net investment return 2021

	Year to 31 December 2021			31 December 2021
Asset category (£'000s)	**Income**	**Gains / (losses)**	**Total investment return / (loss)**	**Total SII Value**
Cash and deposits	(3)	0	(3)	9,011
Corporate bonds	433	(1,098)	(665)	28,183
Government bonds	79	(537)	(458)	11,296
ETFs	8	(14)	(6)	4,900
Total	**517**	**(1,649)**	**(1,132)**	**53,390**

Figure 6b: Net investment return 2020

	Year to 31 December 2020			31 December 2020
Asset category (£'000s)	**Income**	**Gains / (losses)**	**Total investment return / (loss)**	**Total SII Value**
Cash and deposits	0	0	0	13,152
Corporate bonds	531	1,085	1,616	26,752
Government bonds	131	509	640	22,650
Total	**662**	**1,594**	**2,256**	**62,554**

Investment income excludes investment management fees which are charged based on the assets under management during the period. Total fees charged in 2021 were £31.4k (2020: £43.4k). Included within investment losses are realised gains of £387k (2020: £486k) and unrealised losses of £2,036k (2020: £1,108k).

Securitisations

Calpe's asset portfolio does not include any securitised investments.

A.4 Performance of other activities

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

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

A.5 Any other information

Temporary run-off regime in Ireland

In March 2021, the Central Bank of Ireland granted approval for Calpe to operate under the temporary run-off regime. Calpe will provide service continuity for all valid claims under that regime. As at the date of this report, Calpe continues to operate under the temporary run-off regime in the Republic of Ireland.

Financial risks associated with climate change

It is widely recognised that the financial risks associated with natural catastrophe trends are changing due to climate change, a phenomenon associated with extreme weather events linked to rising temperatures, including effects on global weather patterns, sea, land and air temperatures, sea levels, wind, rain and snow. As a consequence, climate change could impact the frequency or severity of weather events such as hurricanes, tornado activity, other windstorms, floods and wildfires.

Climate change constitutes a serious risk for society and financial institutions, including (re)insurance undertakings. Climate change may increase the underwriting risk of TransRe and Calpe, impacting asset values and challenging future business strategies.

The transition towards a zero-carbon economy, especially when unanticipated, may seriously depress investments in a range of industries, but most noticeably carbon-intensive sectors. The transition may also induce higher legal claims on companies that fail to consider the impact on climate change or those that undertake green-washing, which may affect (re)insurance undertakings directly or indirectly through their underwriting of legal liability risks.

Climate change risk can broadly be categorised into three main drivers of risk: physical risks, transition risks and liability risks. Further information on climate change risk is included in section C6.

Environmental, Social and Governance ("ESG")

At TransRe and Calpe, we view social good as an indelible part of our mission. We value risk not only as a guiding business practice but also as an overarching social mission that calls for us to help mitigate the effects of risk for those who are most vulnerable.

The TransRe group values communities and people across the globe whose lives are impacted by economic or environmental risk, and we strive to support causes that share our same commitment to preventing potential exposures. Through resilience, research and development as well as investments in infrastructure, we work to evaluate the risks of today while working to reduce the risks of tomorrow.

Reducing the protection gap between insured and uninsured losses, and facilitating social good for our clients, business partners, employees, owners and communities, are indelible parts of our mission. TransRe recognizes our role in helping to manage and mitigate the consequences of climate change, and supports the transition to more sustainable energy sources over time.

Climate change is referred to above and governance matters are included in sections B and C.

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

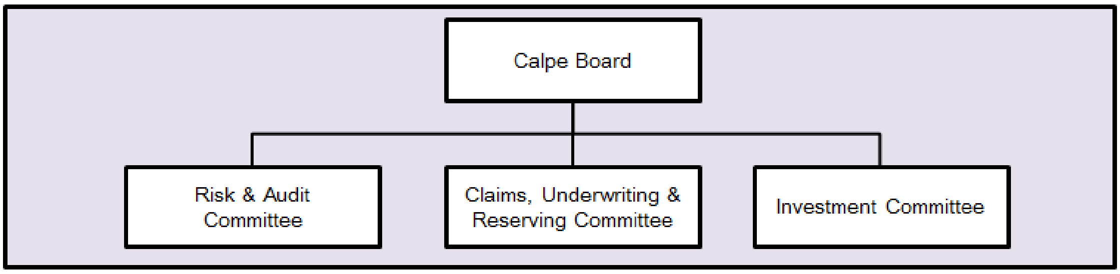
B. System of Governance

B.1 General information on the system of governance

Calpe'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 Calpe's key governance bodies is shown in Figure 7.

Figure 7: Governance oversight



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

- setting Calpe's business strategy and monitoring performance against its business plan;
- setting Calpe's risk appetite whilst being mindful of TransRe's risk appetites and tolerances;
- maintaining oversight of Calpe's compliance with relevant laws and regulation; and
- reviewing and maintaining the effectiveness of Calpe's corporate governance framework and internal control framework.

The following individuals were members of Calpe's Board and members of the committees of the Board as at 31 December 2021. The Board composition did not change during the year.

Figure 8: Calpe's Board

Board Member	Role	Committees
Peter Abbott	Non-executive chairman	All
Paul Tysoe	Non-executive director	All #
Douglas Murray	Executive director	All §
Andy Gaudencio	Executive director	All
Paul Cole	Executive director	All +
Robert Snow	Executive director	All

Chair of the Risk & Audit Committee

+ Chair of the Investment Committee

§ Chair of the Claims, Underwriting & Reserving Committee

As shown in Figure 7 above, Calpe's Board operates three committees.

<u>Risk & Audit Committee</u>

The Risk & Audit Committee's responsibilities include:

Risk

- providing oversight and challenge to the effectiveness of Calpe's Risk Management function, Enterprise Risk Management ("ERM") framework and risk management culture, including the appetites and tolerances and embedding the ERM framework in Calpe in alignment with TransRe's overall ERM and risk governance framework;
- monitoring the effectiveness of Calpe'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 Calpe's Compliance function, approving the Compliance Monitoring Plan and overseeing progress against it.

Audit

- monitoring and reviewing the effectiveness of Calpe'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 Calpe and any formal announcements relating to Calpe's financial performance;
- reviewing Calpe's internal financial controls;
- making recommendations to the 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 four times per year.

Investment Committee

The Investment Committee's responsibilities include:

- reviewing and making recommendations to the Board in respect of Calpe's investment strategy and policy in a manner consistent with the prudent person principle;
- receiving and reviewing summary reports on Calpe'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 Calpe's management; and
- considering reports in respect of investment risk management, liquidity management and credit management.

The Investment Committee meets at least four times per year.

Claims, Underwriting & Reserving Committee

The Claims, Underwriting & Reserving Committee's responsibilities include:

Underwriting

- considering new products, MGA and co-insurance opportunities and lines of business;
- establishing, recommending to the Board and maintaining oversight of the underwriting strategy (including reinsurance purchasing) and business planning activities;
- recommending to the Board underwriting risk appetites and tolerances and reinsurance requirements for Calpe, ensuring they are consistent with TransRe's group;
- reviewing underwriting performance, including pricing, claims trends, insurance buying patterns, competitor analysis, and conversion and lapse rates; and
- reviewing key aggregate management issues and development.

Claims

- reviewing and monitoring claims activity and claims trends;
- approving delegated claims handling authorities; and
- assisting the Board in setting the claims philosophy and claims development policy to be adopted.

Reserving

- establishing, recommending and maintaining oversight of the reserving strategy;
- maintaining oversight of the reserving policy to ensure it is fit for purpose;
- considering the adequacy of previously set reserves against actual outcomes and investigating where material differences are identified; and
- recommending a level of reserves for consideration by the Board.

The Claims, Underwriting & Reserving Committee meets at least four times per year.

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

Each of the committees reports to the Board through their respective Chairs as a standing item on the Board's agenda.

Key functions

Calpe has identified the following functions as key functions:

Figure 9: Key functions and key function holders

Key function	Holder
Risk Management System	Douglas Murray
Compliance	Neil Jackman
Internal Audit	Paul Cole
Actuarial	Robert Snow

Each of the key functions within Calpe is operationally independent of each other, with its own key function holder. 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. Further information on the authority, resources and operational independence of the key functions is included in sections B3 (Risk Management function), B4 (Compliance function), B5 (Internal Audit function) and B6 (Actuarial function).

There were no material changes in Calpe's governance structure in the year ended 31 December 2021.

Remuneration policies and practices

Calpe does not employ any direct employees and consequently does not maintain a remuneration policy. However, Calpe receives a re-charge from TransRe London Services Limited ("TRLS"), a fellow subsidiary of TRC in the UK, for services provided by employees of TRLS.

The remuneration policy of TRL, a fellow subsidiary of TRC in the UK, which has been adopted by TRLS, is described in TRL's SFCR.

Fees paid to non-executive directors are calculated on a flat rate basis with no variable component. Fees are reviewed periodically to ensure Calpe continues to attract and retain individuals with the appropriate skills and experience.

Material transactions with shareholders

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

Amounts paid to connected companies are reviewed on an annual basis as part of a group-wide transfer pricing exercise and the charges are reviewed and challenged by the Calpe Board. Additionally, these recharges are subject to regulatory approval from the GFSC.

Calpe has a variable whole account quota share reinsurance agreement with TRL (as reinsurer) (the "TRL Quota Share"), under which the proportion ceded can be varied by Calpe between 50% and 80%.

TRC has entered into a capital support guarantee agreement (the "TRC Capital Support Agreement") in favour of Calpe. Under the agreement, TRC agrees to maintain Calpe's regulatory capital in an amount not less than 100% of Calpe's SCR.

Calpe 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 Calpe'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

Calpe ensures that Board members and key function holders are at all times fit and proper persons. Calpe does not draw a distinction between these categories when carrying out its own assessment of a person's fitness and propriety.

Timing of assessment

Calpe assesses fit and proper requirements on an annual basis, with the Directors subject to an annual assessment. On an ongoing basis, all individuals are required to ensure that their skills and knowledge are kept up-to-date and to confirm this annually. Calpe's directors and managers (and all TransRe employees) are also expected to abide by the group's Code of Business Conduct and Ethics, which sets out standards of ethics and behaviours.

Nature of assessment

In deciding whether a person is fit and proper, Calpe 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 Calpe.

Any breaches of the fit and proper requirements are internally reported to the Board and the Risk & Audit Committee. Calpe's Compliance Officer is responsible for notifying the relevant regulator(s) of the change in circumstances and any remedial action that is being undertaken by Calpe.

Training and competency

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

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

In addition to the above, all personnel 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

Calpe's ERM framework has been developed to enable the Board and senior management to understand and appropriately manage and mitigate the risks associated with Calpe's strategy over the short, medium and longer term in a manner that is commensurate with Calpe'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 Calpe, improve decision-making and to support the achievement of Calpe's business objectives. In summary, the purpose of Calpe's ERM framework is to:

- actively sponsor and foster a risk aware culture across Calpe, supporting personnel in making risk management based judgements, encouraging effective management of exposures within Calpe'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 taken into account in key business decisions;
- ensure that the 'three lines of defence' model operates effectively;
- implement risk strategies and policies that align with TransRe's and Calpe'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.

Calpe's ERM framework is supported by a comprehensive suite of management information, 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 transposed into Gibraltar law and regulations as well as market best practice.

By adopting this approach, Calpe 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.

Calpe senior management and risk owners identify key risks to the business, as part of a rolling risk identification and assessment programme that takes places on a quarterly basis. 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 on a quarterly basis for review and discussion.

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

Calpe's Risk Management function is integrated into the organisation through the reporting lines to Calpe's Risk Management function holder, Calpe's Risk & Audit Committee and ultimately through to TransRe's Chief Risk Officer ("CRO"). Calpe's Risk Management function holder is also a member of and participates in 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 stress and reverse stress tests for Calpe.

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

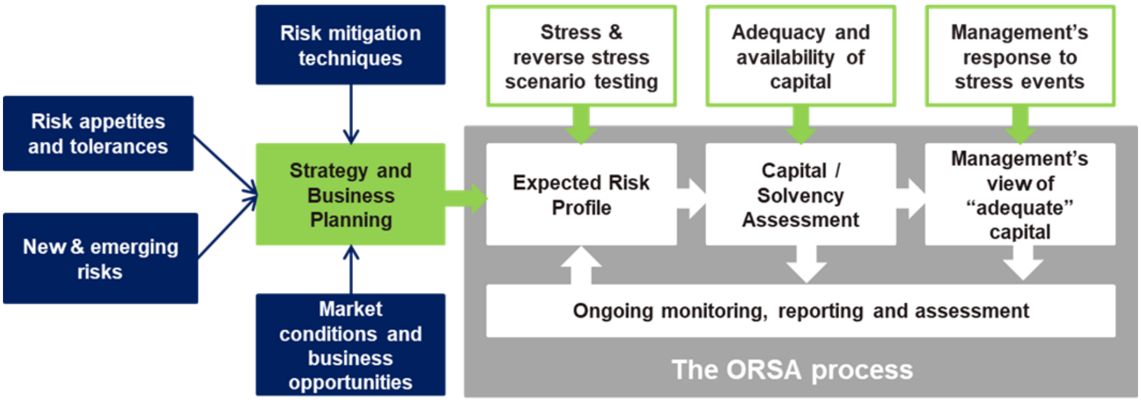
Own Risk and Solvency Assessment

The ORSA process considers Calpe's own solvency assessment given its risk profile, business objectives and capital management strategy against its regulatory solvency requirement in order to determine whether it has adequate capital to meet its business plan. The ORSA also considers the impact on Calpe should it be subject to significant losses arising from both insurance and non-insurance events. Against such extreme events, the ORSA considers what actions Calpe management would undertake to mitigate the impact of such events.

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

The ORSA process can be diagrammatically represented as follows:

Figure 10: Calpe's ORSA process



The ORSA process provides Calpe with a mechanism to assess the risks it faces and to determine the necessary level of capital required to ensure Calpe meets its strategic and business objectives. The ORSA is Calpe'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 Calpe, whilst being mindful of its risk profile and business environment.

Calpe's Board provides input into and reviews the scenarios considered within the ORSA stress tests. In addition, Calpe 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 & 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 Calpe's capital adequacy.

Calpe'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 Calpe's Board. Once the report is reviewed, the ORSA and the amount of capital Calpe intends to maintain, based on its expected risk profile, is approved by the Board and the ORSA report is shared with the GFSC.

B.4 Internal control system

Within Calpe, 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.

Responsibility for establishing an appropriate internal control environment rests with the Board as a whole and its Directors individually.

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

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

Compliance function

Calpe maintains compliance policies and procedures that establish systems of control and supervision sufficient to provide reasonable assurance that Calpe, and those individuals acting on its behalf, comply with Gibraltar legislation, and to manage the risks associated with its business in accordance with prudent business practices and within TransRe's overarching compliance requirements.

The day-to-day activities of the Compliance function are managed by Robus Risk Services (Gibraltar) Limited Robus Compliance activities are supervised by Neil Jackman as Compliance function holder, and Calpe's Risk & Audit Committee.

The Compliance function has sufficient authority and independence to carry out its functions on its own initiative without obstruction from management and other personnel members.

The Compliance function's responsibilities include:

- advising the Board on compliance with the Financial Services Act (2019) and any related laws and regulations;
- providing training and guidance regarding applicable laws and regulations and TransRe's and Calpe's compliance and regulatory policies, and clearly communicating ethical guidance;
- monitoring complaints received by MGAs and co-insurers from policyholders or claimants;
- assessing the possible impact of any changes in the legal and regulatory environment on the operations of Calpe;
- identifying and assessing compliance risks relevant to Calpe and managing the control environment that mitigates those risks;
- undertaking compliance monitoring and making recommendations to improve the effectiveness of compliance practices; and
- identifying Calpe compliance training needs and implementing effective compliance training programmes, as required.

B.5 Internal Audit function

The Calpe Internal Audit function is led by the TransRe Director of Internal Audit, based in New York, USA under the oversight of Paul Cole, Internal Audit function holder for Calpe. Internal Audit is an independent function that provides objective challenge and assurance over Calpe. Internal Audit supports Calpe 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 by the Risk & Audit Committee, with ultimate oversight provided by the TRH Audit Committee and Alleghany Audit Committee. A rolling three-year audit plan is submitted annually to the Calpe Risk & Audit Committee and TRH Audit Committee for approval. Results of internal audits are distributed to Calpe's senior management, the Calpe Risk & Audit Committee and to TRH's Audit Committee. Outstanding internal audit actions are tracked and progress is reported to the Calpe Risk & Audit Committee and TRH Audit Committee.

In addition to reporting into the Calpe Risk & Audit Committee, the Internal Audit function holds meetings with Calpe's Risk Function Holder, 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.

Calpe'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 Calpe business processes, i.e. technology, group policies, etc. For the second stream, Calpe utilises Mazars LLP in the UK to perform Calpe specific audits. Mazars provides local resources who report to Calpe's Risk & Audit Committee and TransRe's Director of Internal Audit. Utilising a third party enables Calpe to benefit from subject matter experts aligned with processes reviewed in the different business units. Mazars also benchmarks processes and controls against other insurance market participants, as appropriate.

B.6 Actuarial function

Calpe's Actuarial function gains its authority from Calpe's Board and TransRe's Group Chief Actuary. Calpe's Board maintains ultimate responsibility for oversight of Calpe's Actuarial function, which is provided by TRLS via an intragroup service agreement.

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;
- overseeing the calculation of technical provisions in the cases set out in Regulation 77 of the Financial Services (Insurance Companies) Regulations 2020;
- 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.

These activities are undertaken on at least an annual basis and are reported to the Board in an internal Actuarial Function Report.

B.7 Outsourcing

Outsourcing management

Calpe outsources underwriting and claims handling to its MGAs and lead insurers. Some MGAs and lead insurers have their own in-house claims handling teams and others operate on an outsourced claims handling arrangement.

For each non-insurance outsourcing arrangement, a Calpe manager (the "Outsourcing Owner") is identified. 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.

Outsourcing of critical or important operational functions

Details of outsourcing in respect of Calpe's critical or important operational functions are set out in Figure 11.

Figure 11: Outsourcing of critical or important operational functions

Outsourcing	Jurisdiction
As of October 2021, insurance management services, including underwriting, claims, reinsurance support, governance and company secretarial, financial management, regulatory and compliance services, are provided by Robus under an insurance management services agreement. These services were previously provided by Artex. Calpe did not experience any issues arising from the transfer.	Gibraltar
Certain intra-group services and support services, including underwriting support, claims and reinsurance support, actuarial, investment, accounting and treasury services, risk management and internal audit are provided by TRLS and TRC under a services agreement.	UK (TRLS) New York, USA (TRC)
Calpe outsources certain activities of its Internal Audit function to Mazars, as described in section B5.	UK
Calpe'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 Chief Financial Officer ("CFO") in the UK. BlackRock reports quarterly to Calpe's Investment Committee.	UK

B.8 Any other information

Calpe's system of governance has not materially changed during the year to 31 December 2021. Calpe does not consider there to be any other material information to disclose on its system of governance.

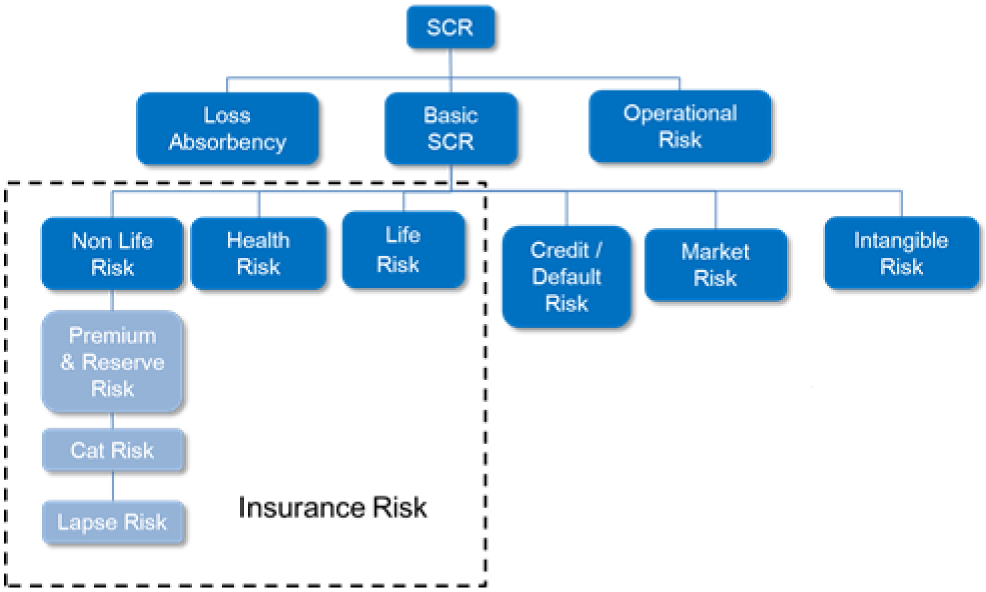
C. Risk profile

Calpe has permission to write motor, property and general liability business. Key points regarding Calpe's risk profile are that it:

- provides insurance and co-insurance support to MGAs and insurers that have the expertise to underwrite motor, property and general liability classes of business; and
- predominantly focuses on UK motor business.

Calpe's SCR is calculated using the Standard Formula for all components. 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 12: Standard Formula risk modules



The above diagram does not include the effect of diversification benefits or adjustments.

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

C.1 Underwriting risk

There was no change in Calpe's approach or appetite to (re)insurance/underwriting risk during 2021. Calpe continued to underwrite predominantly motor business on a co-insurance basis and in support of MGAs during the year.

Key underwriting risks to which Calpe is exposed include:

- Premium / underwriting risk
  - excessive aggregation/catastrophe risks in a single region/location;
  - writing outside of appetite;
  - excess exposures in certain driver demographics and/or territories; and
  - underwriting below the technical price;
- Reinsurance risk
  - failure of reinsurance counterparties or reinsurance programmes;
- Reserve risk
  - inadequate reserving due to flaws in the provisioning/reserving methodology or in the application of the methodology, inadequate IBNR and inadequate Incurred But Not Enough Reported ("IBNER"); and
- 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.

Calpe 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

Calpe maintains a clear underwriting philosophy that is supported by risk appetites and tolerances, procedures and controls in relation to pricing, rigorous risk selection criteria and the ability to underwrite a diverse portfolio.

Calpe's main risks are that an MGA or co-insurer fails or seeks to accept business that is outside of the agreed underwriting criteria that Calpe has set.

Calpe has developed robust underwriting selection procedures and potential co-insurance and MGA partners are subject to a comprehensive due diligence process prior to engaging with them. Once engaged, they are then subject to ongoing due diligence.

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

- ongoing monitoring and exposure management, assessing individual and aggregate exposures;
- ongoing exposure management against risk tolerances and against a range of extreme events and stress tests; and
- ongoing reviews of underwriting activities, including quarterly underwriting performance reviews, pricing adequacy reviews and rate monitoring supplement the oversight framework.

Reinsurance risk

Calpe benefits from a comprehensive reinsurance programme that provides protection to Calpe's balance sheet. All placements are subject to approval and must comply with TransRe's group-wide retrocession/reinsurance purchasing procedures (which include minimum credit quality and counterparty limits) and delegated retrocession/reinsurance purchasing authorities.

Calpe does not have any exposure to any special purpose vehicles.

Reserve risk management

Reserve risk is managed through the oversight provided by Calpe's Claims, Underwriting & Reserving Committee. 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 reinsurance transaction alerts;
- ad-hoc reserving studies; and
- independent validation of reserves.

Risk sensitivity for underwriting risks

Calpe undertakes detailed stress and scenario testing as part of its ORSA process.

As part of the ORSA process, the current and projected solvency position over the business planning period have been 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 events). In addition to these underwriting events, consideration has been given to the risk of a material deterioration in Calpe's reserves, including adverse development in claims ratios and IBNR.

The results of the analysis showed that the most material impact on the SCR arose from a combination of prolonged poor underwriting results and multiple changes to the bodily injury legislation in the UK and Ireland, resulting in an increase of 25% to the average severity for BI claims. The analysis undertaken indicated that it would take a series of significant events to breach the SCR. Calpe's underwriting risk profile is therefore resilient to withstand severe shocks 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, Calpe benefits from a robust risk management framework enabling effective oversight of Calpe's risk profile via various governance committees throughout Calpe and TransRe, including the ORSA process, Calpe's risk register and the stress and scenario testing Calpe performs.

Furthermore, Calpe's reserves are subject to a quarterly review and are then subject to an independent review as part of the annual statutory audit.

In relation to Reserve Risk, Calpe's actuarial function conducts quarterly reserve reviews of Calpe's portfolio to determine appropriate reserve levels and expected IBNR adequacy. Calpe'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, Calpe's reserves are subject to independent review.

C.2 Market risk

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

Except for the acquisition of ETFs described in section A3, there has been no change in Calpe's market risk appetite during 2021. For Calpe, market risk comprises the following key components:

Figure 13: Standard Formula market risk sub-modules

At least annually, the Investment Committee reviews Calpe's investment strategy which is based on the following key principles, to:

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

Calpe's investment strategy forms the basis for the mandate given to Blackrock, Calpe's investment manager. 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. The execution of Calpe's investment strategy is subject to ongoing monitoring and scrutiny by the Investment Committee.

Calpe has a material risk concentration to the UK government; this is mitigated through ongoing review and monitoring by the Calpe Board and Calpe's asset managers. Furthermore, Calpe's liabilities are predominantly in GBP.

Calpe is exposed to the following key market risks:

Interest rate risk

Movements in interest rates affect the amount and timing of cash flows for Calpe 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, Calpe adheres to investment policy guidelines developed by Calpe's Board in line with Calpe's strategy and TransRe's overall objectives. These guidelines direct Calpe to invest in high-quality issuers and its strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements.

Spread risk

This risk relates to the potential financial loss Calpe may suffer due to an increase in the spread that a fixed interest security trades at when compared to a comparable government bond. Calpe is exposed to spread risk as it maintains a large amount of corporate bonds within the investment portfolio as shown in Figure 14. At 31 December 2021, 27% of Calpe's investment portfolio was rated AAA (2020: 33%) with only 17% rated below A grade (2020: 10%). All fixed interest securities were at least investment grade, with the lowest being BBB.

Foreign currency risk

Assets backing the equity and liabilities of Calpe are predominantly maintained in GBP, thereby mitigating the potential impact of foreign exchange and interest rate risk on Calpe's solvency position.

Market risk management and mitigation techniques

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

Calpe's investment portfolio is split across the following asset classes:

Figure 14a: Portfolio composition as at 31 December 2021

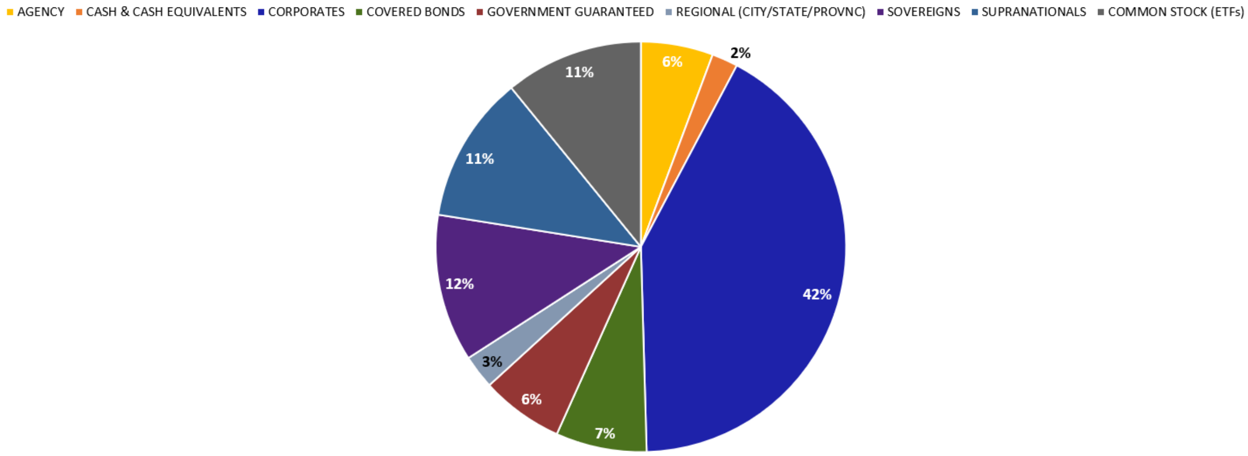


Figure 14b: Portfolio composition as at 31 December 2020

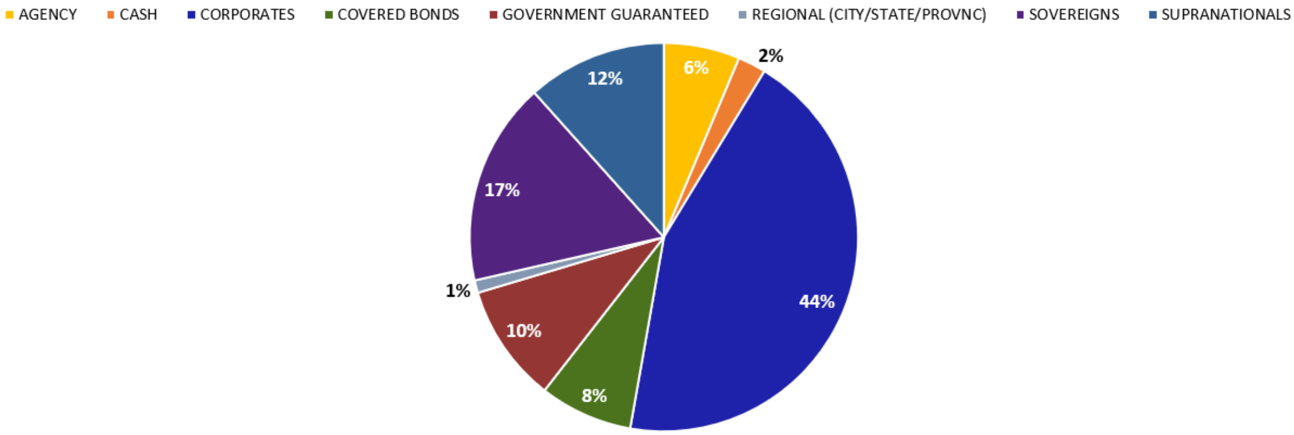
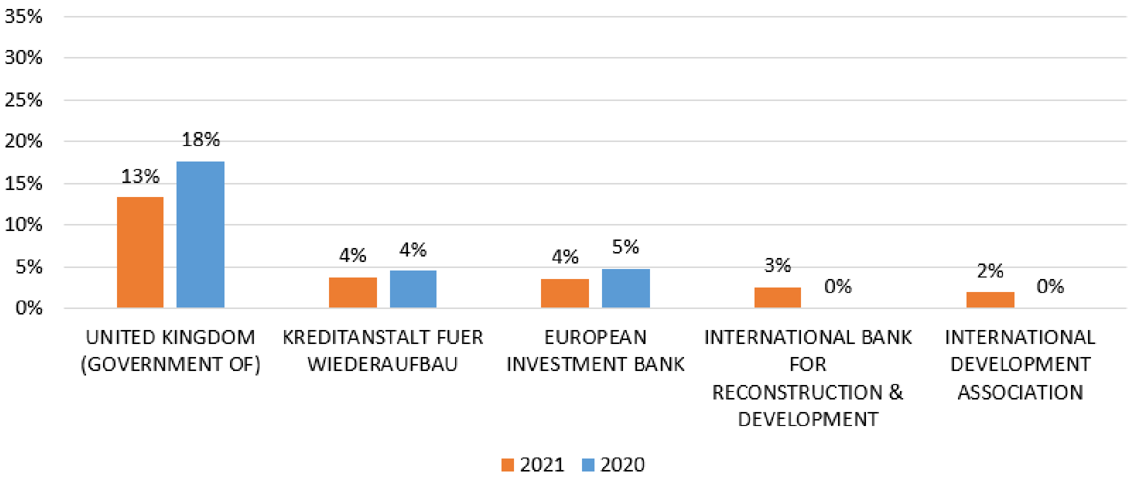


Figure 15: Top 5 Portfolio issuer exposures as at 31 December



Stress and sensitivity tests

Calpe performs stress and scenario testing as part of its approach to managing market risk. Results are considered as part of the ORSA process. For the 2021 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 are considered.

Under certain extreme scenarios, Calpe would need to seek further capital from its parent, under the TRC Capital Support Agreement. Under the agreement, TRC agrees to maintain Calpe's regulatory capital in an amount not less than 100% of SCR. Sensitivity analysis is provided in further detail in section C7.

Prudent person principle

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

All assets, in particular those covering the MCR and the SCR, are invested in highly rated and liquid assets that aim to ensure the security, quality, liquidity and profitability of the portfolio as a whole. All assets are held in GBP in Calpe designated portfolios which ensures their availability. Assets covering technical provisions are invested in a manner appropriate to the nature and duration of Calpe's insurance liabilities.

Calpe does not use derivative instruments nor hold assets that are not traded on regulated financial markets. 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.

Processes for monitoring the effectiveness of risk mitigation techniques

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

Calpe'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.

C.3 Counterparty default (credit risk)

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

This risk was impacted during 2021 prior to one of Calpe's key MGA partners going into receivership in February 2022. Key controls to mitigate credit risk are set out below. There has been no change in Calpe's credit risk appetite or approach during 2021.

MGAs / brokers / intermediaries / reinsurers.

Calpe has credit risk with the co-insurers and MGAs that it generates business through as they represent the major conduit of business to Calpe. All MGAs, co-insurers, brokers, intermediaries and reinsurers are subject to ongoing review by a range of fora, which include the Risk & Audit Committee, the Claims, Underwriting & Reserving Committee, the Investment Committee and ultimately Calpe's Board.

KYC checks are carried out prior to transacting with brokers, cedants or ceded reinsurers for the first time. Reinsurers must go through a credit and security assessment which is overseen by TransRe's Global Risk Management function ("GRM") based in New York. Once approved, they are placed on TransRe's approved Security List. All prospective markets and proposed programme limits are reviewed against an approved 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 reinsurer.

Investment counterparties

Calpe maintains a well-diversified and highly rated investment portfolio. Calpe maintains all its investments in GBP, with its main investment exposure being to the UK Government. All financial assets supporting the Euro liabilities of the firm are held in cash, cash deposits or ETFs. The average credit quality of its fixed income portfolio as at 31 December 2020 and 2021 is AA3/AA- (Moody's / S&P).

Figure 16a: Portfolio credit quality as at 31 December 2021

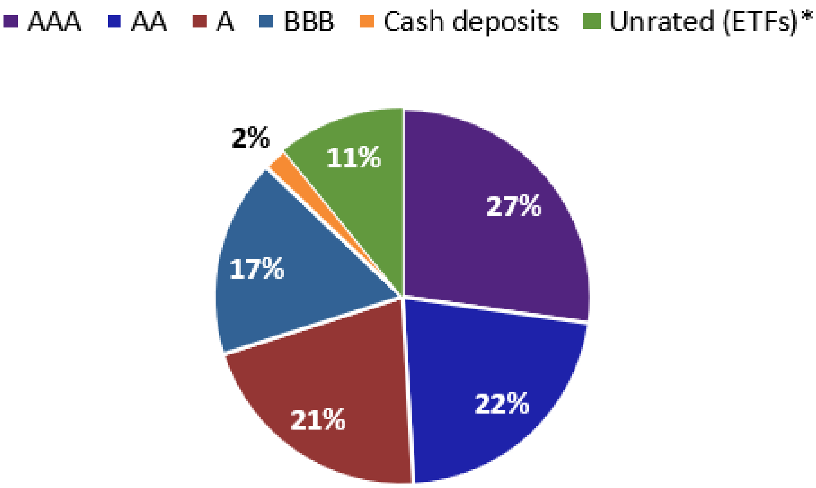
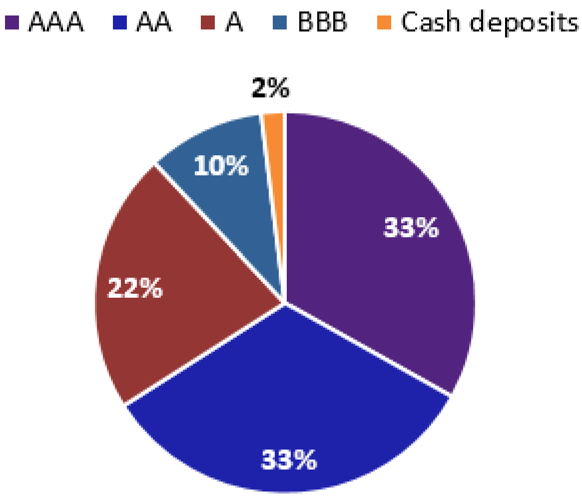


Figure 16b: Portfolio credit quality as at 31 December 2020



* Whilst the ETF is shown as unrated in the above chart, it represents a liquid, exchange traded fund, with an underlying fixed income portfolio with a minimum credit rating of BBB.

Calpe's credit risk management strategies include setting and monitoring the credit rating requirements for its investments. Adherence with these requirements 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 Calpe 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 in Calpe's credit risk management strategy and to minimise the risk of counterparty failure arising from external parties, Calpe 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.

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

Calpe 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 its own market knowledge and intelligence provided by professional investment managers.

TRL Quota Share

The TRL Quota Share is Calpe's largest credit risk. Certain members of Calpe's board are members of TRL's senior management team and can provide updates regarding the capital position of TRL if required. Furthermore, to mitigate the remote possibility of TRL being unable to meet its contractual obligations, Calpe maintains the ability to call on the TRC Capital Support Agreement to require its parent to adequately recapitalise Calpe.

Key controls

Key controls to mitigate credit risk include:

- Board oversight;
- Risk & Audit Committee oversight;
- investment risk reporting;
- approved reinsurer lists;
- 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 Calpe's counterparties has been considered as part of the risk management system (which includes the credit risk associated with the quota share arrangement with TRL).

The analysis demonstrated that Calpe is resilient to a range of events including severe counterparty rating downgrades or failure of TRL to meet its obligations under the quota share arrangement. Sensitivity analysis is provided in further detail in section C7.

Processes for monitoring the effectiveness of risk mitigation techniques

Calpe is able to leverage its membership of a globally active reinsurance group to continually monitor and assess the effectiveness of its controls. Calpe's Risk & Audit Management Committee and the Board review Calpe's risk profile and the effectiveness of risk mitigating controls on a regular basis. 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, Calpe benefits from the additional oversight provided by both TransRe's Counterparty & Credit Risk Committee and Alleghany's Reinsurance Committee, which monitor the credit quality of the retrocessionaires / reinsurers on TransRe's Security List.

Prudent person principle applied to credit risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and Calpe ensures only counterparties with sufficiently high credit ratings are used. Calpe does not rely on a single rating agency, rather seeking to use a number of agencies as well as its own analysis.

C.4 Liquidity risk

Liquidity risk would arise if Calpe 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. Calpe sees liquidity risk as the management of risk arising from short term cash flows, rather than the risk arising from longer-term matching of assets and liabilities. Liquidity risk is considered by Calpe's Investment Committee and Board. There has been no change in Calpe's liquidity risk appetite or approach during 2021 and Calpe continues to have limited liquidity risk.

Calpe manages and incorporates key aspects of liquidity risk management, including the liquidity risk profile, appetite and tolerances as well as any liquidity management information requirements, in its liquidity risk management framework.

As at 31 December 2021, Calpe continued to maintain assets in high quality liquid investments held in functional currencies matching Calpe's average liabilities and claim duration profile.

Key controls

Key controls that aid in mitigating this risk include:

- investment risk and underwriting risk accumulation reporting;
- asset/liability assessment performed every quarter;
- quarterly reserving exercise;
- quarterly balance sheet review; and
- Half-yearly profitability reviews.

Risk sensitivity for liquidity risk

Calpe has carried out liquidity risk stress testing as part of its ORSA process with the results reviewed by the Board. Calpe does not consider liquidity risk to be a material risk. Calpe has established a liquidity risk framework which includes the establishment of a liquidity risk appetite. Adherence to the appetite is reviewed with Calpe reviewing its ability to meet its short and medium term financial commitments in a timely manner in both normal and stressed conditions.

Process for monitoring the effectiveness of risk mitigation techniques

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

Prudent person principle as applied to liquidity risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. Calpe manages its liquidity risk by maintaining a diversified highly liquid investment portfolio.

Expected profit included in future premiums ("EPIFP")

EPIFP as at 31 December 2021, gross of reinsurance recoverables, was £2,307k (2020: £2,413k).

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 Calpe 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 and 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 Calpe'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 Calpe's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage Calpe;
- business continuity management – the risks associated with the failure to appropriately manage unforeseen events;
- information technology ("IT") - the risks associated with IT systems including processing and system failures;
- model– the risk that the output from models used by Calpe is incorrect or flawed due to errors in the design or operation or management's failure to understand the models' limitations;
- processing failures – including IT system failures and other risks associated with IT systems;
- 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.

Calpe's directors identify the key risks, causes and consequences together with relevant mitigating controls, within their function/span of control, on an ongoing basis.

Each risk identified is assessed and scored using a standard matrix, on both an inherent basis and a residual basis after making allowance for risk mitigating controls in place.

Calpe maintains an Operational Risk policy that sets out Calpe's approach to mitigating operational risks. There has been no change to Calpe's operational risk appetite or approach during 2021. Furthermore, there has not been a material increase in operational risk as a result of the Covid-19 pandemic and the implementation of the Business Continuity Management ("BCM") Plan.

Key controls

Key mitigating controls include:

- Risk & Audit Committee oversight;
- quarterly reviews by risk owners assessing the effectiveness of mitigating controls;
- policies and procedures, including the Group's Code of Conduct, business continuity plans and succession planning;
- operational risk appetites;
- escalation procedures;
- data quality standards;
- compliance training, procedures; monitoring and oversight;
- personnel training, oversight and appraisals;
- cybersecurity dashboard;
- disaster recovery plan;
- service level agreements;
- anti-bribery and corruption procedures; and
- performance of underwriting audits.

Risk sensitivities for operational risk

Calpe does not have any material exposures to operational risk.

On an ongoing basis, Calpe assesses risks and controls within its risk register as part of its approach to managing operational risk. Results are presented quarterly at the Calpe Risk & Audit Committee and considered as part of the ORSA process.

For the 2021 ORSA, the current and projected solvency position over the business planning period were re-calculated, incorporating adverse operational risk stresses. Under all of these scenarios relevant to operational risk, the analysis indicated that Calpe was able to withstand these events without breaching its SCR. Sensitivity analysis is provided in further detail in section C7.

Process for monitoring operational risk

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

- key risks facing Calpe, including mitigating controls and their effectiveness;
- operational risk events and losses;
- the environment in which Calpe 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 events or near losses and to continually enhance its framework.

C.6 Other material risks

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

MGA oversight/failure: Calpe is exposed to risks arising from outsourcing and the oversight of MGAs. In respect of the MGA arrangements, the individual MGA's are provided with delegated authorities in respect of claims handling and underwriting parameters. Such parameters are approved at the Calpe Underwriting, Claims and Reserving Committee, and any deviation from these parameters by the MGA requires prior approval from the Committee. Regular audits of the MGAs are conducted to ensure compliance with the parameters.

Group risk**:** As a wholly owned subsidiary of a large international group, there is a risk Calpe could be adversely affected by the actions of another company within the group, such as the failure or loss of the TRL quota share arrangement. Should such an event arise, Calpe has identified a number of recovery and resolution options should such a group risk event arise.

Emerging risks: On an ongoing basis, TransRe and Calpe 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 to key fora. This helps to ensure Calpe is able to react quickly should the environment in which it operates change. climate change is also considered within the emerging risk process; please see section A5 and below for further details

Climate risk: TransRe has an established governance framework and internal control system which considers the impact of climate risks. The governance structure enables the Board to discharge its oversight responsibilities, helping to ensure TransRe meets its strategic objectives while managing risks within its stated risk appetite, including considering climate related issues in business plans and exposure to risks.

TransRe established its Task Force on ESG in 2019 (the "Task Force")[1]. This interdisciplinary, international group includes representatives from underwriting, risk management, legal/regulatory, investments, actuarial, modelling/analytics, claims, operations and marketing/communications functions, as well as a member of the Diversity, Equity and Inclusion Committee. The Task Force meets quarterly and reports to TransRe's Corporate Risk Management Committee at its quarterly meetings. The Task Force's initial priorities emphasise resilience and sustainability elements for climate change within the ESG framework. These priorities include property modelling and analytics (initially through the enhancement of existing catastrophe models to permit sensitivity testing for changes in risk parameters), incorporation of ESG elements into underwriting (including property, professional liability, and surety/mortgage lines of business) and assessment of ESG (particularly carbon-sensitivity) factors in investment portfolios.

TransRe and Calpe recognise the risks associated with climate change (physical, transition, and liability). Calpe's ORSA process considers these risks and TransRe's ERM framework incorporates a comprehensive approach to the identification, assessment, monitoring and mitigation of climate change risks.

During 2021, Calpe established a climate risk appetite. The purpose of the risk appetite statement is to ensure that Calpe is not excessively exposed to the financial risks associated with climate change. In establishing this appetite, Calpe worked with TransRe's and Calpe's senior management team, considering key climate change risks across the three key areas of physical, transition and liability risk in both our underwriting and investment portfolio.

TransRe and Calpe take the risks associated with climate change seriously, and TransRe's global catastrophe modelling team has considered the long term effects of climate change on our catastrophe models. We consider the financial risks associated with climate change can be appropriately mitigated against, with the correct understanding of the longer-term risks associated with our underwriting and investment portfolios and with the industries which impact climate change. We recognise the seriousness of the risks associated with climate change and the changing environment in which we operate.

We have employees within TransRe, from a diverse range of disciplines, investigating and assessing the impact of climate change across a range of areas including our underwriting and investment portfolios, as well as considering the impact on the day to day running of the business.

[1] In January 2022 the Task Force has been converted to an ESG Committee reporting directly to the Corporate Risk Management Committee and the TransRe Board of Directors.

C.7 Any other information

Sustainability

TransRe and its ultimate parent company, Alleghany, are focused on promoting a culture centred on building long-term value for all stakeholders, including investors, clients and customers, employees and the larger communities of which TransRe and its subsidiaries are part.

Our approach to ESG and sustainability is based on four core pillars:

1. Supporting Climate Resilience: use our risk management expertise to provide products and solutions which help clients manage and mitigate their exposure to natural catastrophes, spreading the cost of these events to society over time and speeding recovery in the event of catastrophic loss.
2. Investing Sustainably: secure our ability to meet claims obligations and incorporate ESG factors in our investment process.
3. Developing Human Capital: promote the health, safety, and well-being of our employees and creating a diverse and inclusive workplace.
4. Governing Our Businesses for the Long-Term: maintain good corporate governance principles and practices that support our focus on long-term objectives.

In 2021, Alleghany produced its inaugural ESG report. A copy of the report can be found here: https://sustainability.alleghany.com. The report lays out the group-wide framework for incorporating ESG principles in its business and governance practices and how the group approaches all of its business activities with a long-term, sustainable orientation, and more recently how it has specifically addressed how energy transition from fossil fuels to renewable sources of energy and climate change impact our underwriting and investment activities.

Risk sensitivity

Calpe's SCR coverage ratio as at 31 December 2021 is 139.5% (2020: 165%). The below table shows the absolute change in the SCR coverage ratio under several hypothetical scenarios.

Figure 17: SCR coverage ratio sensitivity analysis

Scenario	Absolute change to SCR coverage ratio
Exchange rates: +10%	1%
Exchange rates: -10%	-1%
Interest rates: +1%	0%
Interest rates: -1%	-1%
Credit spreads: +1%	-6%
Credit spreads: -1%	5%
Catastrophe loss: £100m gross, net of all reinsurance	-11%

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

D. Valuation for solvency purposes

This section of the report provides a description of the material bases, methods and assumptions used to value assets, technical provisions and other liabilities under Solvency II. It also includes descriptions of how the bases, methods and assumptions under Solvency II differ from those applied for valuation purposes in the financial statements. As of the date of writing this report, Calpe has not yet published audited financial statements for the year ended 31 December 2021, hence financial statement amounts referred to in this document are unaudited.

During the year the Company obtained regulatory consent to change the accounting basis under which the financial statements are prepared from IFRS to UK GAAP. This change did not give rise to any material change to the net assets of the Company on a statutory accounting basis. Accordingly, prior year UK GAAP assets and liabilities presented in this document are consistent with those presented in last year's SFCR under IFRS.

Calpe's assets and liabilities are presented on an economic basis consistent with the "fair value accounting concept" and valued in accordance with the requirements of Solvency II. Valuations represent amounts for which assets and liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction.

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

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

As at 31 December 2021, Calpe's total assets under Solvency II were £234,290k (2020: £229,850k) compared to £280,461k (2020: £294,324k) in accordance with UK GAAP. Calpe's total liabilities under Solvency II were £206,098k (2020: £194,821k) compared to £249,380k (2020: £255,886k) under UK GAAP.

Accordingly. as at 31 December 2021, Calpe's excess of assets over liabilities under Solvency II was £28,192k (2020: £35,028k) compared to £31,080k (2020: £38,440k) under UK GAAP.

D.1 Assets

The material classes of assets shown on Calpe's Solvency II balance sheet, their Solvency II values and corresponding values under UK GAAP (all in GBP) are summarised in the table below.

Figure 18: Summary assets as at 31 December 2021

(£'000s)	Solvency II	UK GAAP assets	Difference
Deferred acquisition costs	0	7,973	(7,973)
Deferred tax assets	413	0	413
Investments			
Government bonds	11,296	11,250	46
Corporate bonds	28,183	27,957	226
ETFs	4,900	4,900	0
Interest receivable	0	272	(272)
Reinsurance recoverables			
Non-life excluding health	167,360	198,737	(31,377)
Life excluding health	5,213	0	5,213
Total Receivables			
Insurance and intermediary receivables	3,901	19,723	(15,822)
Reinsurance receivables	3,485	0	3,485
Receivables (trade, not insurance)	528	638	(110)
Cash and cash equivalents	9,011	9,011	(0)
Total assets	**234,290**	**280,461**	**(46,171)**

The following sections provide further details on the specific valuation policies that Calpe 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 UK GAAP, 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

Under UK GAAP and Solvency II, 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 UK GAAP and Solvency II balance sheets respectively, and the values ascribed for tax purposes.

A positive value is only ascribed to deferred tax assets, under both UK GAAP and Solvency II, 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 for Solvency II is recognised and valued on a basis consistent with treatment under UK GAAP. For example, under both Solvency II and UK GAAP:

- 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 rather than the UK GAAP balance sheet. The resulting amount of deferred tax therefore differs as a result of changes in recognition and valuation of other balance sheet items.

Figure 19: Deferred tax calculation as at 31 December

£'000s	2021	2020
Deferred tax asset under UK GAAP	**0**	**0**
Adjustment needed (all timing differences are expected to unwind at a tax rate of 10%)		
DAC	199	187
Change in technical provisions ("TPs") (including removal of unearned premium reserves ("UPR"))	(158)	(109)
Risk margin	364	300
Net of receivables and payables (trade, not insurance)	8	1
Total Solvency II deferred tax asset	**413**	**379**

Financial instruments

Investments are recognised and valued for Solvency II on a basis consistent with their treatment under UK GAAP.

Accordingly, descriptions of the recognition and derecognition of investments under UK GAAP, provided in the accounting policy note in Calpe's financial statements are also applicable to their valuation under Solvency II Rules. While the valuation methods are the same under both bases, accrued interest is included in the valuation of investments under Solvency II, but disclosed as a separate line item in the financial statements

Fair value of investments

Calpe 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 Calpe's investment assets recorded at fair value under UK GAAP and Solvency II are measured and classified in a hierarchy for disclosure purposes. Calpe applies the UK GAAP fair value hierarchy as described below for all financial assets and liabilities, which is materially consistent with the hierarchy 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:

1. Level 1: Fair value measurements that are quoted prices unadjusted in active markets that Calpe has the ability to access for identical assets. Market price data generally is obtained from exchange or dealer markets.
2. 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.
3. 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. Calpe's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, Calpe 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 level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value sources and use of pricing vendors

Calpe uses New England Asset Management (NEAM) to provide pricing and fair value of its investments. Although Calpe outsources the portfolio valuation function to pricing vendors or relies on investment managers for valuations in certain instances, Calpe is responsible for ensuring that the supporting methodologies and assumptions employed by pricing vendors are consistent with and meet the objectives of fair value determination.

Valuation differences between the Solvency II and UK GAAP balance sheets

Other than the disclosure of accrued interest, which is included in investment valuation under Solvency II and disclosed in a separate line under UK GAAP, there are no differences between the regulatory and UK GAAP bases for valuing investments.

Reinsurance recoverables

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

(Re)insurance and intermediaries receivables

Insurance and (re)insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Receivables and payables are recognised at the amount expected to be received or paid when due. Due to the short-term nature of Calpe's (re)insurance receivables and payables, amounts are not discounted on either an UK GAAP or Solvency II basis.

The presentation of (re)insurance receivables and payables on the regulatory balance sheet differs from Calpe's financial statements. In the former case, accrued premiums and acquisition costs (recognised as not yet due to be paid) are instead included within the valuation of the best estimate of technical provisions.

Other receivables (trade not insurance)

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

Cash and cash equivalents

The valuation and presentation of Calpe's cash and cash equivalents in the Solvency II balance sheet is consistent with Calpe's financial statements. For a description of Calpe's approach to recognising cash and cash equivalents see the financial statements.

Foreign currency transactions and balances

Calpe presents its financial statements in GBP, which is Calpe's functional currency. Calpe 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. Where necessary, ground up recalculations for each reporting currency are performed for items with multiple underlying exchange rates (for example, for DAC).

For further background to Calpe's approach to foreign currency transactions and balances see the financial statements.

Translation to functional currency

For a background to Calpe's approach to translation of functional currency, which is consistent for both the financial statements and regulatory reporting, see Calpe's financial statements.

Leasing arrangements

Calpe had no operating or financial leasing arrangements during 2021.

D.2 Technical provisions

Under Solvency II, Calpe 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 ("BELs") 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 Calpe is obligated to at the valuation date.
- The risk margin represents an allowance for the cost of capital necessary to support the policies Calpe 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.

Calpe calculates its technical provisions using the sum of the BEL and risk margin, therefore:

Technical Provisions = Best Estimate Liability + Risk Margin

Segmentation into lines of business

Under Solvency II, best estimate liabilities ("BEL") 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). Calpe's PPO claims are separated from its other non-life obligations and reported as annuities stemming from non-life insurance contracts.

The technical financials of Calpe are mapped to Solvency II lines of business according to "sub-department" classification in Calpe's accounting system, subject to allocations for certain sub-departments, which include private and commercial motor. With the exception of these allocations, the sub-departments and Solvency II lines of business are in one-to-one correspondence.

Figure 20: Technical provisions by line of business as at 31 December 2021

Technical provisions bases, methodologies and key assumptions

Solvency II line of business (£'000)	Gross	Reinsurance ceded	Net	Risk Margin	Total TP
Motor vehicle liability insurance	145,475	125,035	20,440	2,028	22,468
Other motor insurance	25,672	22,065	3,607	358	3,965
General liability insurance	24,286	20,260	4,026	400	4,426
Total non-life	**195,433**	**167,360**	**28,073**	**2,786**	**30,859**
Life: annuities	6,362	5,213	1,149	114	1,263
Total life	**6,362**	**5,213**	**1,149**	**114**	**1,263**
Total technical provisions	**201,795**	**172,573**	**29,222**	**2,900**	**32,122**

The net technical provisions for annuities of £1,149k (gross: £6,362) is comprised of four PPOs. Although Calpe has significant reinsurance protection in place for PPO claims, one of its PPOs, which was awarded in 2021, has some protection subject to capitalisation clauses. The mismatch between the net discount rates stipulated in the capitalisation clause and actual net discount rates results in the reinsurance recoveries for this PPO being below those that would result from equivalent uncapitalised reinsurance protection. This PPO is driving the increase in the net technical provisions for annuities compared to 31 December 2020 (2020 £112k).

Basis

Calpe uses the UK GAAP financial reporting framework as the starting basis for determining Solvency II technical provisions.

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

Figure 21: UK GAAP to Solvency II reconciliation for the year ended 31 December 2021

UK GAAP to SII reconciliation	Assumed £'000s	Ceded £'000s	Net £'000s
UK GAAP Technical Provisions	232,699	198,737	33,962
DAC	(7,973)	(6,378)	(1,595)
Contingent commission costs	(6,567)	(4,958)	(1,609)
Reserving margins	(832)	152	(984)
Future premiums & acquisition costs	(9,255)	(7,385)	(1,870)
Future other expenses	3,209	0	3,209
Legally obliged unincepted business	(40)	(24)	(16)
Discounting	(9,446)	(7,437)	(2,009)
Counterparty default	0	(134)	134
Solvency II best estimate	**201,795**	**172,573**	**29,222**
Risk margin	2,900	0	2,900
Solvency II technical provisions	**204,695**	**172,573**	**32,122**

Best estimate liability

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

Claims provision

Calpe 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 all future benefits, expenses and premiums related to the claim events. Calpe 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 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

Calpe 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. Calpe 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; and
- 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

Under both Solvency II and UK GAAP, 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 Calpe uses (described above) are employed to estimate ultimate losses, including the delay between the claim being reported to the (co)insurer, and the insurer reporting the claim to Calpe. 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 Calpe 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 UK GAAP 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 Calpe's UK GAAP financial statements 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. Calpe 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 UK GAAP, 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 UK GAAP, 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. Calpe 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 cashflows is historical data for the payment of other expenses by calendar period. Calpe 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, Calpe 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 2021 which incepts on 1 January 2022 would be included within legally obliged unincepted business at 31 December 2021.

Under UK GAAP, 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

Calpe accounts for events not in data (“ENIDs”) using a scenario approach, based on the business profile and data available.

Calpe, 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, ENIDs 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 UK GAAP.

Under Solvency II, Calpe 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 Calpe. Where, for a given currency, spot discount curves are not provided by EIOPA, the spot discount curve for GBP is used by default.

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

Calpe does not adjust the technical provisions calculated under UK GAAP for potential counterparty default.

Under Solvency II, the calculations of 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%. Calpe does not adjust the amounts recoverable to allow for deposits or collateralisation arrangements.

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, Calpe 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 Calpe to denote a technical provision figure net of reinsurance.

Existing reinsurance

Calpe employs both proportional and non-proportional ceded reinsurance.

With respect to proportional reinsurance, outwards reinsurance 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 reinsurance, the calculation of reinsurance recoverables is based on the principle of correspondence, but future premiums are subject to contractual minimums.

Future reinsurance purchases

To the extent that Calpe has a history of renewing outwards non-proportional reinsurance, the purchase of future outwards reinsurance is assumed in the assessment of technical provisions under Solvency II. In particular, expected cash flows arising from future reinsurance that will cover existing inwards contracts but has 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

Calpe writes insurance coverages whose major risk factors materially impact the variability of the loss reserves. Calpe's portfolio has exposure to potentially long-tail motor liabilities (such as Payment Protection Orders) which could have volatile results.

At the primary insurance level there are significant risk factors which contribute to the variability and unpredictability of loss cost trends and loss emergence patterns. Calpe faces additional risk factors arising from its dependence upon the claims reserving and reporting practices of its co-insurers, which vary greatly by size, specialisation, degree of sophistication, and country of operation, and are subject to change without notice.

Given the composition of Calpe's business, which includes exposure to a small number of motor portfolios, the loss cost trends are difficult to assess.

The variability in the loss cost trends, the difficulty inherent in estimating loss development patterns and tail factors for low frequency/high severity claims all contribute to the risk of adverse deviation in Calpe's loss reserves.

Calpe 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 Calpe'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, Calpe 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.

With respect to unexpired periods of coverage, Calpe’s loss reserves include exposure to extreme or exceptional events, both natural and man-made. Unexpired periods of coverage relating to the motor contracts of Calpe 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;
- riots; and
- other man-made disasters, including those that may result from terrorist activity.

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

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 Calpe.

Sensitivity analysis for technical provisions

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

Figure 22: Technical provision sensitivities as at 31 December 2021

	Exchange Rates		**Interest Rates**		**Reserving Assumptions***	
Key assumptions	+10%	-10%	+100bps	-100bps	+5%	-5%
Technical provisions	2%	-2%	-3%	4%	3%	-3%

* This sensitivity includes a 5% uplift to the net ULR on the 2020/2021 UY contracts.

Exclusions from technical provisions

There are a number of additional aspects of the Solvency II regime that firms can apply for:

Matching adjustment

Calpe 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 Calpe in the calculation of technical provisions.

Transitional measures to technical provisions (TMTP)

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

Transitional risk-free interest rate-term structure

Calpe 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. Valuation assumptions, however, are updated each quarter to reflect the prevailing economic conditions.

D.3 Other liabilities

The material classes of other liabilities shown on Calpe's Solvency II balance sheet, their Solvency II values and corresponding values under UK GAAP are summarised in the table below.

Figure 23: Other liabilities – UK GAAP & Solvency II reconciliation as at 31 December 2021

£' 000s	Solvency II	UK GAAP liabilities	Difference
Insurance and intermediary payables	0	0	0
Reinsurance payables	1,334	10,190	(8,856)
Payables (trade, not insurance)	69	113	(44)
DAC	0	6,378	(6,378)
Total other liabilities	**1,403**	**16,681**	**(15,278)**
Technical provisions	204,695	232,699	(28,004)
Total liabilities	**206,098**	**249,380**	**(43,282)**

The main valuation differences between Solvency II and UK GAAP balances presented in Figure 23 are as follows:

- UK GAAP reinsurance payables include technical accruals which for Solvency II are subsumed within technical provisions;
- UK GAAP 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.

Calpe has no financial or operating lease arrangements.

The following sections provide further details on the specific valuation policies that Calpe 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.

Provisions

Other than technical provisions, Calpe held no provisions in its UK GAAP or Solvency II balance sheets as at 31 December 2021.

Contingent liabilities

Calpe does not consider any contingent liabilities exist as at 31 December 2021.

Employee benefits

Calpe does not consider any employee benefit liabilities exist as at 31 December 2021.

Aggregation of liabilities

Calpe 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

Calpe does not use any alternative methods for valuation.

D.5 Any other information

Calpe 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

As at 31 December 2021 Calpe's own funds to cover its SCR were £28,192k (2020: £35,028k), representing a decrease of £6,836k.

Calpe's own funds comprise mostly ordinary paid-up share capital including the share premium account which is classified as Tier 1 own funds.

In addition, Calpe recognises a reconciliation reserve which had a deficit of £2,221k at 31 December 2021 (2020: surplus of £4,649k), which is also classified as Tier 1 own funds and a deferred tax asset of £413k (2020: £379k), 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 2021, the available own funds of Calpe were as follows:

Figure 24: Eligible own funds by tier

Tier	Instruments	At 31 December (£'000s)	
		2021	2020
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(2,221)	4,649
Tier 2	N/A		
Total own funds to cover MCR		**27,779**	**34,649**
Tier 3	Deferred tax asset	413	379
Total own funds to cover SCR		**28,192**	**35,028**

As at 31 December 2021, Calpe had no ancillary own funds.

The reconciliation reserve deficit of £2,221k (2020: £4,649 surplus) is calculated below and is dependent on the level of excess assets over liabilities and the values of ordinary share capital and deferred tax assets. The reconciliation reserve has the potential for volatility. Movements in the reconciliation reserve are associated with movements in eligible own funds and thus the SCR coverage ratio. The sensitivity of the SCR coverage ratio to movements in a range of parameters is provided in section C7 of this report.

Figure 25: Reconciliation Reserve

	At 31 December (£'000s)	
	2021	2020
Excess of assets over liabilities	**28,192**	**35,028**
Less:		
Ordinary share capital	(30,000)	(30,000)
Deferred tax asset	(413)	(379)
Reconciliation reserve	**(2,221)**	**4,649**

Every quarter Calpe 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 & Audit Committee as part of the quarterly review process. There have been no material changes to own funds during the year.

The overall objective of Calpe, in relation to own funds, is to maintain a suitable buffer of Tier 1 capital above the SCR.

As part of Calpe's ORSA process, described in section B, stress tests are undertaken to determine the impact on Calpe's own funds and whether they would deteriorate below the required Tier 1 buffer.

Calpe 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 Calpe business plan, such as changes to the composition of business;
- varying the quota share with TRL; and
- the purchase of additional reinsurance.

As set out in Calpe'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 Calpe to fail to meet any applicable capital or solvency requirement, including its SCR.

Below is an explanation of material differences between the net assets under UK GAAP and the excess of assets over liabilities as calculated for solvency purposes:

Figure 26: UK GAAP net assets to Solvency II reconciliation as at 31 December 2021

	2021 £'000s	2020 £'000s	Description
UK GAAP net assets	**31,080**	**38,440**	
Change in:			
Net DAC	(1,595)	(1,867)	Valued at nil under Solvency II
Reinsurance receivables	(12,337)	(21,295)	Estimated premium and Contingent Commission Reserve not yet due moved to TPs
Reinsurance recoverables	(26,164)	(34,156)	Adjustment from reinsurer's share of UK GAAP insurance reserves to Solvency II TPs
Other receivables	(111)	(70)	Prepaid insurance related expenses not yet due moved to TP's
(Re)insurance payables	8,858	16,750	Accrued premium and Contingent Commission Reserve not yet due moved to TPs
Other payables	44	60	Accrued insurance related expenses not yet due moved to TPs
Technical provisions	30,790	39,776	Adjustment from UK GAAP insurance reserves to Solvency II TPs
Risk margin	(2,786)	(2,989)	Inclusion of Solvency II Risk Margin
Deferred tax asset	413	379	Pre-tax change in Net Assets x 10% deferred tax rate
Solvency II own funds	**28,192**	**35,028**	

The principal differences between UK GAAP net assets and Solvency II own funds relate 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 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 UK GAAP and Solvency II technical provisions; and section D3 for other liabilities.

Calpe 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.

Calpe 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

Calpe uses the Solvency II Standard Formula to calculate its SCR.

Figure 27: Solvency II capital requirements at 31 December

	2021 (£'000)	2020 (£'000)
Eligible Own Funds to cover SCR	28,192	35,028
Eligible Own Funds to cover MCR	27,779	34,649
MCR	**5,051**	**5,294**
Basic SCR	15,542	16,290
Operational risk	4,663	4,887
SCR	**20,205**	**21,177**
Market risk	3,359	2,444
Counterparty default risk	7,212	7,069
Life underwriting risk	170	3
Health underwriting risk	0	0
Non-life underwriting risk	9,156	10,618
less Diversification	(4,355)	(3,844)
Basic SCR	**15,542**	**16,290**
Non-life catastrophe risk	852	927
Non-life premium & reserve risk	8,904	10,347
Non-life lapse risk	178	130
less Diversification	(778)	(786)
Non-life underwriting risk	**9,156**	**10,618**

Overall Calpe held 139.5% (2020: 165.4%) of its SCR and 549.9% (2020: 654.5%) of its MCR at 31 December 2021. There have been no instances of non-compliance with the MCR and SCR in the current or previous year.

The drop in SCR ratio is due to a £6,836k reduction in own funds to cover the SCR, although the SCR also reduced by £972k during the same period. The decrease in own funds is due to a £6,870k reduction in the reconciliation reserve offset by a £34k increase in the net deferred tax asset.

The reduction in the reconciliation reserve is primarily due to losses incurred with respect to the MGA partner now in receivership, including provisions made for bad debt with respect to adjustments of commission due to Calpe, and a provision for additional run-off costs.

The reductions in the MCR and MCR ratios are in line with the movements in the SCR and SCR ratios. The components of eligible own funds are shown in Figure 24 and a breakdown of the reconciliation reserve is provided in Figure 25.

Calpe 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 Calpe 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.

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

Calculation of the MCR

In order to calculate its MCR, Calpe 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.

Calpe’s linear MCR falls below the SCR corridor of between 25% and 45% of the SCR. Accordingly Calpe’s MCR has been set to equal 25% of its SCR, as required by Solvency II.

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

Calpe 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

Calpe does not use an internal model to calculate its SCR.

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 Calpe.

E.6 Any other information

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

Appendix 1: Abbreviations used in this report

A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
Artex	Artex Risk Solutions (Gibraltar) Limited
BCP	Business Continuity Planning
BEL	Best Estimate Liabilities
Berkshire Hathaway	Berkshire Hathaway Inc
BF	Bornhuetter-Ferguson
BlackRock	BlackRock, Inc and BlackRock Investment Management (UK) Limited
bps	Basis points (0.01%)
Calpe	Calpe Insurance Company Limited
CFO	Chief Financial Officer
Covid-19	2019 Novel Coronavirus disease
CPD	Continuing Professional Development
CRMC	Corporate Risk Management Committee
CRO	Chief Risk Officer (New York)
DAC	Deferred Acquisition Costs
EIOPA	European Insurance and Occupational Pensions Authority
ELR	Expected Loss Ratio
ENIDs	Events not in Data
EPIFP	Expected Profit included in Future Premiums
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound Sterling
GFSC	Gibraltar Financial Services Commission
GIPP	General Insurance Pricing Practices
GRM	Global Risk Management
GWP	Gross Written Premium
HR	Human Resources
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
IFRS	International Financial Reporting Standards
IT	Information Technology
KYC	Know Your Counterparty
LAE	Loss Adjustment Expenses
LDF	Loss Development Factors
LTF	Loss Trend Factors
MCR	Minimum Capital Requirement
MGA	Managing General Agent
Moody's	Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their affiliates
NEAM	New England Asset Management
NED	Non-executive Director
NYSE	New York Stock Exchange
ORSA	Own Risk and Solvency Assessment
PPO	Periodic Payment Order
QRT	Quantitative Reporting Template
QS	Quota Share
Robus	Robus Risk Services (Gibraltar) Limited
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
Solvency II, or SII	Solvency II, as adopted into Gibraltar law by the Financial Services (Insurance Companies) Regulations 2020
Task Force	TransRe's Task Force for ESG matters
TMTP	Transitional Measures to Technical Provisions
TPs	Technical Provisions
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRC Capital Support Agreement	The capital support agreement described in section B1

TRH	Transatlantic Holdings, Inc.
TRL	TransRe London Limited
TRL Quota Share	The quota share reinsurance agreement described in section B1
TRLS	TransRe London Services Limited
UK	United Kingdom
UK GAAP	United Kingdom Generally Accepted Accounting Practice
US or USA	United States of America
XOL	Excess of Loss

Appendix 2: Public Quantitative Reporting Templates (QRTs)

Templates	
S.01.02	General information
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	413
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)	44,379
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*	39,479
R0140	*Government Bonds*	11,296
R0150	*Corporate Bonds*	28,183
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	4,900
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:	172,573
R0280	*Non-life and health similar to non-life*	167,360
R0290	*Non-life excluding health*	167,360
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	5,213
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	5,213
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	3,901
R0370	Reinsurance receivables	3,485
R0380	Receivables (trade, not insurance)	528
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	9,011
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	234,290

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	198,219
R0520	*Technical provisions - non-life (excluding health)*	198,219
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	195,433
R0550	*Risk margin*	2,786
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	6,476
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)*	6,476
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	6,362
R0680	*Risk margin*	114
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	1,334
R0840	Payables (trade, not insurance)	69
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	206,098
R1000	**Excess of assets over liabilities**	28,192

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				37,500	6,618			8,485									52,603
R0120	Gross - Proportional reinsurance accepted				3,524	622			10,728									14,874
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				34,305	6,054			15,842									56,201
R0200	Net				6,719	1,186			3,371									11,276
	Premiums earned																	
R0210	Gross - Direct Business				51,921	9,163			11,651									72,735
R0220	Gross - Proportional reinsurance accepted				4,063	717			5,387									10,167
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				46,919	8,280			13,990									69,189
R0300	Net				9,065	1,600			3,048									13,713
	Claims incurred																	
R0310	Gross - Direct Business				52,784	9,315			4,938									67,037
R0320	Gross - Proportional reinsurance accepted				2,292	405			2,758									5,455
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				47,212	8,332			6,533									62,077
R0400	Net				7,864	1,388			1,163									10,415
	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
R0550	**Expenses incurred**				4,884	862			1,408									7,154
R1200	**Other expenses**																	0
R1300	**Total expenses**																	7,154

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross						0			0
R1420	Reinsurers' share						0			0
R1500	Net						0			0
	Premiums earned									
R1510	Gross						0			0
R1520	Reinsurers' share						0			0
R1600	Net						0			0
	Claims incurred									
R1610	Gross						3,994			3,994
R1620	Reinsurers' share						3,389			3,389
R1700	Net						605			605
	Changes in other technical provisions									
R1710	Gross						0			0
R1720	Reinsurers' share						0			0
R1800	Net						0			0
R1900	**Expenses incurred**						0			0
R2500	**Other expenses**									0
R2600	**Total expenses**									0

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			UK	Ireland				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	52,713	-110	0	0	0	52,603
R0120	Gross - Proportional reinsurance accepted	0	0	14,874	0	0	0	14,874
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	44,041	12,160	0	0	0	56,201
R0200	Net	0	8,672	2,604				11,276
	Premiums earned							
R0210	Gross - Direct Business	0	67,924	4,811	0	0	0	72,735
R0220	Gross - Proportional reinsurance accepted	0	0	10,168	0	0	0	10,168
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	56,984	12,206	0	0	0	69,190
R0300	Net	0	10,940	2,773				13,713
	Claims incurred							
R0310	Gross - Direct Business	0	66,552	484	0	0	0	67,036
R0320	Gross - Proportional reinsurance accepted	0	0	5,455	0	0	0	5,455
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	57,260	4,816	0	0	0	62,076
R0400	Net	0	9,292	1,123				10,415
	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
R0550	**Expenses incurred**	0	5,972	1,182	0	0	0	7,154
R1200	**Other expenses**							0
R1300	**Total expenses**							7,154

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			GB					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	0	0					0
	Premiums earned							
R1510	Gross	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	0	0					0
	Claims incurred							
R1610	Gross	0	3,994	0	0	0	0	3,994
R1620	Reinsurers' share	0	3,389	0	0	0	0	3,389
R1700	Net	0	605					605
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0					0
R1900	**Expenses incurred**	0	0	0	0	0	0	0
R2500	**Other expenses**							0
R2600	**Total expenses**							0

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						
R0020	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																
R0030	**Gross Best Estimate**								6,362		6,362						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								5,213		5,213						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								1,149		1,149						
R0100	**Risk margin**								114		114						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**								6,476		6,476						

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0			0									0
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				7,400	1,306			1,592									10,298
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				5,876	1,037			1,047									7,960
R0150	**Net Best Estimate of Premium Provisions**				1,524	269			545									2,338
	Claims provisions																	
R0160	Gross				138,075	24,366			22,694									185,135
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				119,159	21,028			19,213									159,400
R0250	**Net Best Estimate of Claims Provisions**				18,916	3,338			3,481									25,735
R0260	**Total best estimate - gross**				145,475	25,672			24,286									195,433
R0270	**Total best estimate - net**				20,440	3,607			4,026									28,073
R0280	**Risk margin**				2,028	358			400									2,786
	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**				147,503	26,030			24,686									198,219
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				125,035	22,065			20,260									167,360
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				22,468	3,965			4,426									30,859

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)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											71	71	71
R0160	2012	1,491	6,416	3,286	1,550	973	908	1,114	77	149	156		156	16,120
R0170	2013	1,450	6,877	6,381	2,533	1,770	1,335	2,030	493	144			144	23,012
R0180	2014	5,579	17,734	9,994	10,686	5,415	5,343	2,062	7,725				7,725	64,538
R0190	2015	7,757	17,817	9,965	4,958	4,706	3,441	1,652					1,652	50,296
R0200	2016	4,524	23,507	14,746	6,649	7,122	4,258						4,258	60,806
R0210	2017	2,968	21,501	12,058	7,903	6,403							6,403	50,833
R0220	2018	3,095	18,619	12,812	9,008								9,008	43,534
R0230	2019	3,125	17,787	7,626									7,626	28,538
R0240	2020	3,637	19,101										19,101	22,738
R0250	2021	2,321											2,321	2,321
R0260												**Total**	58,465	362,807

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											1,316	1,311
R0160	2012	4,399	9,067	5,384	3,335	2,161	1,114	438	715	567	478		472
R0170	2013	7,768	12,902	10,514	7,222	3,455	2,599	630	313	-67			-69
R0180	2014	11,730	21,954	29,237	22,397	15,729	11,104	10,266	5,981				5,909
R0190	2015	14,546	34,062	25,839	20,959	14,714	10,537	9,182					9,123
R0200	2016	23,104	46,977	38,542	31,423	20,945	15,876						15,705
R0210	2017	20,785	38,821	37,332	29,679	24,111							23,796
R0220	2018	15,498	36,512	38,285	30,674								30,245
R0230	2019	16,155	35,144	41,406									40,776
R0240	2020	21,144	46,551										45,671
R0250	2021	12,427											12,196
R0260												**Total**	185,135

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)	30	30		0	
R0030	Share premium account related to ordinary share capital	29,970	29,970		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-2,221	-2,221			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	413				413
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**	28,192	27,779	0	0	413
	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	28,192	27,779	0	0	413
R0510	Total available own funds to meet the MCR	27,779	27,779	0	0	
R0540	Total eligible own funds to meet the SCR	28,192	27,779	0	0	413
R0550	Total eligible own funds to meet the MCR	27,779	27,779	0	0	
R0580	**SCR**	20,205				
R0600	**MCR**	5,051				
R0620	**Ratio of Eligible own funds to SCR**	139.52%				
R0640	**Ratio of Eligible own funds to MCR**	549.93%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	28,192
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	30,413
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	-2,221
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	2,307
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,307

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,359		
R0020	Counterparty default risk	7,212		
R0030	Life underwriting risk	170		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	9,156		
R0060	Diversification	-4,355		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	15,542		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,663
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	20,205
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	20,205
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

USP Key

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

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

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

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	3,600

		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	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	20,440	6,973
R0060	Other motor insurance and proportional reinsurance	3,607	1,231
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	4,026	3,279
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_{L} Result	24

		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		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	1,149	
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	3,624
R0310	SCR	20,205
R0320	MCR cap	9,092
R0330	MCR floor	5,051
R0340	Combined MCR	5,051
R0350	Absolute floor of the MCR	3,187
R0400	**Minimum Capital Requirement**	5,051