



Calpe Insurance Company Limited

Solvency and Financial Condition Report

As at 31 December 2022

Table of contents

Table of contents	1
About this document	2
Directors' statement	2
Executive summary	3
A. Business and performance	7
A.1 Business	7
A.2 Underwriting performance	11
A.3 Investment performance	12
A.4 Performance of other activities	14
A.5 Any other information	14
B. System of Governance	15
B.1 General information on the system of governance	15
B.2 Fit and proper requirements	18
B.3 Risk management system including the ORSA	19
B.4 Internal control system	21
B.5 Internal Audit function	22
B.6 Actuarial function	22
B.7 Outsourcing	23
B.8 Any other information	24
C. Risk profile	25
C.1 Underwriting risk	25
C.2 Market risk	27
C.3 Counterparty default (credit risk)	29
C.4 Liquidity risk	32
C.5 Operational risk	33
C.6 Other material risks	35
C.7 Any other information	36
D. Valuation for solvency purposes	37
D.1 Assets	37
D.2 Technical provisions	40
D.3 Other liabilities	48
D.4 Alternative methods for valuation	48
D.5 Any other information	49
E. Capital management	50
E.1 Own funds	50
E.2 SCR and MCR	52
E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR	53
E.4 Differences between the Standard Formula and any internal model used	53
E.5 Non-compliance with the MCR and non-compliance with the SCR	53
E.6 Any other information	53
Appendix 1: Abbreviations used in this report	54
Appendix 2: Public Quantitative Reporting Templates (QRTs)	56

About this document

This document is the Solvency and Financial Condition Report ("SFCR") for Calpe Insurance Company Limited ("Calpe") as at 31 December 2022.

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
6 April 2023



Douglas Murray
Director
6 April 2023

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 is licensed by the Gibraltar Financial Services Commission and commenced underwriting in November 2010.

Calpe's primary focus is on writing United Kingdom ("UK") 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 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.

On 20 March 2022, Alleghany Corporation ("Alleghany"), Calpe's ultimate parent undertaking and controlling party at the time, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Berkshire Hathaway Inc. ("Berkshire Hathaway"), a company incorporated in Delaware, USA, and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("the Merger Sub"). Pursuant to the Merger Agreement, the Merger Sub was merged with and into Alleghany, with Alleghany continuing as the surviving corporation and a wholly owned subsidiary of Berkshire Hathaway. The transaction closed on 19 October 2022.

Upon closing of the transaction, Calpe's ultimate parent undertaking became Berkshire Hathaway. TRC, together with some of its subsidiaries including Calpe, benefitted from an upgrade in its ratings to A++ (Superior) by A.M. Best effective January 2023. Calpe continues to benefit from the 80% Quota Share treaty that it places with TransRe London Limited ("TRL").

Business and performance

Calpe's strategy is to concentrate foremost on achieving underwriting profitability, not top line growth, and to return excess capital and underwriting profit to the group at the appropriate time to support the wider investment objectives of the Berkshire Hathaway group. Further, the strategy continues to be aligned with the TransRe group objective of being a global property/casualty reinsurer of choice and maximising the benefits of local presence and global service.

Calpe delivered a result that was worse than expected, closing 2022 with a gross loss ratio of 76% (2021: 92%) and a gross combined ratio of 126% (2021: 117%) on a Solvency II basis and delivering a loss after tax for the financial year of £2.8m (2021: loss of £5.3m) under UK generally accepted accounting practices ("UK GAAP").

The results were significantly impacted by the failure of both of Calpe's MGA partners operating in the motor insurance market during the year. The first and largest of the two motor MGAs was placed into receivership in February 2022, with provisions made in Calpe's 2021 financial statements to reflect bad debts and run-off costs. The second smaller motor portfolio was placed into run-off in May 2022, with run-off provisions booked in that year. During the run-off of the motor portfolios, Calpe's priority continues to be to ensure that the best interests of policyholders continue to be met, and that insurance policies are always handled in an orderly manner.

In contrast to Calpe's two motor arrangements, Calpe's other main book has continued to perform strongly during the year. This portfolio is provided by a niche General Liability & Employers' Liability MGA, specialising predominantly in construction and allied trade related sectors in the primary casualty market. The principals at this agency have long track records with Calpe in delivering strong results. Whilst not immune to inflationary pressures, the casualty portfolio has a significantly lower claims loss frequency compared to Calpe's motor book and continues to demonstrate strong rate adequacy.

Against this backdrop, Calpe delivered gross written premium ("GWP") on a Solvency II basis of £27.7m compared to £67.5m in 2021, representing a decrease of 59%. At the same time, gross claims incurred decreased by 51% from £76.5m in 2021 to £37.5m in 2022. The combined effect was to produce an overall underwriting loss on a Solvency II gross basis of £12.7m in 2022 (2021: loss of £14.0m). On a net basis, after the impact of the 80% quota share arrangement with TRL, Calpe produced a net underwriting loss of £0.7m for the year (2021: loss of £4.5m).

With close oversight from TransRe's in-house claims team and Calpe's Claims and Underwriting Committee, Calpe's outsourced claims handling functions have been operating on a business-as-usual basis throughout 2022 and continue to respond to enquiries and handle claims in a timely fashion.

Calpe's investment portfolio, which predominantly comprises fixed income securities, experienced significant falls during the year, delivering a combined capital loss of £4.1m for the year (2021: capital loss £1.7m) offset only partially by interest income of £0.5m (2021: £0.5m). The large-scale falls were triggered by sharply rising bond yields in response to central banks' monetary tightening, in the face of rising inflation. Following Berkshire Hathaway's acquisition of Alleghany, during the fourth quarter and continuing into 2023, Calpe's investment portfolio has been substantially de-risked, with a general shift out of corporate bonds and other longer dated fixed income holdings into short-dated government bonds. As a consequence, the investment portfolio's sensitivity to future interest rate movements has reduced substantially.

Ukraine / Russia

Whilst Calpe does not have a material direct exposure to the conflict, the effects of the Russian invasion of Ukraine continue to be felt across general insurance markets, in particular through its inflationary effects. The significant increases in energy prices have fed through to claims inflation broadly and have also led to changes in customer behaviour. In Calpe's case, the effects of the conflict have been felt most keenly through losses on the investment portfolio and its inflationary impact on claims related expenses including business interruption costs, spare parts, wages, credit hire and replacement vehicle costs. The Board continues to monitor this situation closely.

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 holders who are 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.

The members of the Board possess the skills, knowledge and experience required to undertake their roles and responsibilities for overseeing Calpe. Calpe's system of governance has not materially changed during the year.

Risk profile

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 ("MI"). 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. 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 both its motor 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.

As at 31 December 2022, Calpe's excess of assets over liabilities under Solvency II was £27.0m (2021: £28.2m) compared to £28.5m (2021: £31.1m) 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)	
		2022	2021
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(3,153)	(2,221)
Tier 2	Not applicable	-	-
Total own funds to cover MCR		26,847	27,779
Tier 3	Net deferred tax asset	212	413
Total own funds to cover SCR		27,059	28,192
MCR		4,179	5,051
SCR		16,716	20,205
MCR coverage ratio		642.4%	549.9%
SCR coverage ratio		161.9%	139.5%

Overall Calpe held 161.9% (2021: 139.5%) of its SCR and 642.4% (2021: 549.9%) of its MCR at 31 December 2022. There have been no instances of non-compliance with the MCR and SCR in the current or previous year.

The increase in SCR ratio is due to a reduction in SCR of £3.5m during 2022 partially offset by a reduction in own funds of £1.1m.

The reduction in SCR reflects reductions in:

- non-life underwriting risk due to the contraction of Calpe's non-life portfolio;
- market risk following the de-risking of Calpe's investment portfolio; and
- counterparty default risk following the improvement in the credit ratings assigned to the TransRe group of companies.

The reduction in eligible own funds is largely attributable to:

- a reduction in UK GAAP surplus assets, primarily reflecting losses on the investment portfolio; offset by:
- a modest reduction in the risk margin for the solvency valuation, consistent with the corresponding reduction in the SCR; and

- increased discounting for the time value of money within the valuation of technical provisions.

The reduction in the MCR and increase in the MCR ratio are in line with the movements in the SCR and SCR ratio.

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 Gibraltar GX11 1AA
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.

On 20 March 2022, Alleghany Corporation ("Alleghany"), Calpe's ultimate parent undertaking and controlling party at the time, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Berkshire Hathaway Inc. ("Berkshire Hathaway"), a company incorporated in Delaware, USA, and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("the Merger Sub"). Pursuant to the Merger Agreement, the Merger Sub was merged with and into Alleghany, with Alleghany continuing as the surviving corporation and a wholly owned subsidiary of Berkshire Hathaway. The transaction closed on 19 October 2022.

Upon closing of the transaction, Calpe's ultimate parent undertaking is Berkshire Hathaway, a corporation incorporated in Delaware, USA and headquartered in Omaha, Nebraska, USA. Berkshire

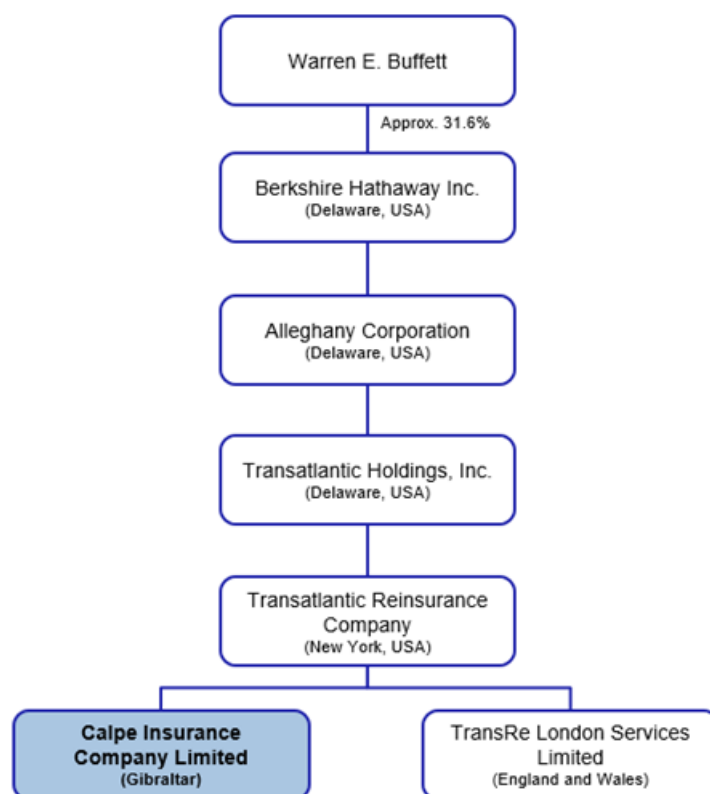
In addition to TRC and Berkshire Hathaway, Transatlantic Holdings, Inc. ("TRH"), incorporated in Delaware, USA and Alleghany, also incorporated in Delaware and TRH's immediate parent, are indirect parents and holders of qualifying holdings in Calpe.

As at the close of business on 8 March 2023, Mr Warren E. Buffett, a US resident, held approximately 31.6% of the aggregate voting power of the common stock of Berkshire Hathaway outstanding and entitled to vote and approximately 15.6% of the aggregate economic interest.

Except as identified above, 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 Berkshire Hathaway group of insurance companies is subject to group supervision and the lead supervisor is the Nebraska Department of Insurance, Nebraska, USA.

Figure 2: Organisational structure chart



All subsidiaries of Berkshire Hathaway shown are 100% owned and controlled.

Calpe is predominantly a primary insurer but also writes reinsurance for Irish portfolios on a quota share basis. Calpe provides 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 supports a specialist niche MGA that writes Employers’ Liability and Public Liability business in the United Kingdom and the Republic of Ireland.

Calpe has not proposed or paid any dividends for, during or subsequent to the year ended 31 December 2022 (2021: £nil).

TRC, together with certain other (re)insurance subsidiaries including Calpe, is rated A++ by A.M. Best effective January 2023.

Market commentary

Overall, Calpe delivered gross written premium (“GWP”) on a Solvency II basis of £27.7m compared to £67.5m in 2021, representing a decrease of 59.0%. At the same time, gross claims incurred decreased by 51.0% from £76.5m in 2021 to £37.5m in 2022. The combined effect was to produce an overall underwriting loss on a gross Solvency II basis of £12.7m in 2022 (2021: loss of £14.0m). On a net basis, after the impact of the 80% quota share arrangement, Calpe produced a net underwriting loss of £0.7m (2021: loss of £4.5m).

Calpe’s investment portfolio posted a combined loss (realised and unrealised losses offset by investment income) of £3.6m (2021: combined loss of £1.1m).

2022 continued to be a challenging year for Motor MGAs, with certain segments of the market struggling to reach pre-Covid volumes. Whilst 2022 and 2021 results have been particularly disappointing, Calpe’s cumulative results since inception have delivered an overall net underwriting profit. Whilst Calpe itself has weathered the impacts of both the Ogden discount rate changes and Covid-19, Calpe’s two motor insurance partners did not.

As mentioned in last year's SFCR, Calpe's 2021 results were significantly impacted by the failure of one of its two key motor MGA partners which was placed into receivership in February 2022. Provisions were made in Calpe's 2021 financial statements to reflect the bad debt exposure and run-off costs which continue to be monitored to ensure they remain adequate. During 2022 a decision was made to realise the bad debt therefore impacting Calpe's underwriting results under Solvency II.

The second of Calpe's two motor MGA partners, a specialist in the Taxi space, also suffered significantly reduced business volumes during Covid, and was unable to regain critical mass as the pandemic receded. As a result, the MGA was unable to purchase an economically viable reinsurance programme, which led to Calpe's decision not to renew the agreement. As a result, with Calpe's ongoing financial support, this portfolio is also now in run-off. Provisions for the Taxi account were made in 2022 to reflect the costs of providing the MGA with working capital during run-off. Calpe will continue to monitor the adequacy of these provisions throughout the run-off period.

As always, Calpe's priority remains to ensure that the best interests of our customers continue to be met, and insurance policies continue to be handled in an orderly manner.

In contrast to the motor book, Calpe's casualty book continues to show positive growth in a positive rating environment, producing strong results in 2022. This account continues to show positive increases in average premiums and, despite inflationary pressures, continues to demonstrate a strong rate adequacy. This portfolio has a track record of delivering returns in excess of Calpe's target underwriting margin, with loss ratios significantly lower than those of Calpe's motor portfolios. Calpe continues to mitigate severe exposures with excess of loss reinsurance. The casualty MGA's market tenure, coupled with Calpe's strong rating, ensures that this MGA is well regarded in the market. As such, it continues to see a good submission flow and has delivered improved conversion and strong renewal retention ratios.

Strategy and portfolio

Calpe's strategy is to concentrate foremost on achieving underwriting profitability, not top line growth, and to return excess capital and underwriting profit to the group at the appropriate time to support the wider investment objectives of the Berkshire Hathaway group. Further, the strategy continues to be aligned with the TransRe group objective of being a global property/casualty reinsurer of choice, maximising the benefits of local presence and global service.

Calpe is mindful of the further impacts that the high inflationary environment could have on pricing, claims reserving and the investment portfolio.

Calpe currently holds permission to write motor vehicle and motor vehicle liability, fire and natural forces, damage to property, general liability and assistance. Whilst Calpe is not currently writing any motor business, the market is experiencing a flight to quality and our recently upgraded A++ A.M. Best rating ensures that we continue to see a good submission flow for our casualty business.

With the demise of our two motor MGA partners in 2022, the portfolio is now dominated by general liability insurance, representing 94% (2021: 28%) of GWP for the year, as shown in Figure 3 below. The motor portfolio comprised the largest component of our portfolio in 2021 (61% of 2021 GWP) but made up just 5% of Calpe's GWP in 2022.

Figure 3a: Solvency II line of business (gross written premium) as at 31 December 2022

■ Motor vehicle liability insurance ■ Other motor insurance ■ General liability insurance

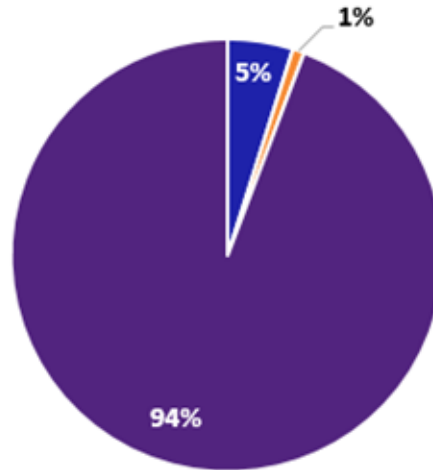


Figure 3b: Solvency II line of business (gross written premium) as at 31 December 2021

■ Motor vehicle liability insurance ■ Other motor insurance ■ General liability insurance

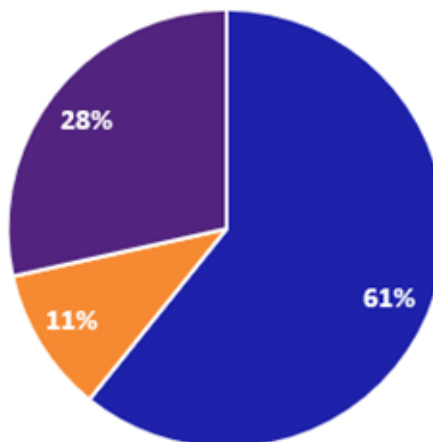
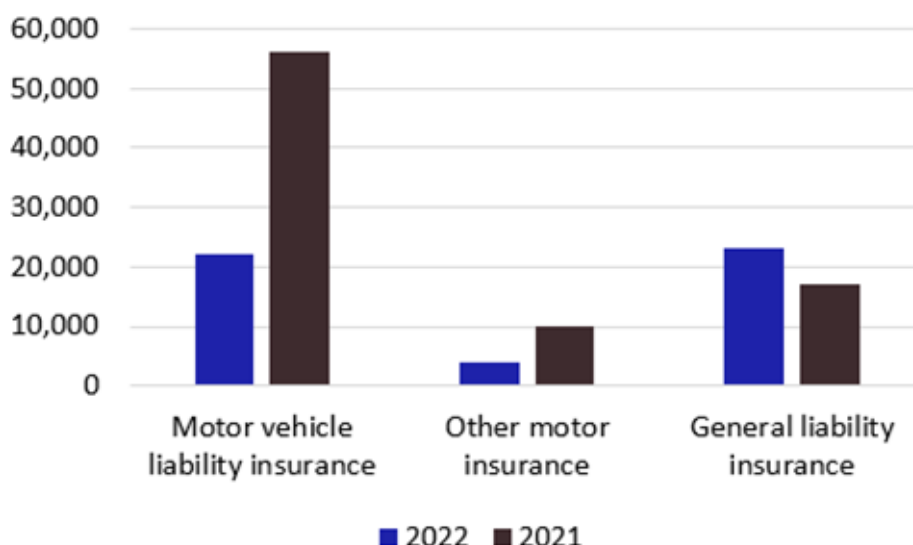


Figure 4: Solvency II line of business (gross earned premium £'000s)



No new classes of business were introduced in 2022.

A.2 Underwriting performance

As described in section A.1, Calpe's underwriting performance has been heavily impacted by the loss of new business from its two motor MGA partners, whose business with Calpe was placed into run-off during the course of the year. In contrast to the motor book, Calpe's casualty book continues to show positive growth in a positive rating environment and continues to produce strong results.

Underwriting performance by line of business

Calpe's strategy is to concentrate foremost on achieving underwriting profitability, not top line growth, and to return excess capital and underwriting profit to the group at the appropriate time to support the wider investment objectives of the Berkshire Hathaway group. 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.

Figure 5a: Underwriting performance by Solvency II line of business (gross) 2022

Gross (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	1,352	239	26,091	0	27,682
Premiums earned	22,115	3,903	23,169	0	49,187
Claims incurred	(19,976)	(3,525)	(13,962)	(3)	(37,466)
Expenses	(12,593)	(2,222)	(9,599)	0	(24,414)
Underwriting profit/(loss)	(10,454)	(1,844)	(392)	(3)	(12,693)
Loss ratio	90%	90%	60%	0%	76%

Figure 5b: Underwriting performance by Solvency II line of business (net) 2022

Net (£'000s)	Motor vehicle liability insurance	Other motor insurance	General liability insurance	Annuities	Total
Premiums written	183	32	4,549	0	4,764
Premiums earned	3,543	625	4,016	0	8,184
Claims incurred	(1,126)	(199)	(1,819)	0	(3,144)
Expenses	(2,943)	(520)	(2,309)	0	(5,772)
Underwriting profit/(loss)	(526)	(94)	(112)	0	(732)
Loss ratio	32%	32%	45%	0%	38%

Figure 5c: 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 5d: 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%

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, a fixed income exchange traded fund ("ETF") and cash. Fixed income securities comprise municipal, government and corporate bonds. Following Berkshire Hathaway's acquisition of Alleghany, during the fourth quarter and continuing into 2023, Calpe's investment portfolio has been substantially de-risked, with a general shift out of corporate bonds and longer dated fixed income holdings into short-dated government bonds.

Total investment return

Calpe's total investment return includes investment income (comprising interest income, the amortisation of any discount or premium to redemption and dividends from ETFs), realised and unrealised gains and losses, investment expenses and impairment losses.

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

As interest rates rose in response to sharply rising inflation, the market yield of the portfolio also increased substantially, from 1.2% at the start of the year to 3.0% at the end of the year. Rising yields, however, have negatively impacted Calpe's portfolio valuation, with the portfolio returning a combined total investment loss of £3,642k (2021: £1,132m) during 2022. The combined net loss included capital losses of £4.1m (2021: £1.6m) offset by interest income of £0.5m (2021: £0.5m). Included within capital losses are realised losses of £4.0m (2021: gains of £0.4m) and unrealised losses of £0.1m (2021: losses of £2.0m).

Calpe's investment portfolio has been de-risked, shortening its average duration from 4.0 years at the start of 2022 to 0.9 years at the end of the year. At the same time the portfolio's average maturity dropped from 4.2 years to 1.0 years. Concurrently, there was a general shift out of corporate bonds and long term agency bonds into short-term UK treasury notes. At the year end, the average credit quality of the portfolio was AA (2021: AA). The portfolio de-risking continued into 2023.

Figure 6: Net investment return 2022

	Year to 31 December 2022			31 December 2022
Asset category (£'000s)	Income	Gains / (losses)	Total investment return / (loss)	Total SII Value
Cash ¹	(1)	0	(1)	633
Corporate bonds	345	(2,734)	(2,389)	3,336
Government bonds	97	(946)	(849)	23,226
ETFs	23	(426)	(403)	4,741
Total	464	(4,106)	(3,642)	31,936

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 ¹	(3)	0	(3)	924
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)	45,303

Included within government bonds as at 31 December 2022, are £20.0m of short-term investments (2021: £nil), with maturity dates of less than one year at the date of acquisition.

Investment income excludes investment management fees which are based on the value of assets under management during the period. Total fees charged in 2022 were £22.2k (2021: £31.4k).

Whilst Calpe does not have any direct exposure to Ukraine or Russia in its investment portfolio, Calpe's investment valuations have suffered significant drops in value due to rising interest rates linked to the inflationary effects of supply chain disruptions and geopolitical dislocations caused by the conflict. The recent portfolio rebalancing into shorter dated, higher quality investments has significantly reduced exposure to market volatility. As a consequence, it is anticipated that Calpe will generate more predictable investment

¹ Cash balances shown in Figures 9a and 9b represent cash held by the investment manager. For Calpe's total cash balances, please refer to Figure 21 in section D1. No interest was earned on Calpe's non-investment cash in either 2022 or 2021.

returns going forwards, with steadier contributions from interest income and significantly reduced volatility from capital gains and losses.

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 or 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

Sustainability & Resilience ("S&R") and Environmental, Social & Governance ("ESG") considerations continue to attract attention, evaluation, and scrutiny in the (re)insurance community and the broader economy. These include climate-related financial risks, which can be further classified as physical, transition and liability risks as follows.

- Physical risks arise from the increasing frequency and severity of various natural weather perils including hurricane, wildfire, and flood.
- Transition risks arise from the anticipated decarbonization of society, including uncertainty around the imposition of new policy and regulatory regimes (potentially including the introduction of a taxes on carbon), new technologies and shifting behaviour and preferences among producers and consumers. This transition may lead to so-called stranded assets in carbon-intensive sectors and industries such as the fossil fuel industry and associated infrastructure, producers and servicers of vehicles using internal combustion engines, as well as other sectors such as shipping and real estate.
- Liability risks arise from the potential for increased litigation regarding climate change including greenwashing. Other liability risks arise from exposures to companies that may be held accountable for their contribution to climate change. Professional Liability is one line in particular that could see the impact of increased costs relating to S&R related litigation.

For (re)insurers, these risks may arise from underwriting activities (both property and casualty), investments, and operations.

Physical, transition and liability risks may impact (re)insurers' property and liability portfolios, including general casualty, professional liability, and other lines of business. Further information on climate change risk is included in section C.

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

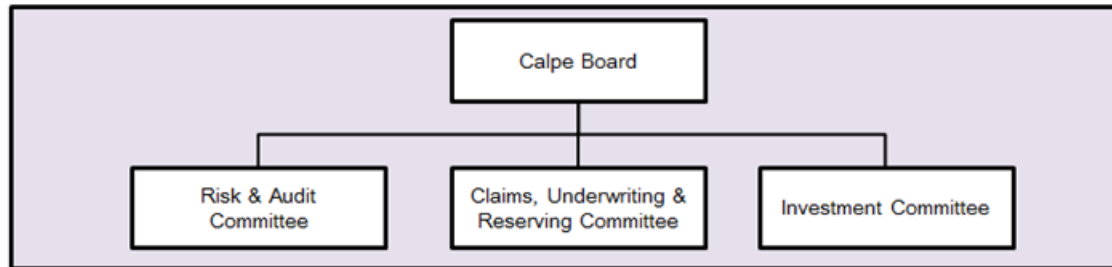
B. System of Governance

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 as at 31 December 2022



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;
- approving Calpe's risk appetites and tolerances ensuring they are in line with TransRe global appetites;
- maintaining oversight of Calpe's compliance with relevant laws and regulation;
- reviewing and maintaining the effectiveness of Calpe's corporate governance framework and internal control framework;
- ensuring Calpe maintains ongoing compliance with relevant laws and regulations;
- reviewing the adequacy and appropriateness of Calpe's reserves, as established by the Claims, Underwriting & Reserving Committee.

The following individuals were members of Calpe's Board and members of the committees of the Board as at 31 December 2022. Peter Abbott retired in the first half of 2022.

Figure 8: Calpe's Board

Board Member	Role	Committees
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 Claims, Underwriting & Reserving Committee

+ Chair of the Investment Committee

Risk & Audit Committee

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 and financial statements;
- 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

- ensuring customer centricity is being upheld throughout the claims management process and on an on-going basis, using trend analysis to identify potential areas of concern;
- 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.

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.

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	Kerris Fryer*
Internal Audit	Paul Cole
Actuarial	Robert Snow

*Kerris Fryer is Calpe's acting Compliance function holder, pending GFSC approval.

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 2022.

Remuneration policies and practices

Calpe does not employ any direct employees. Instead, employees of TransRe London Services Limited ("TRLS"), a fellow subsidiary of TRC in the UK, provide services to Calpe.

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 its shareholders, members of its 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 policies written in 2016 and prior were ceded 50% and subsequent policies have been ceded 80% to TRL.

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 GFSC 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 awareness 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 taking activities are consistent with TransRe's broader risk management vision and appetites;
- ensure risk considerations are 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 MI, 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 incorporated 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 and a group-wide consistent approach is adopted.

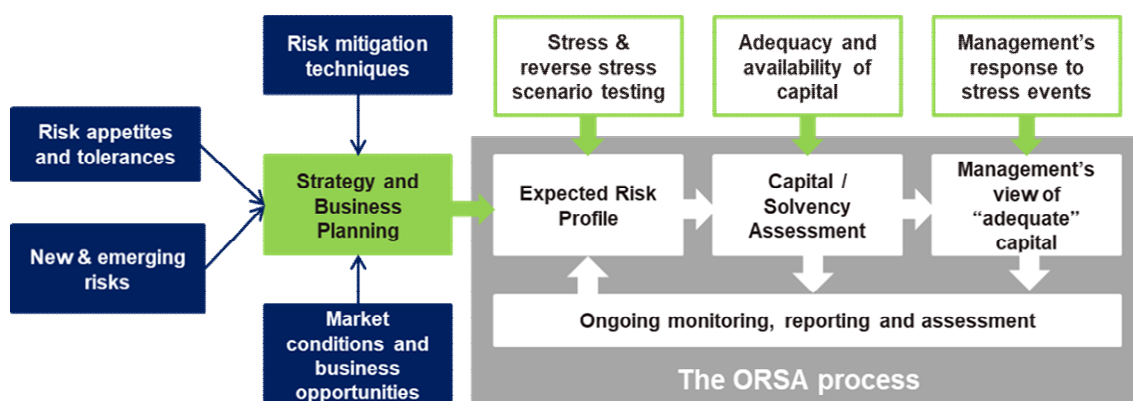
Own Risk and Solvency Assessment

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

The ORSA process can be diagrammatically represented as follows:

Figure 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 the 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.

Calpe's 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"). Robus Compliance activities are supervised by Kerris Fryer, acting as Compliance function holder pending GFSC approval, 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 Gibraltar 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 Berkshire Hathaway 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 reported 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 MGA and co-insurance partners. Some MGAs and lead insurers have their own in-house claims handling teams and others operate on an outsourced claims handling arrangement. In a small number of cases Calpe outsources claims handling directly to outsourced suppliers.

For each 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 as at 31 December 2022

Outsourcing	Jurisdiction
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.	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
As of 26 July 2022, Calpe's day-to-day investment management activities are outsourced to New England Asset Management Limited ("NEAM"), a member of the Berkshire Hathaway group. NEAM's performance is monitored by TransRe's treasury and investment management function, based in New York, USA with further oversight provided by Calpe's Finance function. NEAM reports at least four times a year to Calpe's Investment Committee. Previously, Calpe's investment management activities were outsourced to BlackRock Investment Management (UK) Limited ("BlackRock").	Ireland

B.8 Any other information

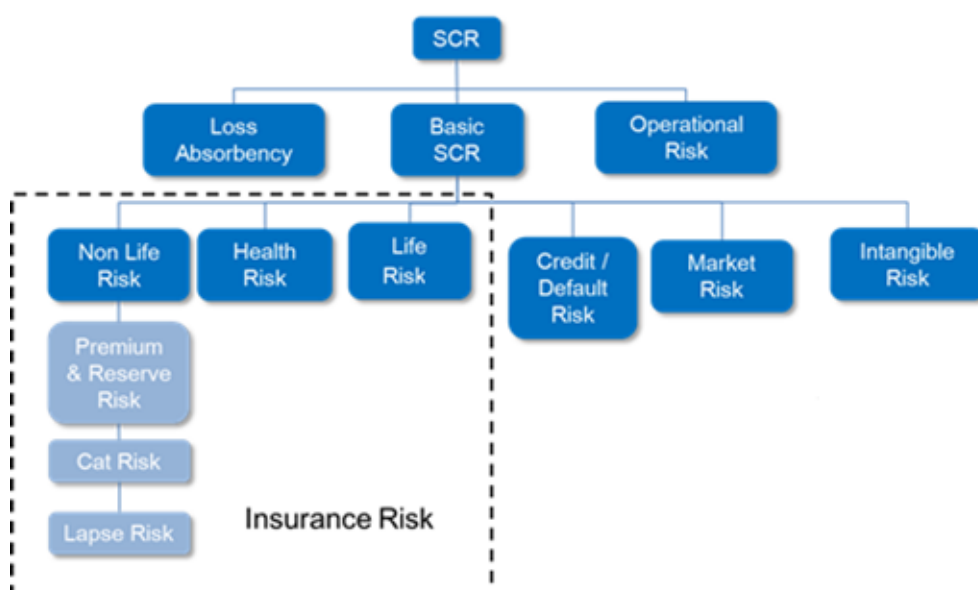
Calpe's system of governance has not materially changed during the year to 31 December 2022. Calpe does not consider there to be any other material information to disclose on its system of governance.

C. Risk profile

Calpe has permission to write motor, property and general liability business and has the ability to provide insurance and co-insurance support to MGAs and insurers that have the expertise to underwrite motor, property and general liability classes of 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 2022. With its motor insurance books now in run-off, Calpe underwrites predominantly general liability 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;
- Catastrophe Risk
 - Man-made catastrophe risk – employers' liability (ancillary risk);
- 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 insurance 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 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 MI 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 adverse underwriting results and reserve deterioration. The analysis undertaken indicates Calpe remains well capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) 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 global 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.

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 and liabilities including financial instruments. Market risk arises from movements in interest rates, credit spreads, foreign exchange exposure, equity investments and changes in valuation processes.

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 investments, subject to objective 1 above.

Calpe's investment strategy forms the basis for the mandate given to NEAM, 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 oversight 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.

As mentioned in section A.3, Calpe's investment portfolio has been de-risked and, as a consequence, Calpe's sensitivity to interest rate fluctuations has been reduced going forward. Other than the portfolio de-risking there have been no material changes to Calpe's market risk appetite or profile during the year.

Calpe is exposed to the following key market risks:

Interest rate risk

Movements in interest rates can arise from a number of sources, including inflationary pressures. Changes in interest rates can affect the fair value of fixed income securities and technical provisions under Solvency II. As interest rates rise, the fair value of fixed income portfolios decline and conversely, as interest rates decline, their fair value rises. To minimise the risk of investment value falls, Calpe adheres to investment

policy guidelines established by Calpe's Investment Committee in line with Calpe's strategy and TransRe's overall objectives. The impact of interest rate risk on the investment portfolio has substantially reduced as a result of the portfolio de-risking following Berkshire Hathaway's acquisition of Alleghany.

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 particularly in its corporate bond holdings and also within its corporate bond focused ETF.

As shown in Figure 14, however, Calpe's corporate bond holdings have reduced substantially, from 42% of the portfolio at the start to 4% at the end of the year. Calpe's largest holding at 31 December 2022 was a short-dated sterling treasury bond, representing 62.7% of the portfolio, which has minimal spread risk. At 31 December 2022, 80% of Calpe's investment portfolio was rated AA or higher (2021: 49%) with only 1% rated below A grade (2021: 17%). All fixed interest securities were at least investment grade, with the lowest being BBB.

Foreign currency risk

At 31 December 2022 85% of Calpe's investments were held in GBP (2021: 89%) with the balance held in EUR. Assets backing the equity and liabilities of Calpe are therefore 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 including:

- investment risk and underwriting risk accumulation reporting, including issuer accumulations;
- mandates and guidelines provided to external investment managers, which include:
 - regulatory compliance;
 - duration;
 - benchmark portfolios;
 - 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.

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

Figure 14a: Portfolio composition as at 31 December 2022

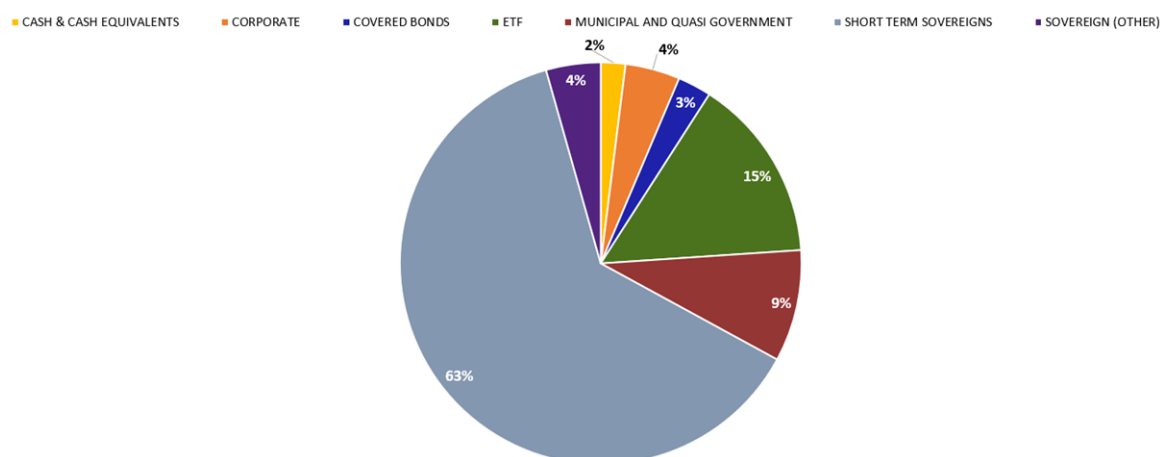
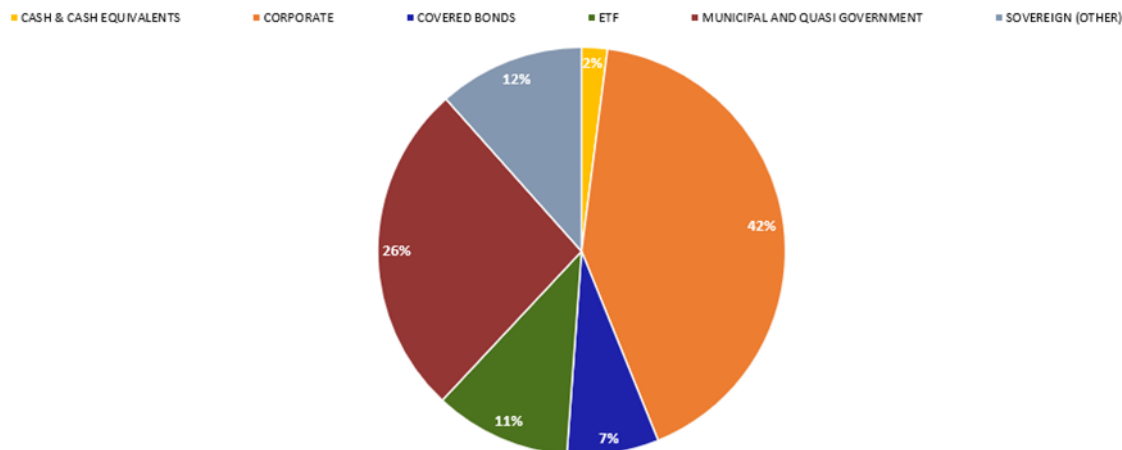


Figure 14b: Portfolio composition as at 31 December 2021



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 2022 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse stresses.

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 securities that aim to ensure the security, quality, liquidity and profitability of the portfolio as a whole. All assets are held in Calpe designated portfolios which ensures their availability. Assets covering technical provisions are invested in a manner appropriate to the nature 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. Included within this category is the management of credit risk associated with the TRL Quota Share described in section B1.

This risk was impacted during 2022 with business previously generated from both Calpe's motor MGA partners going into run-off. The first MGA was placed into administration in February 2022 and the second is currently being supported by Calpe with its main taxi business placed in run off. Key controls to mitigate credit risk are set out below. There has been no change in Calpe's credit risk appetite or approach during 2022.

MGAs / brokers / intermediaries / reinsurers

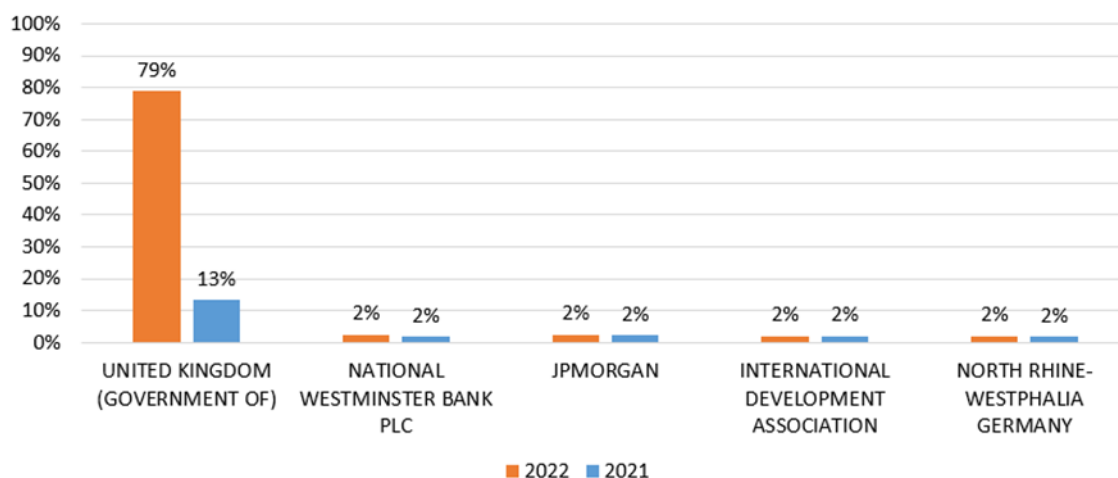
Calpe has credit risk with the co-insurers and MGAs that it has generated business through as they represent Calpe's major sources of business. All MGAs, co-insurers, brokers, intermediaries and reinsurers are subject to ongoing review by a range of fora, which include the Risk & Audit Committee, the Claims, Underwriting & Reserving Committee 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 the 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 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 or ETFs. Calpe's largest fixed income exposures are shown below.

Figure 15: Top 5 fixed income issuer exposures as at 31 December 2022



The average credit quality of its fixed income portfolio, split below by rating, as at 31 December 2022 is AA (2021: AA-).

Figure 16a: Portfolio credit quality as at 31 December 2022

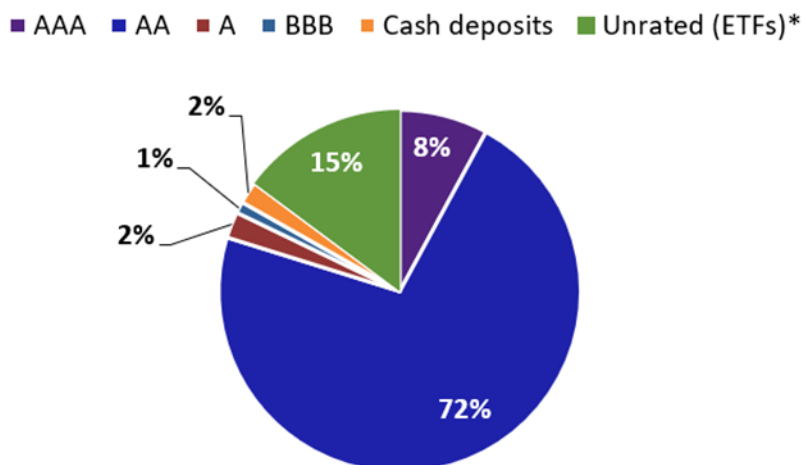
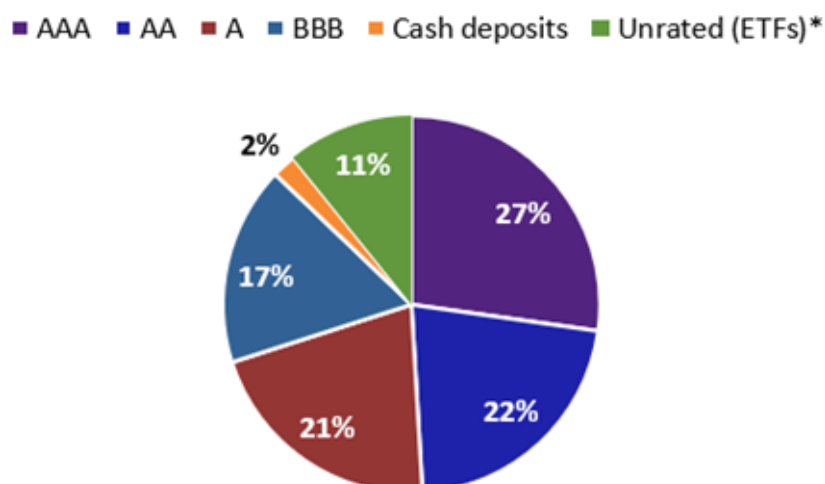


Figure 16b: Portfolio credit quality as at 31 December 2021



* Whilst the ETF is shown as unrated in the above chart, it represents a liquid, exchange traded fund, with an underlying fixed income portfolio comprising securities 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 counterparty default risk 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; and
- mandates and guidelines provided to external investment managers.

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 TRL Quota Share. 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 global reinsurance group to continually monitor and assess the effectiveness of its controls. Calpe's Risk & Audit 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 is 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 is the risk of Calpe not having sufficient financial resources available to enable it to meet its obligations as they fall due, or to 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 2022 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 MI requirements, in its liquidity risk management framework.

Assets covering technical provisions are invested in high quality liquid investments in a manner appropriate to the nature of Calpe's insurance liabilities.

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 2022, gross of reinsurance recoverables, was £3.4m (2021: £2.3m).

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 including conduct risk;
- 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 2022.

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;
- conduct risk management information;
- 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;
- monitoring of outsourced service providers;
- anti-bribery and corruption procedures; and
- performance of underwriting audits.

Risk sensitivities for operational risk

Calpe's primary exposure to operational risk arises from its outsourcing relationships including MGAs, described in C.6 below, Calpe does not have any significant 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 2022 ORSA, the current and projected solvency position over the business planning period were recalculated, 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.

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 and outsourced claims handling functions. These service providers are given delegated authorities in respect of claims handling and underwriting parameters. Such parameters are approved at the Calpe Underwriting, Claims and Reserving Committee, and any deviations require 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. Should such an event arise, Calpe has identified a number of recovery and resolution options.

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 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. Climate change is also considered within the emerging risk process; please see section A5 and below for further details.

C.7 Any other information

Risk sensitivity

Calpe's SCR coverage ratio as at 31 December 2022 is 161.9% (2021: 139.5%). The below table shows the absolute change in the SCR coverage ratio under several hypothetical scenarios. The scenarios below have not been adjusted to take into account potential future management actions to mitigate their effects.

The analysis below shows that exchange rate fluctuations of 10% and interest rate and credit spread adjustments of 1% would lead to minimal changes in the SCR coverage ratio; a £0.1m catastrophe loss (net of retrocession reinsurance recoveries) would lead to an absolute reduction in the SCR coverage ratio of 9%. The 9% catastrophe loss impact arises primarily from the credit default risk charge on reinsurance recoveries linked to the gross catastrophe exposure. In none of these instances does the SCR ratio fall below 100%.

Figure 17: SCR coverage ratio sensitivity analysis

Sensitivity test	Absolute change to SCR coverage ratio
Exchange rates: +10%	2%
Exchange rates: -10%	-2%
Interest rates: +1%	4%
Interest rates: -1%	-4%
Credit spreads: +1%	-0.3%
Credit spreads: -1%	0.3%
Catastrophe loss: £100m gross, £0.1m net of all reinsurance	-9%

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 2022, hence financial statement amounts referred to in this document are currently unaudited.

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 requires specific valuation approaches for some assets and liabilities; these have been followed.

There were no changes made to the recognition and valuation bases or to estimations and assumptions during the reporting period.

As at 31 December 2022, Calpe's total assets under Solvency II were £208.3m (2021: £234.3m) compared to £240.0m (2021: £280.5m) in accordance with UK GAAP. Calpe's total liabilities under Solvency II were £181.3m (2021: £206.1m) compared to £211.5m (2021: £249.4m) under UK GAAP.

Accordingly, as at 31 December 2022, Calpe's excess of assets over liabilities under Solvency II was £27.0m (2021: £28.2m) compared to £28.5m (2021: £31.1m) 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 2022

(£'000s)	Solvency II	UK GAAP assets	Difference
Deferred acquisition costs	0	4,743	(4,743)
Deferred tax assets	212	0	212
<i>Investments</i>			
Government bonds	23,226	23,058	168
Corporate bonds	3,336	3,282	54
ETFs	4,741	4,741	0
Interest receivable	0	222	(222)
<i>Reinsurance recoverables</i>			
Non-life excluding health	152,030	176,790	(24,760)
Life excluding health	2,123	0	2,123
<i>Total Receivables</i>			
Insurance and intermediary receivables	10,517	13,971	(3,454)
Reinsurance receivables	3,032	3,972	(940)
Receivables (trade, not insurance)	78	181	(103)
Cash and cash equivalents	9,049	9,049	0
Total assets	208,344	240,009	(31,665)

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

Deferred tax under Solvency II is recognised and valued on a basis consistent with its treatment under UK GAAP. For example, under both Solvency II and UK GAAP:

- 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, 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;
- all temporary differences between the assets and liabilities in the statement of financial position and their tax base are included within the calculation;
- 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; and
- 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.

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	2022	2021
Deferred tax asset under UK GAAP	0	0
Adjustment needed (all timing differences are expected to unwind at a tax rate of 12.5%)		
DAC	119	199
Change in technical provisions (“TPs”) (including removal of unearned premium reserves (“UPR”))	(214)	(158)
Risk margin	300	363
Net of receivables and payables (trade, not insurance)	7	8
Total Solvency II deferred tax asset	212	413

Financial instruments

Investments are recognised and valued under Solvency II on a basis consistent with their treatment under UK GAAP except as follows:

- accrued interest is included in investment valuation under Solvency II and disclosed in a separate line under UK GAAP; and
- short-term investments (those with less than 12 months to maturity when purchased) are carried at fair value under Solvency II, whereas they are carried at amortised cost under UK GAAP. The difference between fair value and amortised cost for these investments at 31 December 2022 was £1k (2021: £nil).

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.

£20.0m (2021: nil) of Calpe's investment portfolio is a short-dated sterling treasury bond, carried at amortised cost in the financial statements and fair value under Solvency II. There was negligible difference between the two bases at 31 December 2022.

Fair value sources and use of pricing vendors

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

(Re)insurance and intermediaries receivables

Under Solvency II, insurance and reinsurance receivables and payables are recognised when due, with amounts not yet due deducted from technical provisions. Under UK GAAP, the whole amount (due and not yet due) is included under insurance and intermediary receivables. Receivable and payable balances include amounts due to and from insurers, retrocessionaires, agents and brokers. 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.

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

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 2022.

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:

$$\text{Technical Provisions} = \text{Best Estimate Liability} + \text{Risk Margin}$$

Segmentation into lines of business

Under Solvency II, BELs are segmented into twelve lines of business for non-life insurance obligations (with additional segmentation for non-proportional reinsurance accepted) and three lines of business for health insurance obligations pursued on a similar basis to non-life insurance (with additional segmentation for non-proportional reinsurance accepted). 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 2022

Solvency II line of business (£'000)	Gross	Reinsurance ceded	Net	Risk Margin	Total TP
Motor vehicle liability insurance	120,036	106,511	13,525	1,465	14,990
Other motor insurance	21,183	18,796	2,387	259	2,646
General liability insurance	32,675	26,723	5,952	645	6,597
Total non-life	173,894	152,030	21,864	2,369	24,233
Life: annuities	2,407	2,123	284	31	315
Total life	2,407	2,123	284	31	315
Total technical provisions	176,301	154,153	22,148	2,400	24,548

Net technical provisions for life annuities of £0.3m comprise four PPOs.

Technical provisions bases, methodologies and key assumptions

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 2022

UK GAAP to SII reconciliation	Assumed £'000s	Ceded £'000s	Net £'000s
UK GAAP Technical Provisions	201,251	176,790	24,461
DAC	(4,743)	(3,794)	(949)
Contingent commission costs	1,256	939	317
Reserving margins	5,698	2,616	3,082
Future premiums & acquisition costs	(3,454)	(2,528)	(926)
Future other expenses	380	0	380
Legally obliged unaccepted business	(35)	(28)	(7)
Discounting	(24,052)	(19,798)	(4,254)
Counterparty default	0	(44)	44
Solvency II best estimate	176,301	154,153	22,148
Risk margin	2,400	0	2,400
Solvency II technical provisions	178,701	154,153	24,548

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.
- ELRs — 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 unaccepted business

At any given time, Calpe may have contracts that have been written but have not yet accepted (i.e. the cover has not yet commenced). For example, a contract that was bound on 28 December 2021 which accepts on 1 January 2022 would be included within legally obliged unaccepted business at 31 December 2021.

Under UK GAAP, the valuation of insurance reserves does not include legally obliged unaccepted contracts.

Under Solvency II, cashflows arising from these contracts are included within the premium provision. The calculations of technical provisions relating to legally obliged unaccepted 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 30 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:

$$\text{Probability of default} \quad \times \quad \text{Loss given default}$$

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 inception 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 2022

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

* This sensitivity includes a 5% uplift to the net ultimate loss ratio ("ULR") on the 2021/2022 underwriting year ("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 2022

£' 000s	Solvency II	UK GAAP liabilities	Difference
Insurance and intermediary payables	0	1,256	(1,256)
Reinsurance payables	2,511	5,039	(2,528)
Payables (trade, not insurance)	73	122	(49)
DAC	0	3,794	(3,794)
Total other liabilities	2,584	10,211	(7,627)
Technical provisions	178,701	201,251	(22,550)
Total liabilities	181,285	211,462	(30,177)

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.

(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 2022 (2021: £nil).

Contingent liabilities

Calpe does not consider any contingent liabilities exist as at 31 December 2022 (2021: £nil).

Employee benefits

Calpe does not consider any material employee benefit liabilities exist as at 31 December 2022 (2021: £nil).

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 2022 Calpe's own funds to cover its SCR were £27.1m (2021: £28.2m), representing a decrease of £1.1m.

Calpe's own funds comprise mostly ordinary paid-up share capital (including the share premium account) which is classified as Tier 1 own funds. Tier 1 funds also include a reconciliation reserve which had a deficit of £3.2m at 31 December 2022 (2021: deficit of £2.2m).

Calpe does not have any Tier 2 funds but recognises a deferred tax asset of £0.2m (2021: £0.4m), which is classified as Tier 3 own funds. Solvency II rules sets certain limits for the recognition of different tiers of capital. Other than restrictions on the coverage of Tier 3 funds, none of these limits were exceeded during the year.

As at 31 December 2022 and 2021, the available own funds of Calpe were as follows:

Figure 24: Eligible own funds by tier

Tier	Instruments	At 31 December (£'000s)	
		2022	2021
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(3,153)	(2,221)
Tier 2	N/A		
Total own funds to cover MCR		26,847	27,779
Tier 3	Deferred tax asset	212	413
Total own funds to cover SCR		27,059	28,192

As at 31 December 2022, Calpe had no ancillary own funds.

The reconciliation reserve deficit of £3.2m (2021: £2.2m deficit) 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)	
	2022	2021
Excess of assets over liabilities	27,059	28,192
Less:		
Ordinary share capital	(30,000)	(30,000)
Deferred tax asset	(212)	(413)
Reconciliation reserve	(3,153)	(2,221)

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 2022

	2022 £'000s	2021 £'000s	Description
UK GAAP net assets	28,544	31,080	
Change in:			
Net DAC	(949)	(1,595)	Valued at nil under Solvency II
Reinsurance receivables	(4,393)	(12,337)	Estimated premium and Contingent Commission Reserve not yet due moved to TPs
Reinsurance recoverables	(22,636)	(26,164)	Adjustment from reinsurer's share of UK GAAP insurance reserves to Solvency II TPs
Other receivables	(103)	(111)	Prepaid insurance related expenses not yet due moved to TP's
(Re)insurance payables	3,784	8,858	Accrued premium and Contingent Commission Reserve not yet due moved to TPs
Other payables	50	44	Accrued insurance related expenses not yet due moved to TPs
Technical provisions	24,919	30,790	Adjustment from UK GAAP insurance reserves to Solvency II TPs
Risk margin	(2,369)	(2,786)	Inclusion of Solvency II Risk Margin
Deferred tax asset	212	413	Pre-tax change in Net Assets x 10% deferred tax rate
Solvency II own funds	27,059	28,192	

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

	2022 (£'000)	2021 (£'000)
Eligible Own Funds to cover SCR	27,059	28,192
Eligible Own Funds to cover MCR	26,847	27,779
MCR	4,179	5,051
Basic SCR	12,858	15,542
Operational risk	3,858	4,663
SCR	16,716	20,205
Market risk	2,512	3,359
Counterparty default risk	5,386	7,212
Life underwriting risk	47	170
Health underwriting risk	0	0
Non-life underwriting risk	8,259	9,156
less Diversification	(3,346)	(4,355)
Basic SCR	12,858	15,542
Non-life catastrophe risk	1,657	852
Non-life premium & reserve risk	7,681	8,904
Non-life lapse risk	319	178
less Diversification	(1,398)	(778)
Non-life underwriting risk	8,259	9,156

Overall Calpe held 161.9% (2021: 139.5%) of its SCR and 642.4% (2021: 549.9%) of its MCR at 31 December 2022.

The increase in SCR ratio is due to a reduction in SCR of £3.5m during 2022 partially offset by a reduction in own funds of £1.1m.

The reduction in SCR reflects reductions in:

- non-life underwriting risk due to the contraction of Calpe's non-life portfolio;
- market risk following the de-risking of Calpe's investment portfolio; and
- counterparty default risk following the improvement in the credit ratings assigned to the TransRe group of companies.

The reduction in eligible own funds is largely attributable to:

- a reduction in UK GAAP surplus assets, primarily reflecting losses on the investment portfolio; offset by:
- a modest reduction in the risk margin for the solvency valuation, consistent with the corresponding reduction in the SCR; and
- increased discounting for the time value of money within the valuation of technical provisions.

The reduction in the MCR and increase in the MCR ratio are in line with the movements in the SCR and SCR ratio. 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 Delegated Regulation (EU) 2015/35 ("the Solvency II Delegated Regulation"). 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 the Solvency II Delegated Regulation 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 its capital management.

Appendix 1: Abbreviations used in this report

A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
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
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
ETF	Exchange Traded Fund
EU	European Union
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound Sterling
GFSC	Gibraltar Financial Services Commission
GRM	Global Risk Management
GWP	Gross Written Premium
HR	Human Resources
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
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
MI	Management Information
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

Robus	Robus Risk Services (Gibraltar) Limited
RSR	Regular Supervisory Report
S&P	Standard & Poor's Financial Services LLC and/or its affiliates
S&R	Sustainability and Resilience
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
Solvency II Delegated Regulation	Delegated Regulation (EU) 2015/35
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
ULR	Ultimate Loss Ratio
UPR	Unearned Premium Reserve
US or USA	United States of America
UY	Underwriting Year
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
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	212
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)	31,303
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	26,562
R0140	<i>Government Bonds</i>	23,226
R0150	<i>Corporate Bonds</i>	3,336
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	4,741
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	154,153
R0280	<i>Non-life and health similar to non-life</i>	152,030
R0290	<i>Non-life excluding health</i>	152,030
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	2,123
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	2,123
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,517
R0370	Reinsurance receivables	3,032
R0380	Receivables (trade, not insurance)	78
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	9,049
R0420	Any other assets, not elsewhere shown	0
R0500	Total assets	208,344

S.02.01.02

Balance sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	176,263
R0520	<i>Technical provisions - non-life (excluding health)</i>	176,263
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	173,894
R0550	<i>Risk margin</i>	2,369
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,438
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	2,438
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	2,407
R0680	<i>Risk margin</i>	31
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	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	2,511
R0840	Payables (trade, not insurance)	73
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	181,285
R1000	Excess of assets over liabilities	27,059

Premiums, claims and expenses by line of business

[illegible]

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			3
R1620	Reinsurers' share				3			3
R1700	Net				0			0
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

R0010

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	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
		GB	IE				
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	0	15,179	75	0	0	0	15,254
R0120 Gross - Proportional reinsurance accepted	0	0	12,428	0	0	0	12,428
R0130 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140 Reinsurers' share	0	12,587	10,330	0	0	0	22,917
R0200 Net	0	2,592	2,173				4,765
Premiums earned							
R0210 Gross - Direct Business	0	35,112	180	0	0	0	35,292
R0220 Gross - Proportional reinsurance accepted	0	0	13,895	0	0	0	13,895
R0230 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240 Reinsurers' share	0	29,394	11,608	0	0	0	41,002
R0300 Net	0	5,718	2,467				8,185
Claims incurred							
R0310 Gross - Direct Business	0	37,198	-6,790	0	0	0	30,408
R0320 Gross - Proportional reinsurance accepted	0	0	7,055	0	0	0	7,055
R0330 Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340 Reinsurers' share	0	34,250	69	0	0	0	34,319
R0400 Net	0	2,948	196				3,144
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	4,412	1,360	0	0	0	5,772
R1200 Other expenses							0
R1300 Total expenses							5,772

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	
			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	0	0	0	0	3	
R1620	Reinsurers' share	0	3	0	0	0	0	3	
R1700	Net	0	0					0	
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	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	0						
	Technical provisions calculated as a sum of BE and RM															
	Best estimate															
R0030	Gross Best Estimate															
								2,407	0	2,407						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default															
								2,123	0	2,123						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re															
								284	0	284						
R0100	Risk margin															
								31	0	31						
	Amount of the transitional on Technical Provisions															
R0110	Technical Provisions calculated as a whole															
R0120	Best estimate															
R0130	Risk margin															
										0						
R0200	Technical provisions - total															
								2,438	0	2,438						

Non-Life Technical Provisions

R0010 Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the
R0050 adjustment for expected losses due to counterparty default
associated to TP calculated as a whole

Technical provisions calculated as a sum of BE and RM
Best estimate

Premium provisions

[illegible]

Claims provisions

R0160	Gross			119,479	21,085			32,275								172,839
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			106,051	18,715			28,264								153,030
R0250	Net Best Estimate of Claims Provisions			13,428	2,370			4,011								19,809

R0260	Total best estimate - gross			120,036	21,183			32,675								173,894
R0270	Total best estimate - net			13,525	2,387			5,952								21,864

R0280 Risk margin

[illegible]

Amount of the transitional on Technical Provisions

[illegible]

R0320	Technical provisions - total			121,501	21,442			33,320							176,263
-------	------------------------------	--	--	---------	--------	--	--	--------	--	--	--	--	--	--	---------

[illegible]

R0330	Finite Re after the adjustment for expected losses due to counterparty default - total	106,511	18,796		26,723	152,030
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[illegible]

RO 340	and Finite Re - total	14,990	2,646	6,597	24,233
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S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										37	37	37
R0160	2013	1,450	6,877	6,381	2,533	1,770	1,335	2,030	493	144	31	31	23,044
R0170	2014	5,579	17,734	9,994	10,685	5,415	5,343	2,062	7,725	1,434		1,434	65,971
R0180	2015	7,757	17,816	9,965	4,958	4,706	3,441	1,652	600			600	50,895
R0190	2016	4,524	23,507	14,746	6,649	7,122	4,258	9,461				9,461	70,267
R0200	2017	2,968	21,501	12,059	7,903	6,403	5,554					5,554	56,388
R0210	2018	3,095	18,619	12,812	9,008	6,073						6,073	49,607
R0220	2019	3,125	17,786	7,626	4,417							4,417	32,954
R0230	2020	3,637	19,101	10,987								10,987	33,725
R0240	2021	2,321	8,803									8,803	11,124
R0250	2022	12										12	12
R0260												Total	394,024

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Year		Development year										Year end (discounted data)	
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											1,724	1,695
R0160	2013	7,768	12,902	10,514	7,222	3,455	2,599	630	313	-67	-98		-92
R0170	2014	11,730	21,954	29,237	22,397	15,729	11,104	10,266	5,981	4,738			4,576
R0180	2015	14,546	34,062	25,839	20,959	14,714	10,537	9,182	8,746				8,575
R0190	2016	23,104	46,977	38,542	31,423	20,945	15,876	8,489					8,208
R0200	2017	20,785	38,821	37,332	29,679	24,111	18,475						17,633
R0210	2018	15,498	36,512	38,285	30,674	23,936							22,398
R0220	2019	16,155	35,144	41,406	36,403								33,975
R0230	2020	21,144	46,551	50,430									46,347
R0240	2021	12,427	25,266										23,553
R0250	2022	6,876											5,945
R0260												Total	172,813

5.23.01.01

Own Funds

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

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

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

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

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

Available and eligible own funds

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

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Expected profits

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
30	30		0	
29,970	29,970		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-3,153	-3,153			
0		0	0	0
212				212
0	0	0	0	0

0				
0				
27,059	26,847	0	0	212

0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

27,059	26,847	0	0	212
26,847	26,847	0	0	
27,059	26,847	0	0	212
26,847	26,847	0	0	

16,716
4,179
161.87%
642.42%

C0060
27,059
0
30,212
-3,153

3,366
3,366

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	2,512		
R0020 Counterparty default risk	5,386		
R0030 Life underwriting risk	47		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	8,259		
R0060 Diversification	-3,346		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	12,858		
Calculation of Solvency Capital Requirement	C0100		
R0130 Operational risk	3,858		
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	16,716		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	16,716		
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		
Calculation of loss absorbing capacity of deferred taxes	LAC DT		
	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

R0010 MCR_{NL} Result

C0010

2,628

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

0	0
0	0
0	0
13,525	1,526
2,387	269
0	0
0	0
5,952	3,989
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

6

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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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
R0250	Total capital at risk for all life (re)insurance obligations

284	

Overall MCR calculation

C0070

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

2,634
16,716
7,522
4,179
4,179
3,445
4,179