TransRe
We value risk.

TransRe London Limited

Solvency and Financial Condition Report

As at 31 December 2022

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About this document

This document is the Solvency and Financial Condition Report ("SFCR") for TransRe London Limited ("TRL") as at 31 December 2022.

This SFCR covers TRL on a solo basis.

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

Directors' statement

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority ("PRA") Rulebook for Solvency II Firms (the "PRA Rules") and Solvency II ("SII") Regulations, as adopted into UK law.

Rule 6.1(2) within the Reporting Part of the PRA Rules requires that TRL has a written policy ensuring the ongoing appropriateness of any information disclosed. Rule 6.2(1) requires that this SFCR is approved by TRL's Board of Directors.

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

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

in all material respects, with the requirements of the PRA Rules and SII Regulations.

On behalf of the Board

Ed Sheehan

Chief Financial Officer

6 April 2023

Auditor's report

Report of the independent external auditor to the Directors of TransRe London Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion

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

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022 ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Repor**t'.

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

- information contained within the relevant elements of the Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.02.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of TransRe London Limited as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) including ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. To evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included, we have:

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 31 December 2025;

- challenged the assumptions used in the forecasts by performing analytical procedures and enquiring about significant variations in trend analysis;
- corroborated input data to the most recent available data, being February 2023;
- assessed the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;
- performed reverse stress testing on management's forecasts;
- evaluated the liquidity and solvency position of the Company, including assessing management's scenario testing and impact on solvency capital position in the event of significant loss events;
- evaluated the financial strength of the parent company, Transatlantic Reinsurance Company, in consideration of the ability of the parent company to meet its obligations under the reinsurance arrangements with the Company and the parental guarantee agreement, which would maintain the Company's SCR ratio at 120%;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of the ongoing Russia/Ukraine conflict; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period of ending 31 December 2025.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting & Restriction on Use

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

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

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

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

Responsibilities of Directors or the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of the Financial Services and Markets Act 2000, the PRA Rules and Solvency II Regulations 2015.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Solvency and Financial Condition Report included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'). We understood how TransRe London Limited complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Risk and Audit Committee; and gained an understanding of the Company's approach to governance;
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related Solvency and Financial Condition Report items;
- For both direct and other laws and regulations, our procedures involved: making enquires of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA;

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate; and
- We assessed the susceptibility of the Company's Solvency and Financial Condition Report to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The risk was considered to be higher within the valuation of Solvency II gross and net technical provisions.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of Solvency II gross and net technical provisions;
- Evaluating the business rationale for significant and/or unusual transactions; and
- In addition, we performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Other Matter

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

Report on Other Legal and Regulatory Requirements

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

Ernst + Young LLP

Ernst & Young LLP

London

6 April 2023

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

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

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

Executive summary

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

TRL commenced trading on 1 January 2014, assuming the renewals of most of TRC's London branch ("LBO") business developed since 1980. It is regulated by the PRA and Financial Conduct Authority ("FCA"). In addition to paid up share capital of $500m, TRL has the benefit of a quota share treaty with TRC ("the TRC Quota Share"), which was 60% in 2022 and increased to 80% effective 1 January 2023, and a parental capital support guarantee agreement. TRL has also been granted the same financial strength ratings as TRC by both Standard & Poor's ("S&P") as of October 2022 and A.M. Best as of January 2023, being AA+ and A++ (Superior) respectively.

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

TRL continues to enhance its analytical, underwriting and actuarial resources to further concentrate on providing clients with top quality service, expertise and financial security in challenging market conditions. Our aim is to be their reinsurer of choice.

TRL's focus remains on underwriting excellence and ensuring that opportunities are maximised during this period of relative market hardening, enhancing client relationships and navigating emerging risks and the ever-changing geopolitical environment.

On 20 March 2022, Alleghany Corporation ("Alleghany"), TRL'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, TRL's ultimate parent undertaking became Berkshire Hathaway.

Business and performance

TRL'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 and offering all products in all territories.

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

Our business strategy during 2022 highlighted the continuing need to focus closely on the underwriting returns generated in a challenging investment environment. We sought to de-risk those areas seen as dilutive and continue to build our portfolio around those lines of business that were responding more robustly to the much changed macro-economic and Covid-19 environment.

Overall, TRL's net claims ratios moved from 68.2% in 2021 to 71.7% in 2022, based on net earned premiums of $256.5m (2021: $253.8m). After deducting acquisition and operating expenses of $83.2m (2021: $94.4m), TRL returned a net underwriting loss of $10.5m (2021: loss of $13.8m). The increase in the claims ratio is primarily due to direct and indirect impacts of Russia's invasion of Ukraine. Stripping out these effects reveals an improved underlying underwriting performance, reflecting the improvements in the rating environment in recent years and the shift to a more diversified portfolio with reduced catastrophe exposure. The decrease in 2022 acquisition costs is primarily driven by lower sliding scale commission expenses and higher override commissions on the TRC Quota Share.

The fixed income investment market in 2022 was characterised by sharply rising bond yields, linked primarily to the inflationary effects of the Russia-Ukraine conflict and also to Covid-19 induced supply and demand imbalances. With a portfolio largely invested in fixed income securities, TRL experienced substantial falls in its fixed income portfolio, registering a combined investment loss (capital losses net of interest income) of $74.7m for the year (2021: combined loss of $0.7m).

Following Berkshire Hathaway's acquisition of Alleghany, during the fourth quarter and continuing into 2023, TRL's investment portfolio has been substantially de-risked, with a general shift out of exchange traded funds ("ETFs"), corporate bonds and other longer dated fixed income holdings into short-dated government bonds. As a consequence, the portfolio's sensitivity to future interest rate movements has reduced substantially.

At 31 December 2022, the investment portfolio was approximately 98% invested in fixed income securities (2021: 93%), of which approximately half were invested in short-dated government bonds, with the balance invested in cash and a reduced holding in a high yield ETF.

At the year end, the average duration of the portfolio was 2.2 years (2021: 3.9 years) and its average credit quality had increased to AA+ (2021: AA), with no assets below investment grade (BBB-) (2021: nil). Benefitting from elevated yields at the short end of the yield curve in particular, the portfolio's market yield at the year-end was 4.2% (2021: 1.2%).

Ukraine / Russia

On 24th February 2022, Russia began a military invasion of Ukraine, in a major escalation of the Russo-Ukrainian conflict that had begun in 2014. TRL has made provision across a number of lines of business and is continually reviewing its exposures to this ongoing, live conflict with a particular focus on potential contagion events and escalation across aviation war, marine war, political risk, trade credit and political violence portfolios. Whilst TRL does not have any direct exposure to Russia in its investment portfolio, and its investment portfolio has been substantially de-risked, TRL continues to monitor the impact of the conflict on its investments.

TRL has no live treaty business to either Russia or Ukraine domiciled cedants. TRL ensures that business underwritten contains appropriate sanctions clauses and has implemented additional controls to ensure new and renewal treaty business, as well as any special acceptances for business exposed to risks in the region, is appropriately referred. TRL is not writing new facultative business for risks in or related to Russia, Ukraine, Belarus, or Crimea, including Russian energy.

For policy renewals at 1 January 2023, appropriate exclusionary language has been incorporated into the relevant lines of business; this also limits our exposure to a geographic escalation of the conflict.

The inflationary impact of the conflict, arising from disruptions to fuel and other supply chains, has contributed to sharply rising bond yields in all markets in which TRL invests as noted above.

Rather surprisingly, the anticipated escalation in cyber-attacks has not as yet materialized, but we remain vigilant.

System of governance

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

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

The members of the Board possess the skills, knowledge and experience required to undertake their roles and responsibilities for overseeing TRL.

Risk profile

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

Figure 1a: Basic SCR by risk type before the impact of diversification as at 31 December 2022

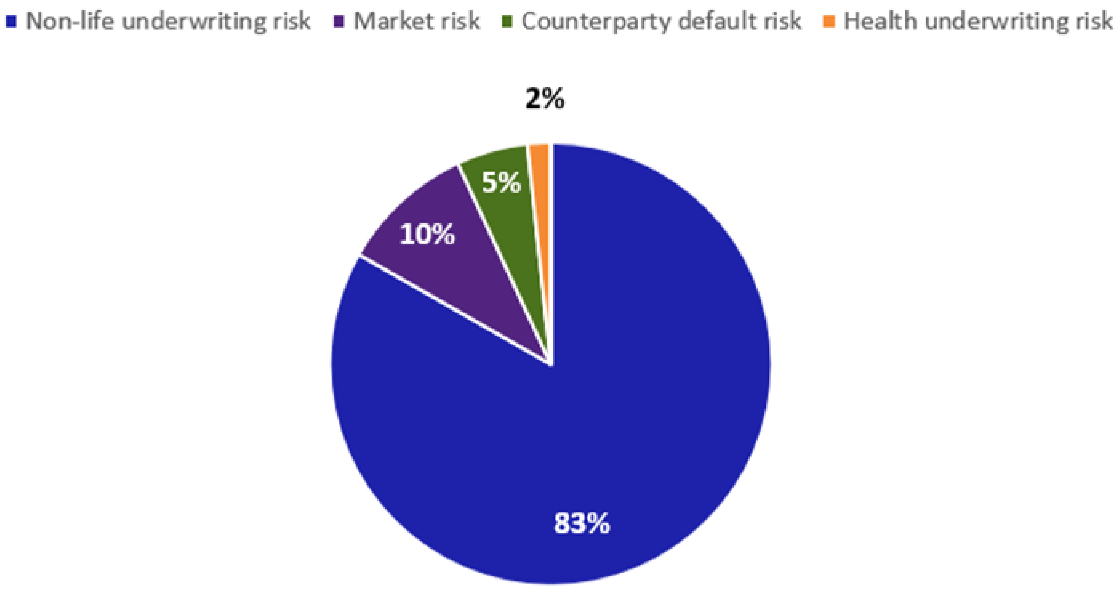
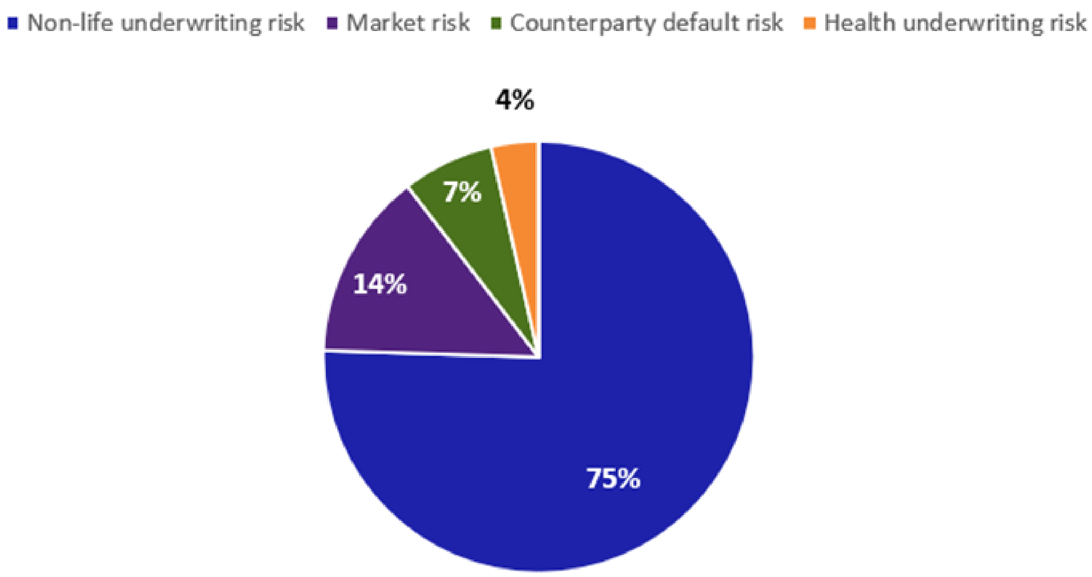


Figure 1b: Basic SCR by risk type before the impact of diversification as at 31 December 2021



As shown above, non-life underwriting risk, including non-life premium and reserve risk, makes up the largest portion of the basic SCR risk profile.

To mitigate underwriting risks, TRL maintains a disciplined underwriting philosophy supported by risk appetites aligned to its risk tolerances.

TRL undertakes detailed stress and scenario testing on at least an annual basis. Scenario tests are used to assess TRL'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 an extreme reserves deterioration across all lines of business including adverse development in both claims ratios and reserves for incurred but not reported ("IBNR") claims. The analysis undertaken continues to show that TRL is well capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach its SCR.

TRL's underwriting risk profile is resilient to severe shocks and is within the Board approved risk appetite.

Valuation for PRA Rules purposes

Assets and liabilities, including technical provisions, are valued in TRL's regulatory balance sheet according to PRA Rules and related guidance, giving valuations which differ from those in the financial statements, prepared under international accounting standards adopted in the UK, herein referred to as IFRS ("IFRS"). TRL's IFRS financial statements are undergoing final review and will be filed at Companies House in due course.

As at 31 December 2022, TRL's excess of assets over liabilities under PRA Rules was $543.1m (2021: $578.3) compared to net assets of $491.3m (2021: $562.9) in the financial statements under IFRS.

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 IFRS and regulatory valuation bases.

Capital management

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

Figure 2: Own funds by tier and capital requirements

Tier	Instrument	At 31 December ($'000s) 2022	2021
Tier 1	Ordinary paid up share capital Reconciliation reserve	500,000 25,109	500,000 61,721
Tier 2	Not applicable	-	-
Total own funds to cover Minimum Capital Requirement ("MCR")		**525,109**	**561,721**
Tier 3	Net deferred tax asset	13,504	8,744
Total own funds to cover Solvency Capital Requirement ("SCR")		**538,613**	**570,465**
MCR		88,284	102,727
SCR		353,137	410,909
MCR coverage ratio		**595%**	**547%**
SCR coverage ratio		**153%**	**139%**

TRL's SCR is calculated according to the SCR – Standard Formula part of the PRA Rules as modified by a Partial Internal Model ("PIM") to calculate catastrophe risk.

TRL's SCR decreased by $57.8m from $410.9m as at 31 December 2021 to $353.1m at 31 December 2022; and the eligible own funds to cover its SCR decreased by $31.9m from $570.5m to $538.6m during the year.

TRL's SCR ratio as at 31 December 2022 was 152.5% (2021: 138.8%) and its MCR ratio was 594.8% (2021: 546.8%).

The increase in the SCR coverage ratio is driven by the following factors:

- a decrease in the SCR of $57.8m, predominantly reflecting: a decrease in non-life underwriting risk as a result of the increase to the TRC quota share; a decrease in market risk as a result of changes to

TRL’s asset portfolio; and a decrease in counterparty default risk following the upgrade of TRC’s credit rating. These movements were partially offset by:

- a decrease in eligible own funds (“EOF”) of $31.9m. Whilst TRL made a total comprehensive loss of $71.6m on a statutory IFRS basis during 2022, this has been partially offset in the valuation for solvency purposes by the impact of increasing interest rates on technical provisions, with the balance comprising other valuation items.

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

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

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

TRL’s SCR ratio is reviewed regularly to ensure TRL manages its regulatory capital consistent with its capital risk appetite.

A. Business and Performance

A.1 Business

Company information

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

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

On 20 March 2022, Alleghany, TRL'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"), and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("Merger Sub"). Pursuant to the Merger Agreement, 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, TRL's ultimate parent undertaking became Berkshire Hathaway, a corporation incorporated in Delaware, USA and headquartered in Omaha, Nebraska, USA.

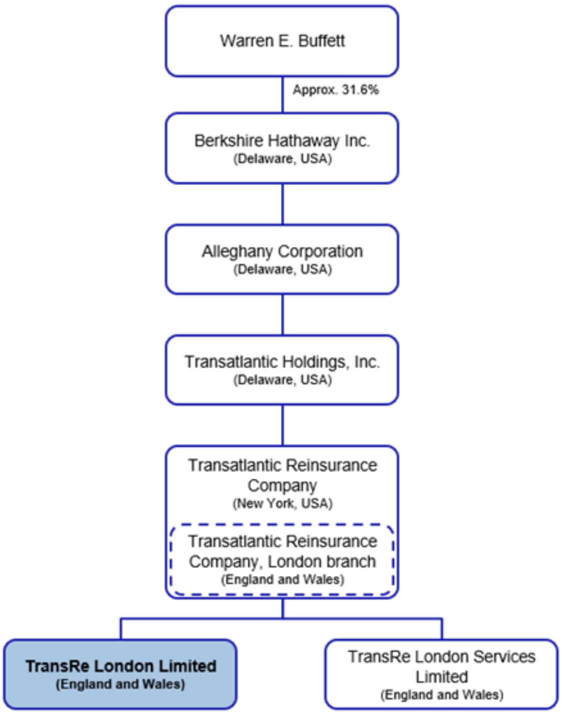
In addition to TRC and Berkshire Hathaway, Transatlantic Holdings, Inc. ("TRH"), incorporated in Delaware, USA and Alleghany, also incorporated in Delaware, USA, are indirect parents and holders of qualifying holdings in TRL.

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 TRL. TRL has no related undertakings as defined in Rule 1.2 of the Group Supervision Part of the PRA Rules. 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 3: Simplified organisational structure chart



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

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

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

TRL has not proposed or paid any dividends for, during or subsequent to the year ended 31 December 2022 (2021: interim dividend paid: $10m).

TRC, together with some of its subsidiaries including TRL, benefitted from an upgrade in its ratings to AA+ by S&P and A++ by A.M. Best, effective October 2022 and January 2023 respectively.

Market commentary

The planned improvements to terms and conditions across most of our lines of business were largely realised during 2022 and, in several cases, exceeded with original insurance rate improvement outpacing reinsurance rates in most lines. Specialty lines, in particular, experienced further rate momentum as a result of the Russia/Ukraine conflict, although aviation primary rate improvement was surprisingly muted. Pressure remained on signings with a reduction in some orders as cedants took the opportunity to retain more risk in an improved pricing environment.

Capacity remains available for most classes, except catastrophe excess of loss ("XOL"), but only at the right price.

Following five successive years of elevated catastrophe XOL losses, 2022 saw a succession of very severe hailstorms in France in June with great swathes of the country impacted and another major US hurricane making landfall in Florida in September. There were also a number of other new large losses throughout the year, most notably the KwaZulu Natal floods in South Africa in April. These losses resulted in a rapid firming of catastrophe XOL rates, not just in the U.S., but also in Europe. This pricing dynamic was further compounded by many US companies actively seeking more vertical cover as a result of inflationary pressure on loss costs and exposures.

European reinsurers saw their USD denominated exposures increase meaningfully due to USD strength at precisely the moment that balance sheets were hit hard with unrealised losses from their bond and equity portfolios due to rising interest rates. This finally impacted capacity available, even at strong terms; the Florida market in particular saw real dislocation for the first time in many years.

Man-made large loss activity was dominated by the tragic events in Ukraine. There remains considerable uncertainty about final outcomes with several legal disputes over coverage already underway. The aviation contingent leasing market saw an unprecedented level of possible loss following the “confiscation” of over 500 leased aircraft in Russia. Market loss estimates range between $3bn and $15bn with legal disputes expected to continue for many years. Aviation war and political violence written within the so-called “marine composite” market was also impacted which led to a significant restructuring of these covers in the second half of the year. Clearly the conflict is live with uncertainty over when and how it will end, so close attention is being paid to all potential sources of loss. The aviation reinsurance market was also impacted by significant deterioration on the historical Boeing 737 Max crash and grounding losses.

TRL continues to see strong interest from clients in finding solutions for these new challenges and we have led several of the newly restructured programmes. This extends also to emerging risks, including cyber. We remain very conscious of the threat that a poorly understood and constructed cyber portfolio would pose to the balance sheet. Following ransomware losses in 2020/21, cyber primary rates have continued to show significant increases. In 2022 we also saw a greater effort by several leading players to address the issue of systemic risk with tighter wordings. Unfortunately, strong rates also attracted additional capital, including capital into the Insurtech space. Whilst we sought to cautiously grow our footprint to capture the improved rate, we did so with those that shared and attempted to address our systemic concerns.

Our greatest disappointment in 2022 was with the UK motor market. Inflation has hit hard and the loss ratio improvements expected from the Covid-19 years have not materialised across the market. This is one area where primary rate does not appear to be keeping pace with loss trend, so we have cut back our exposure meaningfully.

Strategy and portfolio

TRL’s strategy is to concentrate foremost on achieving underwriting profitability, not top line growth, and to return excess capital and underwriting profit to TransRe 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 objective of being a global property/casualty reinsurer of choice, maximising the benefits of local presence and global service, offering all products in all territories.

In the current challenging investment environment, TRL’s focus on underwriting profitability is paramount. Additionally, TRL is mindful of the further impacts that the particularly uncertain inflationary environment could have on pricing and claims reserving.

Premium income distribution by line of business and distribution by domicile of cedant is shown in Figures 4 and 5 below.

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

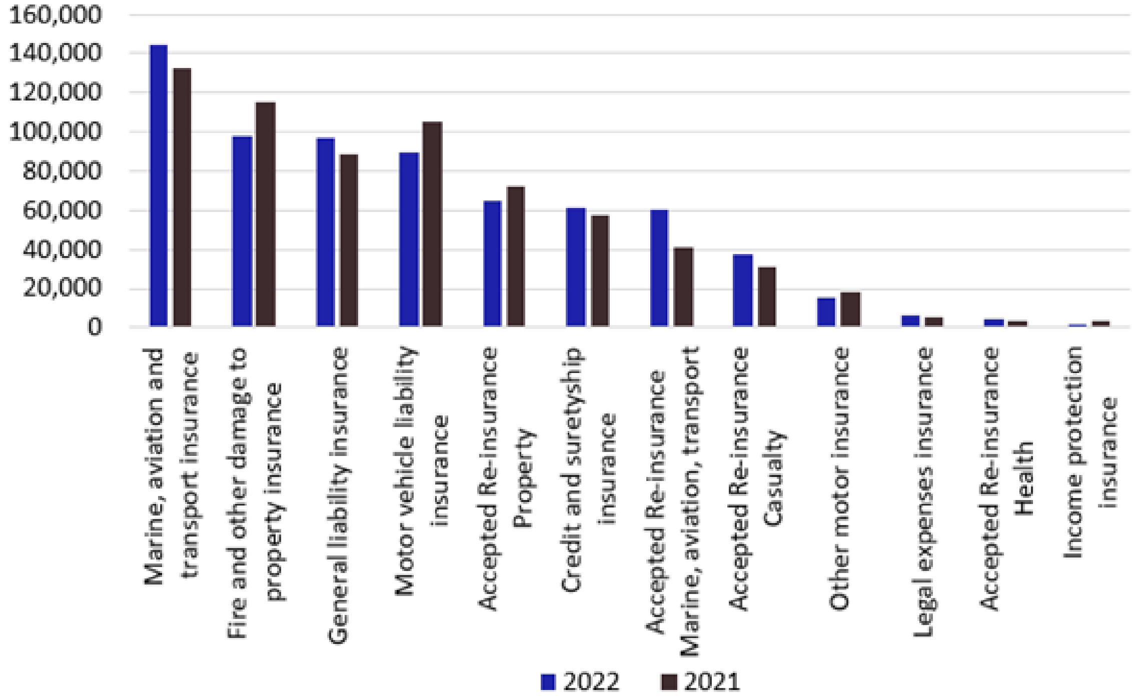


Figure 5a: Geographical domicile of cedants (gross earned premiums) as at 31 December 2022

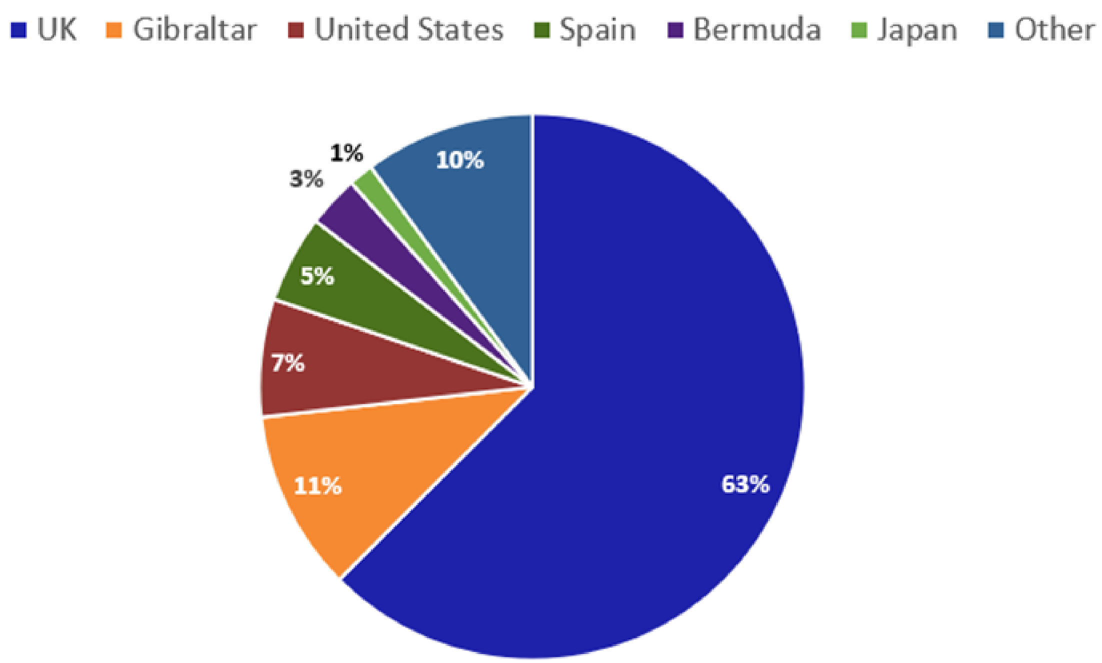
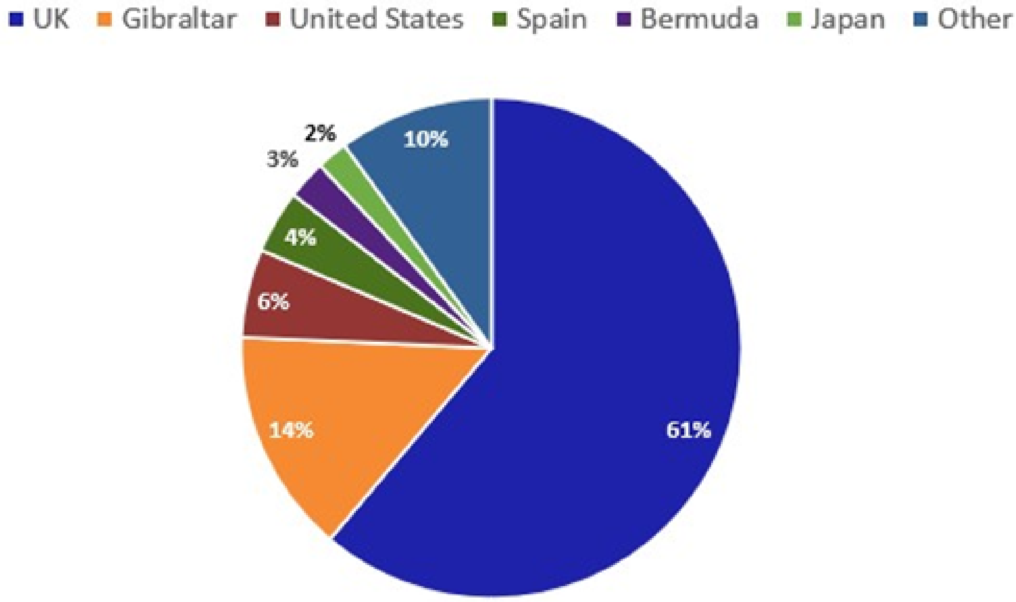


Figure 5b: Geographical domicile of cedants (gross earned premiums) as at 31 December 2021



A.2 Underwriting performance

TRL earned gross premium income of $683.1m in 2022 compared to $673.1m in 2021 and made an overall net underwriting loss of $10.5m (2021: net loss of $13.8m). TRL's net claims ratio moved from 68.2% in 2021 to 71.7% in 2022, based on net earned premiums of $256.5m (2021: $253.8m). The increase in the claims ratio is primarily due to the impacts of Russia's invasion of Ukraine across aviation, political violence and marine composite covers, combined with the deterioration in the Ethiopian Boeing 737 crash and associated grounding losses. Stripping out these events reveals an improved underlying underwriting performance, reflecting the improvements in the rating environment in recent years, the shift to a more diversified portfolio by line of business and reduced catastrophe exposure.

TRL writes a diverse book of business with no single class dominating the overall portfolio. Marine, aviation and transport ("MAT") is the largest component, accounting for 21.2% (2021: 19.7%) of total gross earned premium, with fire and other damage to property accounting for 14.3% (2021: 17.1%) and general liability which accounts for a further 14.2% (2021: 13.1%).

TRL is in its tenth year of operation and whilst some of the newer longer tail claims are still at a relatively early stage of development, we are seeing claims patterns similar to those previously seen in LBO. As in previous years, all lines of business continue to show improvement in original pricing and terms with reinsurance rates now hardening in a more meaningful way across most lines of business. That said, not all lines, such as motor and aviation, have reached a point we consider adequate.

Despite the impact on claims ratios in the past few years from Covid-19 losses and more recently the events emanating from Ukraine, the underlying portfolio performance is strong. This is a reflection of the continual focus on portfolio management, de-risking, volatility reduction and improving margin adequacies, leaving a much improved and better balanced portfolio, less reliant on a smaller number of lower margin deals and catastrophe exposures.

Following a progressive run of years impacted by large natural catastrophe losses, wholesale improvements in catastrophe pricing, attachment levels and terms and conditions have taken a long time to materialise. Whilst improvements were seen in the latest 1st January renewals, they were not sufficient to materially change our view of catastrophe risk. As such, in recent years we have managed down our catastrophe aggregate exposure and remain focused on the need for price to be fully commensurate with the risk and capacity deployed.

Motor market loss ratios increased in recent years and were further impacted by the change in the Ogden discount rate which has settled at -0.25%. Original rates remained suppressed as Covid-19 lockdowns resulted in reduced frequency of claims and increased premium refunds to customers. Pressure on rates remained due to the whiplash reforms and insurers looking to gain market share in anticipation of the FCA's January 2022 pricing reforms. Inflation has also impacted our motor portfolio with higher average claims costs.

TRL's motor portfolio is predominately non-standard (personal and commercial) and as a result will not automatically follow wider market trends. Nevertheless, 2022 has been challenging; loss ratio improvements expected from a reduced claims frequency in 2020 and 2021 have been offset by significantly higher average claims costs, driven by inflation, and a supressed rating environment. Premium volumes have also reduced due to increased competition from mainstream carriers, as well as cedants reducing exposures where pricing is inadequate.

Excluding business that is sourced via quota share arrangements with TransRe group companies, 89% (2021: 85%) of TRL's business is generated through brokers with the remaining 11% (2021: 15%) sourced directly with cedants. As well as writing business through these traditional sources, TransRe has additional distribution capabilities which are supported by TRL, such as a subsidiary Gibraltar operation, Calpe Insurance Company Limited ("Calpe").

Top five underwriting performance by line of business

The tables below summarise the performance of TRL's top five Solvency II lines of business by premiums written. Figures are presented on both a gross assumed basis and on a net basis after all outwards reinsurance, including the TRC Quota Share. No new classes of business were introduced in the current or prior year.

Figure 6a: Underwriting performance by SII line of business (gross) 2022

Gross ($'000s)	Proportional					Other lines of business ("LoB")	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Motor vehicle liability insurance	Credit and suretyship insurance		
Premiums written	157,787	100,070	87,128	68,417	68,190	183,879	665,471
Premiums earned	144,906	97,941	97,158	89,771	61,641	191,689	683,106
Claims incurred	(91,623)	(67,785)	(55,175)	(78,824)	(22,782)	(175,056)	(491,245)
Expenses	(52,461)	(39,883)	(36,820)	(25,005)	(30,082)	(32,849)	(217,100)
Underwriting profit/(loss)	**822**	**(9,727)**	**5,163**	**(14,058)**	**8,777**	**(16,216)**	**(25,239)**

Figure 6b: Underwriting performance by SII line of business (gross) 2021

Gross ($'000s)	Proportional				Non-proportional	Other LoB	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Motor vehicle liability insurance	Reinsurance property		
Premiums written	137,330	115,514	106,642	103,446	71,657	165,087	699,676
Premiums earned	132,354	115,402	88,460	104,937	72,083	159,909	673,145
Claims incurred	(83,765)	(77,578)	(59,705)	(95,118)	(54,086)	(77,516)	(447,768)
Expenses	(47,429)	(47,113)	(36,171)	(35,569)	(10,471)	(53,248)	(230,001)
Underwriting profit/(loss)	**1,160**	**(9,289)**	**(7,416)**	**(25,750)**	**7,526**	**29,145**	**(4,624)**

Figure 7a: Underwriting performance by SII line of business (net) 2022

Net ($'000s)	Proportional					Other LoB	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Motor vehicle liability insurance	Credit and suretyship insurance		
Premiums written	63,115	39,014	34,851	27,367	27,249	57,430	249,026
Premiums earned	57,962	38,543	38,863	35,909	24,605	60,618	256,500
Claims incurred	(36,649)	(26,794)	(22,070)	(31,677)	(9,163)	(57,449)	(183,802)
Expenses	(20,200)	(15,528)	(13,508)	(9,103)	(11,538)	(13,297)	(83,174)
Underwriting profit/(loss)	**1,113**	**(3,779)**	**3,285**	**(4,871)**	**3,904**	**(10,128)**	**(10,476)**

Figure 7b Underwriting performance by SII line of business (net) 2021

Net ($'000s)	Proportional					Other LoB	Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Motor vehicle liability insurance	Credit and suretyship insurance		
Premiums written	54,932	45,380	42,657	41,379	25,503	54,232	264,083
Premiums earned	52,942	45,678	35,384	41,975	22,847	54,998	253,824
Claims incurred	(33,506)	(30,682)	(23,882)	(38,047)	(2,900)	(44,171)	(173,188)
Expenses	(19,232)	(18,986)	(14,345)	(14,658)	(12,719)	(14,451)	(94,391)
Underwriting profit/(loss)	**204**	**(3,990)**	**(2,843)**	**(10,730)**	**7,228**	**(3,624)**	**(13,755)**

Marine, aviation & transport

Marine and Transport rates have continued to show improvement following a number of challenging years, with rates responding to major market loss activity and adverse claims development. The Aviation original rating environment continues to disappoint, however, despite market loss activity and potential loss deterioration emanating from the Ukraine conflict.

Fire & other damage to property

Fire and other damage to property comprises property proportional treaty business including Engineering and facultative reinsurance. 2022's results were impacted by Onshore Energy losses and deterioration in the New Zealand Sky City Convention Centre fire loss in particular. Terror and Political Violence (included in this category) has also been adversely impacted by the Russian invasion of Ukraine. Original rating, however, continues to show positive momentum across all classes.

General liability

This portfolio predominately consists of multi-national business covering a diverse range of underlying occupancies and classes. The portfolio experienced rate increases and a favourable claims environment during the year.

Motor vehicle liability

TRL has historically written a number of larger motor pro rata treaties, but, as shown by the premium reduction between 2021 and 2022, has cut back its exposure meaningfully on the back of adverse claims development, large loss activity, claims inflation and a supressed rating environment.

Credit and suretyship

This portfolio comprises Credit, Surety, and Political Risk. Claims development has been generally favourable, with reserve releases on prior years. Ukraine will likely have some impact on the Political Risk book and whilst this class is being robustly reserved, significant losses are yet to materialise.

Other lines of business

Other top 10 lines of business (by gross GWP) include non-proportional reinsurance property, non-proportional marine, aviation and transport, non-proportional casualty, proportional other motor insurance and non-proportional health.

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

Figure 8a: Underwriting performance by material geographical area (net) 2022

Net ($'000s)	UK	Gibraltar	United States	Spain	Bermuda	Japan	Other countries	Total
Premiums written	151,135	21,662	20,415	15,353	10,811	3,681	25,969	249,026
Premiums earned	155,379	29,234	18,555	14,176	8,350	3,999	26,807	256,500
Claims incurred	(115,899)	(23,387)	(10,505)	(5,018)	(5,934)	(3,848)	(19,211)	(183,802)
Expenses	(51,798)	(9,671)	(4,841)	(6,763)	(2,939)	(1,117)	(6,045)	(83,174)
Underwriting profit/(loss)	**(12,318)**	**(3,824)**	**3,209**	**2,395**	**(523)**	**(966)**	**1,551**	**(10,476)**

Figure 8b: Underwriting performance by material geographical area (net) 2021

Net ($'000s)	UK	Gibraltar	United States	Spain	Bermuda	Japan	Other countries	Total
Premiums written	159,754	36,300	15,717	12,142	8,680	5,152	26,338	264,083
Premiums earned	148,269	38,681	14,884	10,884	6,733	5,335	29,038	253,824
Claims incurred	(107,469)	(31,469)	(11,406)	1,086	(5,679)	(2,817)	(15,434)	(173,188)
Expenses	(58,818)	(13,600)	(3,798)	(6,090)	(3,089)	(1,604)	(7,392)	(94,391)
Underwriting profit/(loss)	**(18,018)**	**(6,388)**	**(320)**	**5,880**	**(2,035)**	**914**	**6,212**	**(13,755)**

United Kingdom

Business from UK domiciled cedants made up 60.6% of TRL's net earned premium in 2022 (2021: 58.4%). The UK experienced relatively low natural catastrophe activity in 2022, although business emanating from Lloyd's speciality classes has been impacted by Ukraine related losses.

Gibraltar

Gibraltar comprises general liability and motor business, proportionally ceded from Calpe, a wholly owned subsidiary of TRC, whose motor book is now in run-off. General liability rate increases were achieved again through 2022, though results were impacted by further losses on the motor accounts during the year.

United States

U.S. business includes multinational ceding companies writing principally property, casualty and marine and aviation business. TRL wrote only a small amount of US property catastrophe business so experienced minimal impact from 2022 hurricane activity.

Spain

Spain comprises primarily international trade credit business which has been running off favourably.

Bermuda

Bermuda comprises multinational ceding companies writing principally property, casualty and credit business.

Japan

Japan comprises predominantly property pro rata treaties for domestic insurers. Significant risk loss activity has impacted results.

Other countries

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

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

A.3 Investment performance

Financial investments

Following the sale of the bulk of its ETF holdings, excluding cash, TRL's investment portfolio is made up of fixed income securities which comprised 99.5% of the investment portfolio by market value as at 31 December 2022 (2021: 93.0%) and ETFs which made up the remainder (0.5%) of the portfolio (2021: 7.0%).

As at 31 December 2022, 67.9% of the fixed income portfolio was invested in government bonds (2021: 38.4%), 20.8% was invested in collateralised securities (2021: 28.7%) and 11.3% was invested in corporate bonds (2021: 32.9%). The credit quality of the fixed income portfolio was high, with an average rating of AA+

and 93% AA rated or higher (2021: 74%) and no investments below investment grade (2021: nil). The total portfolio was split by the following currencies: USD (78%), GBP (14%) and EUR (8%).

Total investment return

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

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

The total investment return on TRL's portfolio during 2022 was a net combined loss of $74.7m (2021: net loss $0.7m), with combined realised and unrealised capital losses of $88.8m (2021: losses of $11.6m) offset only partially by investment income of $14.0m for the year (2021: $10.9m). The net investment loss contributed to a reduction in the total value of the portfolio (including investment cash) from $881.1m at the start, to $843.6m at the end of the year, with the balance of the movement comprising net investment purchases. As a consequence of rising rates across the yield curve in all fixed income markets in which TRL invests, the portfolio's market yield had risen to 4.2% (2021: 1.2%) at the end of 2022.

Linked to Berkshire Hathaway's acquisition of Alleghany, TRL's investment portfolio has been de-risked, involving the sale of large portions of the corporate, agency, municipal bond and securitised investment portfolio along with the bulk of the Company's ETFs and re-investing the proceeds in short-dated government bonds, defined as having maturities of less than one year at the date of purchase. By 31 December 2022, short-dated government bonds comprised approximately half (49.8%) of the fixed income holdings (2021: 0.3%).

At 31 December 2022, the portfolio's average duration had fallen to 2.2 years with an average maturity of 6.0 years (2021: 3.9 years and 9.2 years respectively).

The de-risking continued in 2023 and by the end of February 2023, all the ETFs had been sold, short-term sovereign bonds comprised 87% of the portfolio and the portfolio's average duration had dropped further to 0.3 years.

Figure 9a: Investment portfolio performance for 2022

Asset Category ($'000s)	**Income**	**Gains / (losses**	**Total investment return**	**Total SII Value (as at 31 December 2022)**
Cash[1]	329	0	329	9,154
Collateralised securities	4,802	(28,598)	(23,796)	173,176
Corporate bonds	5,254	(30,157)	(24,903)	93,849
Government bonds[2]	3,663	(20,650)	(16,987)	563,623
ETFs	0	(9,367)	(9,367)	3,847
Total	**14,048**	**(88,772)**	**(74,724)**	**843,649**

[1] Cash balances shown in Figures 9a and 9b represent cash held by the investment manager. For TRL's total cash balances, please refer to Figure 21 in section D1. Interest earned on TRL's non-investment cash and funds held with cedants, not shown in the tables above, was $346k (2021: $285k).

[2] Included within government bonds at 31 December 2022 are $413.7m (2021: $2.5m) of short-term investments, with maturity dates of less than one year at the date of acquisition.

Figure 9b: Investment portfolio performance for 2021

Asset Category ($'000s)	Income	Gains / (losses)	Total investment return	Total SII Value (as at 31 December 2021)
Cash[1]	1	0	1	6,920
Collateralised securities	3,701	(7,212)	(3,511)	233,613
Corporate bonds	5,422	(9,502)	(4,080)	267,643
Government bonds	1,786	(4,767)	(2,981)	312,085
ETFs	0	9,914	9,914	60,795
Total	**10,910**	**(11,567)**	**(657)**	**881,056**

Income in the above tables is shown gross of investment management related expenses of $425k (2021: $550k).

In addition to losses generated from its investment portfolio set out in the tables above, TRL also made an investment loss of $1.8m (2021: loss of $0.01m) arising from TRL's inwards whole account quota share arrangement with TReIMCo Limited, a Lloyd's corporate member and fellow group company. The loss represents TRL's share of TReIMCo's investment return, which is generated through TReIMCo's underwriting participations on several Lloyd's syndicates.

Whilst TRL does not have any direct exposure to Ukraine or Russia in its investment portfolio, TRL'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 TRL will generate more predictable investment returns going forwards, with steadier contributions from interest income and significantly reduced volatility from capital gains and losses.

Securitisations

US Government backed Federal Agency mortgage-backed securities comprised 20.5% of TRL's portfolio at 31 December 2022 (2021: 26.5%). All payments from these instruments are guaranteed (either explicitly or implicitly) by US Federal Agencies, meaning the credit risk associated with these bonds is equivalent to US sovereign debt. Agency mortgage-backed securities ("MBSs") are pass-throughs and have no subordination. By 28 February 2023, TRL's securitisation portfolio had been largely sold, with residual holdings comprising less than 0.1% of the portfolio.

A.4 Performance of other activities

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

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

A.5 Any other information

Financial risks associated with Climate Change

Sustainability & Resilience ("S&R") and Environmental, Social & Governance ("ESG") considerations continue to be areas of focus in the (re)insurance community and the broader economy. These considerations 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 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 reinsurers, these 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 C6.

Climate change governance matters are included in sections B and C.

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

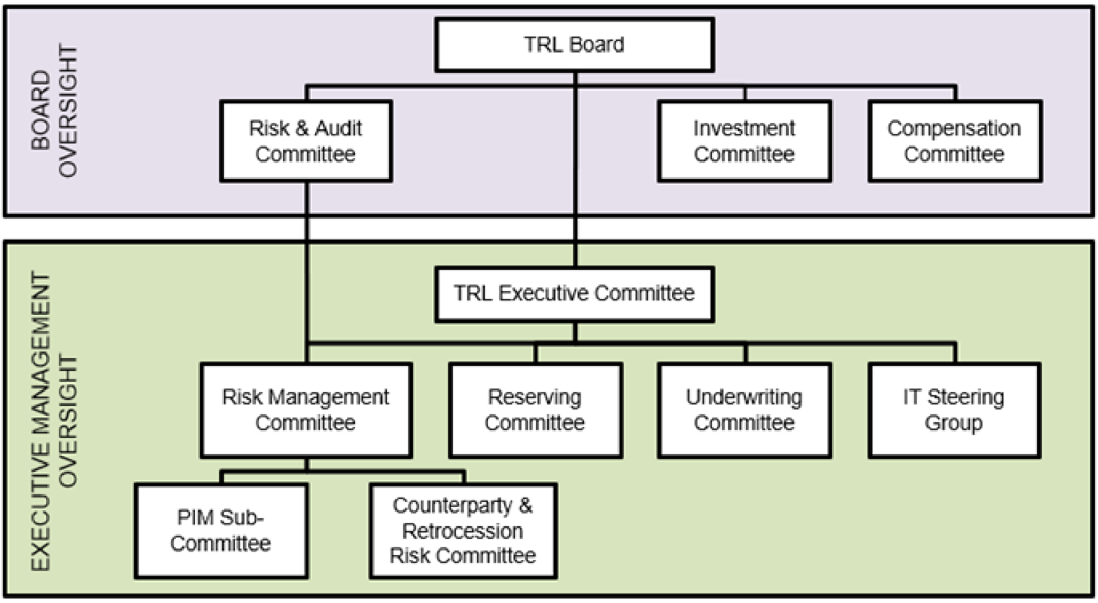
B. System of Governance

B.1 General information on the system of governance

TRL's governance structure reflects its membership of a large international group of companies, whilst ensuring that it maintains robust local governance arrangements. TRL has assessed the nature and scale of complexity of its business against its governance structure and considers its system of governance to be effective.

The structure of TRL's key governance bodies is shown in Figure 10.

Figure 10: Governance oversight and reporting lines as at 31 December 2022



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

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

The members of TRL's Board at 31 December 2022 are identified in Figure 11.

Figure 11: Board members and committee memberships

Board Member	Role	Committees
Mark Stephen	Independent Chair of the Board	Risk & Audit, Investment*, Compensation
Louise Rose	Executive director, Chief Executive Officer ("CEO")	
Ed Sheehan	Executive director, Chief Financial Officer ("CFO")	Investment
Richard Chattock	Independent non-executive director	Risk & Audit, Investment, Compensation
Mary Gavigan	Independent non-executive director	Risk & Audit*, Investment, Compensation
Paul Bonny	Non-executive director	
Donna Byron	Non-executive director	Compensation*

(* denotes chair of the respective committee)

Richard Chattock and Mary Gavigan were appointed to the Board on 10 February and 10 May 2022 respectively. Mark Winlow resigned from the Board on 9 June 2022. David Radford resigned from the Board on 9 November 2022 and Ed Sheehan was appointed on the same day. The members of the Risk & Audit Committee and the Compensation Committee are all non-executive Directors. The members of the Investment Committee are all non-executive Directors other than the CFO.

Risk & Audit Committee

The Risk & Audit Committee's responsibilities include:

Risk

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

Audit

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

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

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

Investment Committee

The Investment Committee's responsibilities include:

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

The Investment Committee meets at least three times per year.

Compensation Committee

The Compensation Committee's responsibilities include:

- ensuring that executive director remuneration policy and practices are consistent with expectations for clarity, simplicity, risk predictability, proportionality and alignment to culture;
- oversight and challenge of the design and operation of employee remuneration; and
- oversight of remuneration and staff benefits.

The Compensation Committee meets at least three times per year.

Each of the committees reports to the Board through their respective Chairs as a standing item on the Board's agenda. The Board and its committees maintain terms of reference that are reviewed at least annually.

The Board carries out regular reviews of its own effectiveness. Consistent with the UK Corporate Governance Code, these reviews consider the balance of skills, experience, independence and knowledge of TRL's Board. The reviews also consider Board diversity, how the Board works together and other factors relevant to its effectiveness. An external review is carried out every three years, although the scheduled 2022 external review was postponed to 2023 following changes to Board composition in 2021 and 2022 and an internal review was carried out in 2022 instead.

Executive Committee

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

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

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

At 31 December 2022, the Executive Committee maintained three senior sub-committees that report into it and also sponsored the Information Technology ("IT") Steering Group, as shown in Figure 10. The Executive Committee and its sub-committees maintain terms of reference that are reviewed at least annually.

Key functions

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

- the Head of Risk is also holder of the Catastrophe Modelling function;
- the Head of Claims is also holder of the Business Management Department function;
- the CFO is also holder of the Operations (other than IT/Systems) function; and
- the Head of Legal and Compliance is holder of both Legal and Compliance functions.

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

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

Figure 12: Key functions as at 31 December 2022

Key Function	Holder	Senior Management Function ("SMF")
Risk Management System	Head of Risk	SMF4
Compliance	Head of Legal and Compliance	SMF16
Internal Audit	Director of Internal Audit	SMF5
Actuarial	Chief Actuary – International	SMF20
The function of effectively running the firm:		
Executive Management	CEO	SMF1
Underwriting	CUO	SMF23
Finance	CFO	SMF2, SMF24
Claims	Head of Claims	SMF18
Operations (other than IT/Systems)	CFO	SMF2, SMF24
Members of TRL's Board (not otherwise listed)	Directors	Various
SMF7 holders on the governing body of a parent or other group company	Various	Various
Any other function which is of specific importance to the sound and prudent management of the firm:		
Business Management Department	Head of Claims	SMF18
Catastrophe Modelling	Head of Risk	SMF4
HR	Head of HR	SMF18
Legal	Head of Legal and Compliance	N/A[3]
IT/Systems	Head of IT	SMF24
SMFs not otherwise identified above		

[3] The Head of Legal is not required to be a SMF. However, the Head of Legal and Compliance is responsible for the Legal function and is registered as SMF16 for the Compliance Function

Key Function	Holder	Senior Management Function ("SMF")
SMF7 holders not on the governing body of a parent or other group company	TransRe President, International	SMF7

Except as described above, there were no material changes in TRL's governance structure in the year ended 31 December 2022.

Remuneration policies and practices

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

Approach to remuneration

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

Assessment of performance

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

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

Fixed and variable components of remuneration

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

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

There are no entitlements to share options or shares.

Benefits

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

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

Material transactions with shareholders

TRL has a whole account quota share reinsurance agreement with TRC as reinsurer. Until 31 December 2022, TRL ceded 60% under that reinsurance agreement. With effect from 1 January 2023, TRL cedes 80% under that reinsurance agreement. To secure its liabilities under the TRC Quota Share, TRC established a trust account under a trust agreement (the "TRC Trust Agreement").

In addition to the above, TRC entered into a capital support guarantee agreement (the "TRC Capital Support Agreement") in favour of TRL. Under the agreement, TRC agrees to maintain TRL's regulatory capital in an amount greater than 120% of TRL's SCR.

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

B.2 Fit and proper requirements

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

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

Persons subject to assessment

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

Timing of assessment

TRL assesses the fitness and propriety of a person when that person is being considered for any such role and on an on-going basis thereafter. The on-going evaluation is performed at least annually and consists of, as a minimum, a performance assessment and a self-certification.

Nature of assessment

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

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

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

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

Training and competency

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

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

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

B.3 Risk management system including the ORSA

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

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

- actively sponsor and foster a risk awareness culture across TRL, supporting staff in making risk management based judgements and encouraging effective management of exposures within TRL's stated risk appetite;

- ensure a clear, coherent risk strategy that includes policies, standards, risk appetites and clarity of ownership for risks;
- ensure risk considerations are factored into key business decisions;
- ensure risk taking activities are consistent with TransRe's broader risk management vision and appetites;
- ensure that the 'three lines of defence' model operates effectively;
- implement risk strategies and policies that align with TransRe's and TRL's strategic and operational objectives;
- ensure risks and emerging risks are identified, understood and assessed on a forward-looking basis to allow management to take proactive steps to mitigate and tenhance resilience; and
- sustain a robust Own Risk and Solvency Assessment ("ORSA") process that informs management's view of risk and capital.

TRL's ERM framework is supported by a comprehensive suite of management information ("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 PRA and FCA regulatory requirements as well as market best practice.

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

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

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

TRL's Risk Management function is integrated into TRL, TransRe and Alleghany through the governance reporting lines to TRL's CEO, TransRe's Chief Risk Officer ("CRO") and TRL's Risk & Audit Committee and involvement in other key decision making forums. 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 including risks associated with climate change; and
- providing input and challenge into the development of realistic stress and reverse stress tests for TRL.

By adopting such an approach, TRL 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

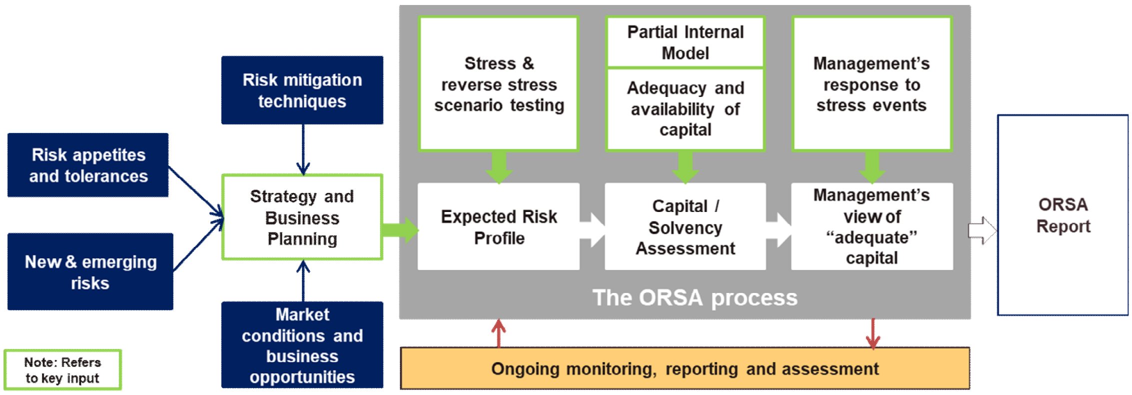
The ORSA process considers TRL's solvency assessment against its risk profile, business objectives and capital management strategy in comparison to its regulatory solvency requirement in order to determine whether additional capital is required. The ORSA also considers the impact on TRL should it be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

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

TRL senior management has identified a number of 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 13: TRL's ORSA process



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

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

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

B.4 Internal control system

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

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

The financial control framework is designed to ensure that:

- risks relevant to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- TRL is in compliance with group Sarbanes Oxley requirements; and

- there are sufficient and effective controls in place (both manual and automated) to mitigate these risks and to prevent or detect material misstatements in the financial statements and disclosures.

TRL's financial statements as well as this SFCR and the QRTs 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. The financial statements are presented to the Board for review and sign-off prior to publishing.

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

Compliance function

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

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

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

The Compliance function's responsibilities include:

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

B.5 Internal Audit function

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

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

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

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

B.6 Actuarial function

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

The Actuarial function is responsible for:

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

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

B.7 Outsourcing

Outsourcing management

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

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

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

Outsourcing of critical or important operational functions

Details of outsourcing in respect of TRL's critical or important operational functions are set out in Figure 14.

Figure 14: Outsourcing of critical or important operational functions

Outsourcing	Jurisdiction
TRL staff are employed by another company in the TransRe group, TransRe London Services Limited ("TRLS"), and are provided to TRL on a secondment basis.	UK
Certain intra-group services and support services are provided by TRC.	New York, USA
TRL outsources certain activities of its Internal Audit function to Mazars, as described in section B5.	UK
As of 26 July 2022, TRL'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 TRL's CFO in the UK. NEAM reports at least three times a year to TRL's Investment Committee. Previously, TRL's investment management activities were outsourced to BlackRock Investment Management (UK) Limited ("BlackRock").	Ireland
TRL participates in the central settlement services provided by DXC Technology (formerly Xchanging) to the London insurance market	UK

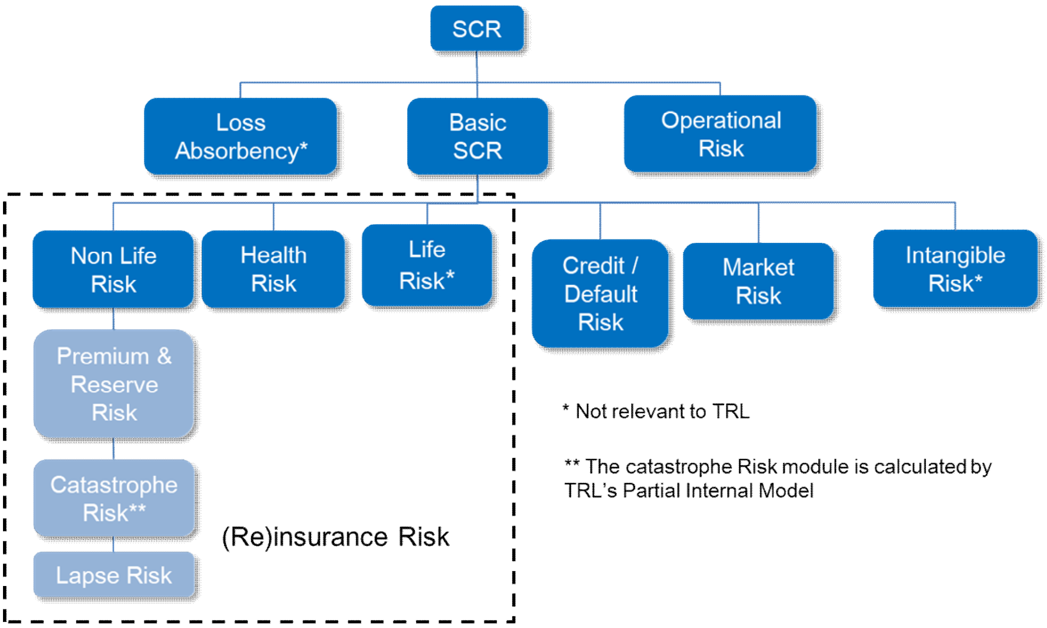
B.8 Any other information

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

C. Risk profile

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

Figure 15: Standard Formula risk modules



The quantitative contribution of TRL's risk modules to TRL's SCR including diversification benefits is set out in Section E2.

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

C.1 Reinsurance / underwriting risk

TRL continues to underwrite a diversified portfolio of property and casualty reinsurance across multiple regions and classes.

Key underwriting risks to which TRL is exposed include:

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

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

Premium / underwriting risk management and mitigation techniques

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

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

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

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

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

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

Retrocession risk management

TRL benefits from a comprehensive retrocession programme that provides protection for TransRe globally as well as TRL specifically, including the TRC Quota Share, which was increased from 60% to 80%, effective 1 January 2023. Risks associated with retrocession are managed and mitigated by ensuring that all retrocession placements are subject to approval and comply with TransRe's group-wide retrocession procedures (which include minimum credit quality and counterparty limits approved by the Alleghany Reinsurance Security Committee) and delegated retrocession purchasing authorities.

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

- a series of reinsurance sidecars (referred to as Pangaea) subject to aggregate limits beyond which losses fall back to TRL; and
- two collateralised catastrophe bonds, referred to as Bowline Re 2019 ($250m) and Bowline Re 2022 ($165m). Both bonds provide the TransRe group with protection for predominantly US and Canadian natural catastrophe risks.

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

Reserve risk management

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

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

Risk sensitivity for underwriting risks

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

As part of the ORSA process, the current and projected solvency positions over the business planning period are calculated following adverse stresses at different return periods for the material underwriting risks (each risk's stress is considered individually) in addition to multiple losses arising from non-correlating events (for example, market risks and underwriting risks, or a series of underwriting events). Consideration is also given to a material deterioration in TRL's reserves, including adverse development in both claims ratios and IBNR. The results of this analysis showed that in 2022, the most material impact on the SCR continues to arise from the reserve deterioration event. The analysis undertaken indicates TRL remains well capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach the SCR. TRL's underwriting risk profile is therefore resilient to severe shocks and events and is within the Board approved risk appetite. Sensitivity analysis is provided in further detail in section C7.

Processes for monitoring the effectiveness of risk mitigation techniques

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

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

C.2 Market risk

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

For TRL, market risk comprises the following key components:

Figure 16: Standard Formula market risk sub-modules

At least annually, the Investment Committee reviews TRL'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.

TRL's investment strategy forms the basis of the investment mandate given to TRL's investment manager, NEAM. The mandate includes limits on certain classes and types of investments, restriction on investments in certain industries, sector and geographical limits and a prohibited list of companies which would result in excessive concentration of underwriting and investment risk. The execution of TRL's investment strategy is subject to ongoing monitoring and oversight by the Investment Committee.

TRL continues to have a material risk concentration to the US Government which is managed through ongoing review and monitoring by the TRL Investment Committee and TRL's investment manager.

As mentioned in section A.3, TRL's investment portfolio has been de-risked, involving the sale of large portions of the bond and ETF portfolios and re-investing the proceeds in short-dated government bonds, with less than one year to maturity at the time of purchase. The de-risking of the portfolio has substantially reduced TRL's market risk, with short-term investments – which have significantly lower sensitivity to market interest rate movements – now dominating the portfolio. Accordingly, we anticipate that TRL's investment returns will be more stable going forward, with a far greater contribution from interest income and significantly less exposure to market value fluctuations.

TRL 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 PRA rules. As interest rates rise, the fair value of fixed income portfolios declines and conversely, as interest rates decline, their fair value rises. To minimise the risk of investment value falls, TRL adheres to investment policy guidelines established by TRL's Investment Committee in line with TRL'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 TRL may suffer due to an increase in the spread that a fixed interest security trades at, relative to a comparable government bond. At 31 December 2022, 93% of TRL's fixed income portfolio was rated AA (2021: 74%) or higher with only 4% rated below A grade (2021: 14%). All fixed interest securities were at least investment grade, with the lowest being BBB-. The impact of spread rate risk on the investment portfolio has substantially reduced as a result of the de-risking of the portfolio.

Equity risk

The potential financial loss arising from the reduction in the value of the investment portfolio due to changes in prices of equities, mutual funds and equity-linked capital market instruments. Having sold its equity-based ETF during the year, TRL had no exposure to equity risk at 31 December 2022 (2021: the equity ETF comprised 4.7% of the investment portfolio).

Foreign currency risk

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

Market risk management and mitigation techniques

TRL maintains a number of risk mitigation techniques and approaches to manage market risk 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;
  - issuer limitations; and
  - currency;
- Board approved investment strategy and Investment Committee oversight;
- stress testing; and
- market risk/value at risk analyses, including extreme market and currency stress tests As at 31 December 2022, TRL's investment portfolio was split across the following asset classes:

Figure 17a: Investment breakdown - as at 31 December 2022

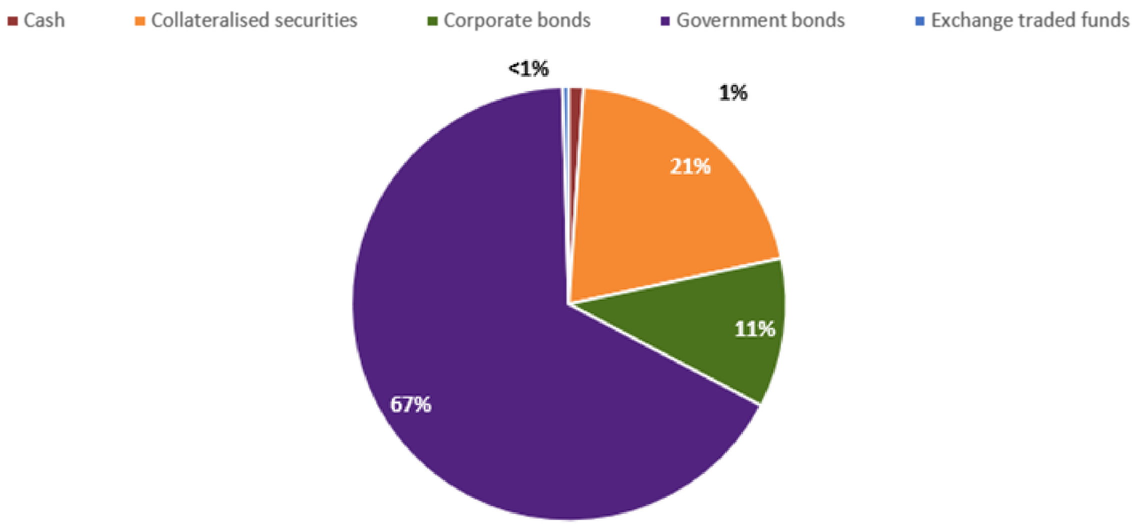
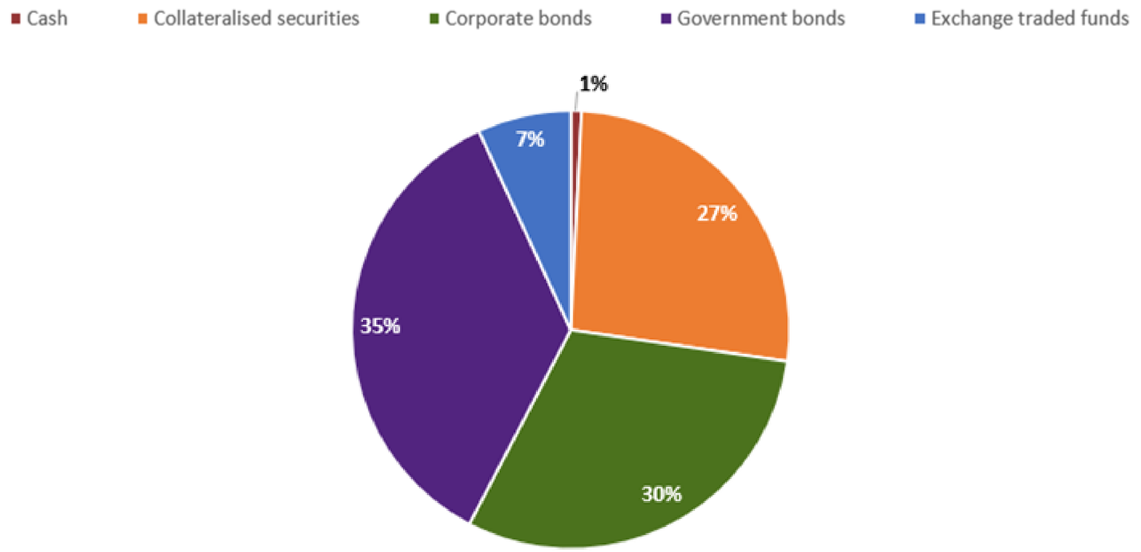


Figure 17b: Investment breakdown - as at 31 December 2021



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

Figure 18a: Credit quality of portfolio – as at 31 December 2022

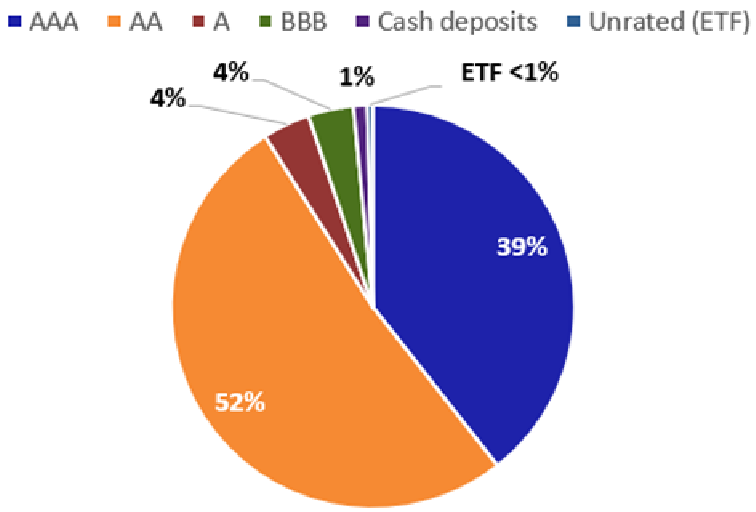
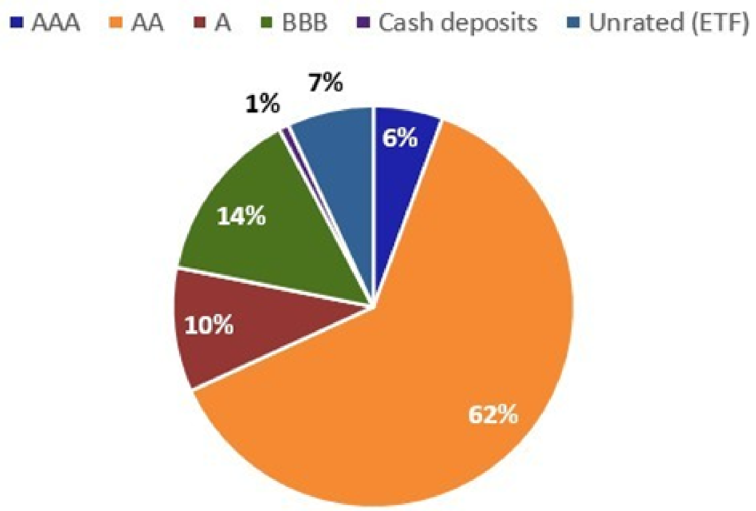


Figure 18b: Credit quality of portfolio – as at 31 December 2021



Risk sensitivity for market risks

TRL performs stress and scenario testing as part of its approach to managing market risk. Results are presented at the TRL Investment Committee and considered during 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, including a shock to interest rates in both directions and a prolonged economic downturn.

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

Prudent person principle

When making investment decisions, TRL considers the risks associated with its investments, including the potential impacts of any economic shock, the investments' liquidity and their treatment under PRA Rules. The strategy is ultimately approved by the Board and is reviewed by the Investment Committee and TRL's

CFO. Assets covering the technical provisions must be invested in a manner appropriate to TRL's reinsurance liabilities. TRL does not permit investment in any asset category that is not included in its investment mandate. TRL does not hold any derivatives.

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

Processes for monitoring the effectiveness of risk mitigation techniques

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

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

There has been no change in TRL's credit risk appetite or approach during 2022.

Brokers / intermediaries / retrocessionaires

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

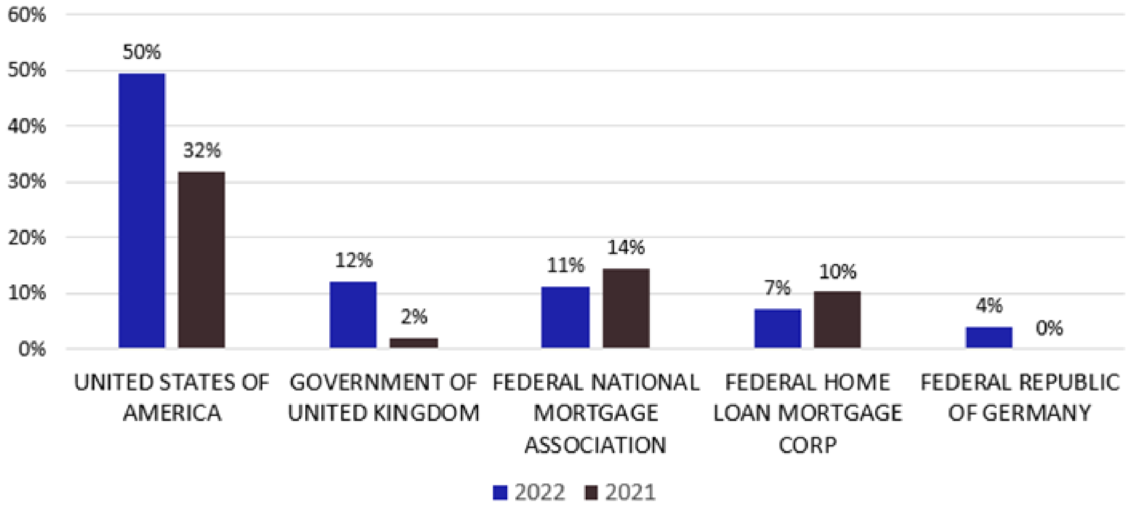
Prior to transacting with brokers, cedants or ceded reinsurers for the first time, a KYC check is carried out.

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

Investment counterparties

TRL maintains a highly rated investment portfolio in its three functional currencies: USD, GBP and EUR, with its largest investment exposure being to the US Treasury.

Figure 19: Top five portfolio issuer exposures as at 31 December



TRL'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 counterparty default risk to an acceptable level in line with TRL and TransRe approved risk appetite, tolerances and limits. The credit management strategy also takes into account the exposure to credit spreads.

Use of external credit rating agencies

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

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

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

The TRC Quota Share

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

Cash held at banks

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

Key controls

Key controls to mitigate credit risk include:

- Counterparty & Retrocession Risk Committee oversight;
- investment and underwriting risk accumulation reporting;
- approved retrocessionaire lists;
- ongoing monitoring and reporting of quota share collateral; and
- mandates and guidelines contained in the investment management agreement.

Risk sensitivity for credit risks

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

Prudent person principle applied to credit risks

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

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

Processes for monitoring the effectiveness of risk mitigation techniques

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

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

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

C.4 Liquidity risk

Liquidity risk would arise if TRL did not have sufficient financial resources available to enable it to meet its obligations as they fall due or could secure them only at excessive cost. There has been no change in TRL's liquidity risk appetite or approach during 2022 and TRL continues to have limited liquidity risk.

TRL manages and incorporates key aspects of liquidity risk management, including the liquidity risk profile, appetite, tolerances and liquidity MI requirements, in its liquidity risk management framework.

As at 31 December 2022, TRL continued to maintain assets in high quality liquid investments held in functional currencies. Key controls to mitigate this risk include:

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

Prudent person principle as applied to liquidity risks

Assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of TRL's (re)insurance liabilities. TRL manages its liquidity risk by maintaining a diversified liquid investment portfolio, which is of superior credit quality and short average duration.

Risk sensitivity for liquidity risk

TRL has carried out stress and scenario testing as part of its approach to managing liquidity risk. Results have been reviewed by TRL's Investment Committee. TRL does not consider that it has material exposure to liquidity risk.

Process for monitoring the effectiveness of risk mitigation techniques

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

Expected profit included in future premiums (“EPIFP”)

EPIFP was $215.8m as at 31 December 2022, gross of reinsurance recoverables (2021: $153.0m).

C.5 Operational risk

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

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

TRL does not have any material concentrations to operational risk. Other than the implementation of TRL’s operational resilience framework in March, there has been no change in TRL’s operational risk appetite or approach during 2022.

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

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

Key controls

Key mitigating controls include:

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

Risk sensitivities for operational risk

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

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

Process for monitoring the effectiveness of risk mitigation techniques

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

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

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

C.6 Other material risks

Franchise/reputation risk: TRL recognises that its long-term success depends on its relationship with clients, brokers, rating agencies, regulators and capital providers and on the strength of the reputation of TransRe and its affiliates.

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

Emerging risks: On an ongoing basis, TransRe and TRL undertake horizon scanning with a view to identifying new and emerging risks. Where new and emerging risks are identified, these are tracked and reported to key forums. Climate Change is also considered within the emerging risk process; please see section A5 and below for further details.

Sustainability & Resilience (including financial risks associated with climate change): TransRe has an established governance framework and internal control system which considers sustainability and resilience. The governance structure enables the Board to discharge its oversight responsibilities, helping to ensure TransRe meets its strategic objectives while managing risks within its stated risk appetite, including considering climate related issues in business plans and exposure to risks.

TransRe has established a Sustainability & Resilience Committee which reports directly into Corporate Risk Management Committee and the TransRe Board. The Committee includes representatives from all disciplines within TransRe.

TransRe and TRL recognise the risks associated with climate change (physical, transition, and liability) and these are considered as part of TRL's ORSA process.

Consistent with the expectations established by the PRA in its supervisory statement ("SS"), SS3/19, TRL has established a climate risk appetite. TransRe and TRL take the risks associated with climate change seriously, and TransRe's global catastrophe modelling team has considered the long term effects of climate change on our catastrophe models. We believe the financial risks associated with climate change can be appropriately mitigated against with the correct understanding of the longer-term risks associated with our underwriting and investment portfolios and with the industries which impact climate change.

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

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

C.7 Any other information

Risk sensitivity

TRL's SCR coverage ratio as at 31 December 2022 was 153% (2021: 139%). The below table shows the absolute change in the 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 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 large $100m catastrophe loss (net of retrocession reinsurance recoveries) would lead to an absolute reduction in the SCR coverage ratio of 42%. In none of these instances does the SCR ratio fall below 100%.

Figure 20: SCR coverage ratio sensitivity analysis as at 31 December 2022

Sensitivity test	Absolute change to SCR coverage ratio
Exchange rates: +10%	0.1%
Exchange rates: -10%	-0.1%
Interest rates: +1%	-2%
Interest rates: -1%	2%
Credit spreads: +1%	-4%
Credit spreads: -1%	4%
Catastrophe loss: $100m net of all reinsurance	-42%

TRL 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 PRA Rules. It also includes descriptions of how the bases, methods and assumptions under PRA Rules differ from those applied for valuation purposes in the financial statements.

TRL'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 PRA Rules. Valuations represent amounts for which assets and liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction.

TRL's IFRS valuation is used where consistent with the economic basis under PRA Rules. Assets and liabilities measured at cost or amortised cost in TRL's financial statements have been revalued to economic value. PRA Rules also require specific valuation approaches for some assets and liabilities which have been adopted by TRL. The IFRS financial statements are undergoing final review and will be filed at Companies House in due course.

TRL has elected to prepare its statutory financial statements in accordance with UK generally accepted accounting principles ("UK GAAP") instead of IFRS with effect from 1 January 2023. The change in accounting basis is not expected to have a material impact on the financial statements and will have no impact on TRL's financial position reported under PRA Rules. 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, TRL's total assets under PRA rules were $1,622.9m (2021: $1,787.4m) compared to $2,336.8m (2021: $2,297.7m) reported in the IFRS financial statements. TRL's total liabilities under PRA rules were $1,079.7m (2021: $1,209.1m) under PRA rules compared to $1,845.5m (2021: $1,734.9m) under IFRS. Accordingly, TRL's excess of assets over liabilities under PRA rules was $543.1m (2021: $578.3m) compared to net assets of $491.3m (2021: $562.9m) under IFRS.

D.1 Assets

The material classes of assets shown on TRL's regulatory balance sheet, their values under PRA Rules and corresponding values in TRL's financial statements (all in USD) are summarised in the table below.

Figure 21: Summary assets as at 31 December 2022

$'000s	Assets under PRA Rules	Financial statement assets	Difference
Deferred acquisition costs	0	66,101	(66,101)
Deferred tax assets	13,504	30,769	(17,265)
Investments (including accrued interest)			
Government bonds	563,623	562,595	1,028
Corporate bonds	93,849	93,198	651
Collateralised securities	173,176	172,710	466
ETFs	3,847	3,847	0
Interest receivable	0	2,145	(2,145)
Reinsurance recoverables			
Non-life excluding health	575,030	961,872	(386,842)
Health similar to non-life	4,724	7,299	(2,575)
Deposits to cedants	23,486	23,486	0
Total receivables			
Insurance and intermediaries receivables	44,370	284,746	(240,376)
Reinsurance receivables	40,693	54,220	(13,527)
Receivables (trade, not insurance)	29,556	16,799	12,757
Cash and cash equivalents	56,994	56,994	0
Total assets	**1,622,852**	**2,336,781**	**(713,929)**

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

Deferred acquisition costs ("DAC")

Under IFRS, the proportion of acquisition costs incurred that corresponds to the proportion of gross premiums written which are unearned at the balance sheet date is classified as DAC. Under PRA Rules, 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 PRA Rules is recognised and valued on a basis consistent with its treatment under IFRS. For instance, under both PRA Rules and IFRS:

- 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 IFRS and regulatory 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.

For regulatory reporting purposes, however, the recognition and valuation of deferred tax assets and liabilities is carried out by reference to the regulatory balance sheet rather than the IFRS balance sheet. The resulting amount of deferred tax therefore differs as a result of changes in recognition and valuation of other balance sheet items.

TRL has made a s953(d) election under the US Tax Code whereby it is treated as a US company for US tax purposes and subject to Federal Income Tax at 21%. The deferred tax asset per the financial statements consists of tax on UK and US temporary differences and unused US foreign tax credits. There are UK unused tax losses of $62m incurred in 2022 on which a deferred tax asset has been recognised (2021: $nil). Temporary differences are recognised with respect to substantively enacted tax rates in the US (21%) and UK (a blend of 23.5%% and 25%).

In the Spring Budget of 2021 (and confirmed in Spring 2023), the Government announced that from 1 April 2023 the UK corporation tax rate would increase from 19% to 25%. This new law was enacted in June 2021. As the change was enacted at the balance sheet date, its effects are included in this SFCR and the financial statements.

The adjustments in the table below reflect the differences between the financial statements and the regulatory balance sheet. The adjustments represent the excess of assets over liabilities between the two valuation methods and have been calculated to unwind at an expected rate of 21% (for the U.S. component) and a blended tax rate of 19 to 25% (UK component).

Figure 22: Deferred tax calculation as at 31 December 2022

	$'000
Deferred tax asset per financial statements	**30,769**
Adjustment needed (all timing differences are expected to unwind at a tax rate of 25%)	
DAC	3,674
Change in technical provisions (incl. removal of unearned premium reserve)	(25,670)
Risk margin	11,000
Net of receivables and payables (trade, not insurance)	(6,269)
Total deferred tax asset under PRA Rules	**13,504**

Financial instruments – investments

Investments are recognised and valued under PRA Rules on a basis consistent with their treatment under IFRS except as follows:

- accrued interest is included in investment valuation under PRA rules and disclosed in a separate line under IFRS; and
- short-term investments (those with less than 12 months to maturity when purchased) are required to be carried at fair value under PRA rules, whereas they are carried at amortised cost under IFRS. The difference between fair value and amortised cost for these investments at 31 December 2022 was $0.05m (2021: $nil).

Fair value of investments

TRL defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants as at the measurement date. All TRL's investment assets are recorded at fair value under PRA Rules. Under IFRS, all investments with the exception of short-term investments, which are valued at amortised cost, are also valued at fair value. Assets carried at fair value are measured and classified in a hierarchy for disclosure purposes. TRL applies the IAS 39 fair value hierarchy as described below for its financial assets, which is materially consistent with the hierarchy applicable under PRA Rules. The IAS 39 hierarchy consists of three levels based on the observability of inputs available in the marketplace as follows:

- Level 1: Fair value measurements that are quoted prices in active markets that TRL has the ability to access for identical assets. Market price data is generally obtained from exchange or dealer markets. 2% of TRL's investments, comprising the ETF holding and certain non-US government bonds, were classified as Level 1 under PRA Rules as at 31 December 2022 (2021: 11%).
- 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. 98% of TRL's investment assets were classified as Level 2 under PRA Rules as at 31 December 2022 (2021: 89%).
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. None of TRL's investment assets were classified as Level 3 as at 31 December 2022 or 2021.

Under IFRS, 50% (2021: nil) of TRL's fixed income portfolio is classified as short-term investments and carried at amortised cost, which approximated to fair value at the year end. Short-term investments are included within Level 2 of the above hierarchy under PRA Rules whereas they are not designated a fair value level under IFRS.

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

Details of TRL's approach to impairment reviews are included in note 1.k.(vi) in TRL's financial statements.

Fair value sources and use of pricing vendors

TRL uses NEAM to provide pricing and fair values of its investments.

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

(Re)insurance and intermediary receivables and payables

Under PRA Rules, insurance and reinsurance receivables and payables are recognised when due, with amounts not yet due deducted from technical provisions. Under IFRS, 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 TRL's (re)insurance receivables and payables, amounts are not discounted on either an IFRS or PRA Rules basis.

Other receivables (trade not insurance)

The valuation and presentation of TRL's other receivables and payables in the regulatory balance sheet are consistent with TRL's financial statements. TRL'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 TRL's cash and cash equivalents in the regulatory balance sheet is consistent with TRL'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

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

For further background to TRL's approach to foreign currency transactions and balances see note 1.a) of the 2022 financial statements.

Translation to functional currency

For a background to TRL's approach to translation of functional currency, which is consistent for both the financial statements and regulatory reporting, see note 1.a) of the 2022 financial statements.

Leasing arrangements

TRL had no material operating or financial leasing arrangements during 2022 or 2021.

D.2 Technical provisions

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

- Best estimate liabilities ("BEL") are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates. These include all of the relevant cash inflows and outflows to meet the requirements of the policies TRL is obligated to at the valuation date.

- The risk margin represents an allowance for the cost of capital necessary to support the policies TRL is obligated to at the valuation date over their lifetime. It is calculated by taking 6% of future capital requirements attributable to the policies and discounting back to the relevant balance sheet date using risk free discount rates.

Under PRA rules, TRL calculates its technical provisions using the sum of the BEL and risk margin, therefore:

Technical Provisions = Best Estimate Liability + Risk Margin

Segmentation into lines of business

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

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

Figure 23: Technical provisions ("TPs") by Solvency II line of business as at 31 December 2022

Solvency II line of business ($'000s)	Gross Best Estimate	Recoverables	Net	Risk Margin	Net TPs
Marine, aviation and transport insurance	156,718	89,634	67,084	7,490	74,574
Non-proportional marine, aviation and transport reinsurance	149,002	103,853	45,149	5,040	50,189
Motor vehicle liability reinsurance	144,175	82,996	61,179	6,830	68,009
Non-proportional property reinsurance	127,227	75,138	52,089	5,815	57,904
Fire and other damage to property insurance	117,854	67,194	50,660	5,655	56,315
Non-proportional casualty reinsurance	87,366	49,123	38,243	4,269	42,512
General liability insurance	85,416	48,847	36,569	4,082	40,651
Credit and suretyship insurance	65,506	38,867	26,639	2,974	29,613
Other motor insurance	25,443	14,649	10,794	1,205	11,999
Legal expenses insurance	8,273	4,730	3,543	395	3,938
Non-proportional health insurance	5,229	3,748	1,481	165	1,646
Income protection insurance	1,691	975	716	80	796
Total	**973,900**	**579,754**	**394,146**	**44,000**	**438,146**

Technical provisions bases, methodologies and key assumptions

Basis

TRL uses the IFRS financial reporting framework as the starting basis for determining its technical provisions under PRA Rules.

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

Figure 24: Reconciliation of gross technical provisions from IFRS to PRA Rules basis as at 31 December 2022

Solvency II line of business ($'000s)	Assumed	Ceded	Net
IFRS technical provisions	**1,555,729**	**969,172**	**586,557**
DAC	(66,101)	(51,406)	(14,695)
Contingent acquisition costs	(957)	(498)	(459)
Reserving margins	(119,067)	(47,294)	(71,773)
Future premiums & acquisition costs	(237,172)	(147,092)	(90,080)
Future other expenses	51,125	-	51,125
Legally obliged unincepted business	(56,546)	(43,886)	(12,660)
Discounting	(153,111)	(98,947)	(54,164)
Counterparty default	-	(295)	295
Best estimate under PRA rules	**973,900**	**579,754**	**394,146**
Risk margin	44,000	-	44,000
Technical provisions under PRA rules	**1,017,900**	**579,754**	**438,146**

Figure 25: Reconciliation of gross technical provisions for top 5 Solvency II lines of business from IFRS to PRA Rules basis as at 31 December 2022

Solvency II Line of Business Gross ($'000s)	Prop	Non-Prop	Prop	Non-Prop	Prop		
	Marine, Aviation, Transport	Marine, Aviation, Transport	Motor Vehicle Liability	Property	Fire and Property	Other	Total
IFRS technical provisions	327,860	192,313	189,775	166,320	229,660	449,801	1,555,729
DAC	(23,087)	(116)	(5,357)	(356)	(14,085)	(23,100)	(66,101)
Contingent commission costs	979	(319)	(7,235)	(435)	5,107	946	(957)
Reserving margins	(30,028)	(3,514)	(5,218)	(5,064)	(36,044)	(39,199)	(119,067)
Future premiums & acquisition costs	(94,829)	(18,816)	(18,570)	(10,415)	(39,015)	(55,527)	(237,172)
Future other expenses	16,663	2,937	3,561	2,393	9,090	16,481	51,125
Legally obliged unincepted business	(12,437)	(4,134)	(535)	(12,244)	(18,573)	(8,623)	(56,546)
Discounting	(28,403)	(19,349)	(12,246)	(12,972)	(18,286)	(61,855)	(153,111)
Counterparty default	0	0	0	0	0	0	0
Best estimate under PRA Rules	**156,718**	**149,002**	**144,175**	**127,227**	**117,854**	**278,924**	**973,900**
Risk margin	7,489	5,040	6,830	5,815	5,655	13,171	44,000
Technical provisions under PRA Rules	**164,207**	**154,042**	**151,005**	**133,042**	**123,509**	**292,095**	**1,017,900**

Included within "other" are Non-proportional Casualty which has gross technical provisions of $91.6m and a best estimate of $87.4m under PRA rules; and General Liability which has gross technical provisions of $89.5m and a best estimate of $85.4m.

Figure 26: Reconciliation of net technical provisions for top 5 Solvency II lines of business from IFRS to PRA Rules basis as at 31 December 2022

Solvency II Line of Business Net ($'000s)	**Proportional**		**Non-prop**	**Prop**	**Non-prop**		
	Marine, Aviation, Transport	**Motor Vehicle Liability**	**Property**	**Fire and Property**	**Marine, Aviation, Transport**	**Other**	**Total**
IFRS technical provisions	132,260	76,787	55,177	90,870	50,992	180,471	586,557
DAC	(5,859)	(661)	(82)	(2,691)	(43)	(5,359)	(14,695)
Contingent commission costs	392	(2,894)	(174)	2,043	(128)	302	(459)
Reserving margins	(19,803)	(3,902)	(355)	(20,175)	(1,606)	(25,932)	(71,773)
Future premiums & acquisition costs	(41,415)	(6,440)	(1,071)	(16,444)	(3,321)	(21,389)	(90,080)
Future other expenses	16,663	3,561	2,393	9,090	2,938	16,480	51,125
Legally obliged unincepted business	(4,617)	(475)	607	(5,482)	703	(3,396)	(12,660)
Discounting	(10,545)	(4,800)	(4,433)	(6,591)	(4,574)	(23,221)	(54,164)
Counterparty default	8	3	27	40	188	29	295
Best estimate under PRA Rules	**67,084**	**61,179**	**52,089**	**50,660**	**45,149**	**117,985**	**394,146**
Risk margin	7,489	6,830	5,815	5,655	5,040	13,171	44,000
Technical provisions under PRA Rules	**74,573**	**68,009**	**57,904**	**56,315**	**50,189**	**131,156**	**438,146**

BEL calculation method

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

Claims provision

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

- the best estimate of outstanding losses, and any expenses in loss adjustment (Loss Adjustment Expenses, "LAE");
- plus the best estimate of IBNR claims 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.

Premium provision

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

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

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

Methodologies for loss reserves and IBNR

Under both PRA rules and IFRS, 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 BF 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 TRL uses (described above) are employed to estimate ultimate losses, including the delay between the claim being reported to the insurer, and the insurer reporting the claim to TRL. Expert judgement is employed to select the most appropriate method, particularly when the delays previously identified within the data fluctuate between claims.

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

Methodologies for expired and unexpired periods of coverage

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

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

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

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

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

Future premiums & acquisition costs

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

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

Future other expenses

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

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

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

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

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

Legally obliged unincepted business

At any given time, TRL may have contracts that have been written but have not yet incepted (i.e. the cover has not yet commenced). For example, a contract that was bound on 28 December 2022 which incepts on 1 January 2023 would be included within legally obliged unincepted business at 31 December 2022.

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

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

Events not in data

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

TRL and the London branch of TRC have more than 25 years of credible claims experience, which is used to derive assumptions. This historical claims experience contains many significant natural and man-made catastrophe losses.

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

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

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

Discounting

Technical provisions are not discounted under IFRS.

Under PRA Rules, TRL calculates best estimates separately for obligations in different currencies using the relevant risk-free term structures of interest rates prescribed by the PRA. The set of currencies for which spot discount curves are provided by the PRA form a subset of the complete table of currencies defined in the accounting system of TRL. Where, for a given currency, spot discount curves are not provided by the PRA, the spot discount curve for US dollars 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

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

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

Probability of default x *Loss given default*

These are defined as follows:

- Probability of default — cash flows are adjusted to reflect the likelihood of default at different time periods, considering that cumulatively, counterparties are more likely to default as time moves on. The distribution of the time of default is assumed to have an exponential distribution, calibrated according to credit quality and the corresponding probability of default over one year. The derivation of credit quality is based on official credit ratings corresponding to those attributed by a commercial rating agency such as A.M. Best, S&P, Moody's and Fitch, where such credit ratings are available. Where more than one official credit rating is available for a counterparty, the second-highest credit quality step is used.

- Loss given default — this is the estimated impact of the default. Unless reliable estimates of these losses are available, the adjustment is calculated using an assumed loss of 50%. With the exception of the TRC Quota Share, which is secured by the TRC Trust Agreement, TRL does not adjust the amounts recoverable to allow for deposits or collaterisation arrangements. The loss given default for the TRC Quota Share is reduced by the ratio of the current value of the collateral and the current outstanding and IBNR claims allocated to the TRC Quota Share.

Risk margin

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

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

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

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

Reinsurance arrangements within the technical provisions

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

Existing reinsurance

TRL employs both proportional and non-proportional retrocession.

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

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

Future reinsurance purchases

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

Uncertainty within the technical provisions

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

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

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

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

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

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

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

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

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

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

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

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

- hurricanes;
- windstorms;
- tornadoes;
- earthquakes;
- floods; and

- other natural disasters;

and man-made catastrophes such as:

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

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

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

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

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

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

Sensitivity analysis for technical provisions

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

Figure 27: Technical provision sensitivities as at 31 December 2022*

	Exchange Rates		**Interest Rates**		**Reserving Assumptions****	
Key assumptions	+10%	-10%	+100 bps	-100 bps	+5%	-5%
Technical provisions	7%	-7%	-3%	3%	15%	-10%

* Unaudited.

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

Exclusions from technical provisions

There are a number of transitional measures that firms can apply for:

Matching adjustment

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

Volatility adjustment

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

Transitional measures to Technical Provisions (TMTP)

TRL does not apply any transitional arrangements to its regulatory balance sheet.

Transitional risk-free interest rate-term structure

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

Changes in assumptions since prior period

There were no changes made to the recognition and valuation bases during the reporting period. Valuation assumptions, such as exchange rates and interest rates, however, are updated each quarter to reflect prevailing economic conditions.

D.3 Other liabilities

The material classes of other liabilities shown on TRL's regulatory balance sheet, their values under PRA Rules and corresponding values in the financial statements are summarised in the table below.

Figure 28: Other liabilities – reconciliation from IFRS to PRA Rules as at 31 December 2022

($'000s)	Liabilities under PRA Rules	Financial statement liabilities	Difference
Insurance and intermediary payables	3,086	0	3,086
Reinsurance payables	55,969	223,221	(167,252)
Payables (trade, not insurance)	2,778	15,100	(12,322)
DAC	0	51,406	(51,406)
Total other liabilities	**61,833**	**289,727**	**(227,894)**
Technical provisions	1,017,900	1,555,729	(537,829)
Total liabilities	**1,079,733**	**1,845,456**	**(765,723)**

The main valuation differences between PRA Rules and financial statement balances presented in Figure 28 are as follows:

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

TRL has no financial or operating lease arrangements.

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

(Re)insurance and intermediaries payable

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

Payables (trade not insurance)

Please see section D1 Other receivables (trade not insurance). The reduction in payables under PRA Rules relates to accrued insurance related expenses not yet due, which have been moved to technical provisions (see Figure 23).

Provisions

Other than technical provisions, TRL held no provisions in its financial statements or on its regulatory balance sheet as at 31 December 2022 (2021: $nil).

Contingent liabilities

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

Employee benefits

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

Aggregation of liabilities

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

D.4 Alternative methods for valuation

TRL does not use any alternative methods to value its assets and liabilities.

D.5 Any other information

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

E. Capital management

E.1 Own funds

TRL's own funds comprise ordinary paid-up share capital of $500m at 31 December 2022 (2021: $500m) and a reconciliation reserve of $25.1m (2021: $61.7m) which are classified as Tier 1 own funds.

In addition, TRL recognises a deferred tax asset of $13.5m (2021: $8.7m) which is classified as Tier 3. Tier 3 own funds are not eligible to cover the MCR but are available to cover the SCR. 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 the other limits were exceeded during the year.

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

Figure 29: Eligible own funds by tier

Tier	Instruments	At 31 December ($'000s)	
		2022	2021
Tier 1	Ordinary share capital	500,000	500,000
	Reconciliation reserve	25,109	61,721
Total own funds to cover MCR		**525,109**	**561,721**
Tier 3	Net deferred tax asset	13,504	8,744
Total own funds to cover SCR		**538,613**	**570,465**

TRL did not have any Tier 2 or ancillary own funds at 31 December 2022 or 2021.

The reconciliation reserve of $25.1m comprises balances shown below in Figure 30, calculated in accordance with PRA Rules, and is dependent on the level of excess assets over liabilities, and restricted own fund items. 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 coverage ratio to movements in a range of parameters is provided in section C7 of this SFCR.

TRL had a net deferred tax asset of $13.5m (2021: $8.7m) which primarily relates to the net balance of unutilised US foreign tax credits and other differences between TRL's US tax basis and the Solvency II accounting basis. The net deferred tax asset has been fully recognised based on the expectation that sufficient future taxable profits will arise, in accordance with Article 15 of Commission Delegated Regulation (EU) 2015/35 as integrated into UK law (the "SII Regulations"). TRL does not make a deduction from its SCR for the loss-absorbing capacity of deferred taxes under the Standard Formula. All deferred tax assets qualify as basic own funds in accordance with Article 82 of the SII Regulations and are classified as Tier 3. As they represent less than 15% of the SCR, they are eligible to cover the SCR, but not the MCR.

The projection of future taxable profits for the purposes of Article 15 of the SII Regulations uses the assumption that the business operates in line with forecasts based on the entity's current structure, past performance and management's expectations of market development. There is no time limit on the utilisation of US foreign tax credits or the unwinding of deferred tax assets that may impact recognition of the assets. Further information regarding deferred tax assets is included in section D1.

Other than the movement in excess assets over liabilities, there were no material changes in the reconciliation reserve over the reporting period. The movements in components of the reconciliation reserve are shown in the table below. The largest factor impacting the movement in excess of assets over liabilities were the investment losses of $74.7m during 2022 (2021: $0.7m) described in section A3.

Figure 30: Reconciliation reserve

Reconciliation reserve	At 31 December ($'000s)	
	2022	**2021**
Excess of assets over liabilities	**543,119**	**578,287**
Less:		
Ordinary share capital	(500,000)	(500,000)
Deferred tax asset	(13,504)	(8,744)
Restricted own fund items	(4,506)	(7,822)
Reconciliation reserve	**25,109**	**61,721**

TRL makes a deduction from the reconciliation reserve of $4.5m (2021: $7.8m) for its surplus collateral assets which are either deposited with cedants or held in trust. The surplus collateral assets are calculated on a treaty-by-treaty basis as the difference between the value of the collateral advanced and the liability that it supports. These surplus assets represent restricted own funds items in the table above. None of these deposits are considered to be material ring-fenced funds.

At least every quarter TRL reviews its own funds against its MCR and SCR requirements. The review is undertaken by the Risk Management function and is presented to the Risk Management Committee and Risk & Audit Committee as part of the ongoing review process.

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

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

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

- the ability to call on additional capital under the TRC Capital Support Agreement should TRL's capital fall below 120% of its SCR;
- revisions to the TRL business plan, such as changes to the composition of business;
- the purchase of additional retrocession; and
- sale of assets that do not meet the 5% retention rule and replacement with assets that do not attract a charge.

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

Below is an explanation of material differences between the net assets in TRL's 2022 financial statements and the excess of assets over liabilities as calculated for solvency purposes:

Figure 31: Reconciliation of IFRS net assets to the excess of assets over liabilities under PRA Rules as at 31 December 2022

	2022 $'000s	**2021 $'000s**	**Description**
IFRS net assets	**491,325**	**562,876**	
Change in:			
Net DAC	(14,695)	(15,725)	Adjustment from IFRS insurance reserves to TPs under PRA Rules
(Re)insurance receivables	(253,904)	(184,543)	Estimated premium and contingent commission reserve not yet due moved to TPs
(Re)insurance recoverables	(389,419)	(250,758)	Adjustment from reinsurer's share of IFRS insurance reserves to TPs under PRA Rules
(Re)insurance payables	164,169	121,152	Estimated premium and contingent commission reserve not yet due moved to TPs
Other payables	25,078	26,695	Accrued insurance related expenses not yet due moved to TPs
Technical provisions	581,830	372,727	Adjustment from IFRS insurance reserves to TPs under PRA Rules
Risk margin	(44,000)	(49,000)	Inclusion of risk margin under PRA Rules
Deferred tax asset	(17,265)	(5,137)	Pre-tax change in net assets x 25% deferred tax rate
Excess of assets over liabilities under PRA Rules	**543,119**	**578,287**	

The principal differences between IFRS net assets and the excess of assets over liabilities under PRA Rules are differences in technical provisions, including the removal of DAC, and the inclusion of the risk margin. The differences in (re)insurance payables and receivables and other payables are due to the removal of estimated premium, accruals and/or contingent commission reserves, which are contained within technical provisions under PRA Rules.

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

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

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

E.2 SCR and MCR

TRL's SCR is calculated according to the SCR – Standard Formula part of the PRA Rules as modified by a Partial Internal Model ("PIM") to calculate catastrophe risk.

Figure 32: Regulatory capital requirements under PRA Rules as at 31 December

	2022 ($'000s)	**2021 ($'000s)**
Eligible Own Funds to cover SCR	538,613	570,465
Eligible Own Funds to cover MCR	525,109	561,721
MCR	**88,284**	**102,727**
Basic SCR	323,920	378,462
Operational risk	29,217	32,447
SCR	**353,137**	**410,909**
Market risk	35,744	62,488
Counterparty default risk	18,971	30,544
Health underwriting risk	6,160	15,833
Non-life underwriting risk	302,640	339,793
less Diversification	(39,595)	(70,196)
Basic SCR	**323,920**	**378,462**
Non-life catastrophe risk	156,845	182,509
Non-life premium & reserve risk	216,574	240,209
Non-life lapse risk	55,697	50,285
less diversification	(126,476)	(133,210)
Non-life underwriting risk:	**302,640**	**339,793**

TRL's SCR decreased by $57.8m from $410.9m as at 31 December 2021 to $353.1m at 31 December 2022; and the eligible own funds to cover its SCR decreased by $31.9m from $570.5m to $538.6m during the year.

TRL's SCR ratio as at 31 December 2022 was 152.5% (2021: 138.8%) and its MCR ratio was 594.8% (2021: 546.8%).

The increase in the SCR coverage ratio is driven by the following factors:

- a decrease in the SCR of $57.8m, predominantly reflecting: a decrease in non-life underwriting risk as a result of the increase to the TRC Quota Share; a decrease in market risk as a result of changes to TRL's asset portfolio; and a decrease in counterparty default risk following the upgrade of TRC's credit rating. These movements were partially offset by:
- a decrease in EOF of $31.9m. Whilst TRL made a total comprehensive loss of $71.6m on a statutory IFRS basis during 2022, this has been partially offset in the valuation for solvency purposes by the impact of increasing interest rates on technical provisions, with the balance comprising other valuation items.

TRL does not use any undertaking specific parameters in the calculation of the SCR. The SCR is subject to supervisory assessment as set out in Article 297(2)(a) of the SII Regulations.

Simplifications have been used only where permitted under the SII Regulations. The simplifications used by TRL are listed below:

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

These simplifications relate to the counterparty default risk module. No other simplifications are used by TRL in the calculation of the SCR.

Partial Internal Model

TRL's SCR is calculated according to the Solvency Capital Requirement – Standard Formula part of the PRA Rules as modified by TRL's PIM which now replaces the entire non-life catastrophe risk module of the Standard Formula.

All data used in the PIM is reviewed at least annually and updated appropriately to ensure it is fit for use. TRL integrates the results of its PIM with the Standard Formula using technique 4 as described in Annex XVIII of the SII Regulations.

Calculation of the MCR

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

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

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

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

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

E.4 Differences between the Standard Formula and any internal model used

As noted above, TRL uses a PIM to calculate the SCR for all non-life catastrophe risk.

TRL's PIM is calibrated to a 99.5% confidence level. As best estimate reserves for catastrophe business are already held in technical provisions on TRL's Solvency II balance sheet, the capital requirement for the risks covered by the PIM is intended to represent the uplift from the best estimate (expected loss) to the 1:200 aggregate loss.

To calculate the capital requirement for natural catastrophe risk and the natural catastrophe risk of non-proportional property reinsurance, TRL uses data from a third party catastrophe risk model.

The capital requirement for man-made and other non-life catastrophe risk is calculated using a scenario-based approach.

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.

E.6 Any other information

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

Appendix 1: Abbreviations used in this report

A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation, TRL's ultimate parent undertaking and controlling party
BCM	Business Continuity Management
BEL	Best Estimate Liabilities
BF	Bornhuetter-Ferguson
Berkshire Hathaway	Berkshire Hathaway Inc
BlackRock	BlackRock, Inc and BlackRock Investment Management (UK) Limited
bps	Basis points (0.01%)
Calpe	Calpe Insurance Company Limited
CCD	Corporate Compliance Department
CCO	Chief Compliance Officer (New York)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMBS	Commercial Mortgage-Backed Security
CPD	Continuing Professional Development
CRO	Chief Risk Officer (TRC)
CUO	Chief Underwriting Officer
Calpe	Calpe Insurance Company Limited (Gibraltar)
Certification Function	Any function identified as a certification function under the SM&CR
DAC	Deferred Acquisition Costs
EIOPA	European Insurance and Occupational Pensions Authority
ELR	Expected Loss Ratio
ENID	Events not in Data
EPIFP	Expected Profit included in Future Premiums
ERM	Enterprise Risk Management
ESG	Environmental, Social, and Governance
ETF	Exchange Traded Fund
EU	European Union
EUR	Euro
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound
GRM	Global Risk Management
HR	Human Resources
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IT	Information Technology
KYC	Know Your Counterparty
LAE	Loss Adjustment Expenses
LBO	TRC London Branch Office
LDF	Loss Development Factors
LoB	Lines of Business
LTF	Loss Trend Factors

MAT	Marine, Aviation and Transport
MBS	Mortgage-Backed Securities
MCR	Minimum Capital Requirement
Merger Agreement	Alleghany's 20 March 2022 Agreement and Plan of Merger with Berkshire Hathaway described in section A.
Merger Sub	O&M Acquisition Corp.
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
ORSA	Own Risk and Solvency Assessment
PIM	Partial Internal Model
PRA	Prudential Regulation Authority
PRA Rules	The rules contained in the PRA's Rulebook for Solvency II Firms
PV	Political Violence
QRT	Quantitative Reporting Template
RCO	Regional Compliance Officer
ROE	Return on Equity
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
SII	Solvency II Directive
SII Regulations	Commission Delegated Regulation (EU) 2015/35, as adopted into UK law
SM&CR	The Senior Managers and Certification Regime
SMF	Senior Manager Function under the SM&CR
SPV	Special Purpose Vehicle
SS	PRA Supervisory Statement
TMTP	Transitional Measures to Technical Provisions
TPs	Technical Provisions
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRC Capital Support Agreement	The capital support guarantee agreement described in section B1
TRC Quota Share	The quota share reinsurance agreement described in section B1
TRC Trust Agreement	The trust agreement described in section B1
TReIMCo	TReIMCo Limited, a Corporate Member at Lloyd's
TRH	Transatlantic Holdings, Inc.
TRL	TransRe London Limited
TRLS	TransRe London Services Limited
UK	United Kingdom
UK GAAP	UK generally accepted accounting principles
US or USA	United States of America
USD or $	United States of America Dollar
XOL	Excess of loss

Appendix 2: Public Quantitative Reporting Templates (QRTs)

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	13,504
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)	834,495
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	830,648
R0140	*Government Bonds*	563,623
R0150	*Corporate Bonds*	93,849
R0160	*Structured notes*	0
R0170	*Collateralised securities*	173,176
R0180	*Collective Investments Undertakings*	3,847
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	579,754
R0280	*Non-life and health similar to non-life*	579,754
R0290	*Non-life excluding health*	575,030
R0300	*Health similar to non-life*	4,724
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	23,486
R0360	Insurance and intermediaries receivables	44,370
R0370	Reinsurance receivables	40,693
R0380	Receivables (trade, not insurance)	29,556
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	56,994
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	1,622,852

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,017,900
R0520	*Technical provisions - non-life (excluding health)*	1,010,734
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	966,979
R0550	*Risk margin*	43,755
R0560	*Technical provisions - health (similar to non-life)*	7,166
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	6,921
R0590	*Risk margin*	245
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	3,086
R0830	Reinsurance payables	55,969
R0840	Payables (trade, not insurance)	2,778
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	1,079,733
R1000	**Excess of assets over liabilities**	543,119

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	0	0	0	0	142	5,512	0	0	0	0	0					5,654
R0120	Gross - Proportional reinsurance accepted	0	1,162	0	68,417	12,074	157,645	94,558	87,128	68,190	2,841	0	0					492,015
R0130	Gross - Non-proportional reinsurance accepted													3,986	37,541	60,514	65,761	167,802
R0140	Reinsurers' share	0	698	0	41,050	7,245	94,672	61,056	52,277	40,941	1,705	0	0	2,469	22,524	42,937	48,871	416,445
R0200	Net	0	464	0	27,367	4,829	63,115	39,014	34,851	27,249	1,136	0	0	1,517	15,017	17,577	16,890	249,026
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	0	0	150	4,638	0	0	0	0	0					4,788
R0220	Gross - Proportional reinsurance accepted	0	1,847	0	89,771	15,842	144,756	93,303	97,158	61,641	6,440	0	0					510,758
R0230	Gross - Non-proportional reinsurance accepted													3,993	37,563	60,673	65,331	167,560
R0240	Reinsurers' share	0	1,108	0	53,862	9,505	86,944	59,398	58,295	37,036	3,864	0	0	2,468	22,538	43,101	48,487	426,606
R0300	Net	0	739	0	35,909	6,337	57,962	38,543	38,863	24,605	2,576	0	0	1,525	15,025	17,572	16,844	256,500
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	0	0	-9	4,047	0	0	0	0	0					4,038
R0320	Gross - Proportional reinsurance accepted	0	707	0	78,824	13,910	91,632	63,738	55,175	22,782	3,534	0	0					330,302
R0330	Gross - Non-proportional reinsurance accepted													-720	41,252	91,411	24,962	156,905
R0340	Reinsurers' share	0	424	0	47,147	8,320	54,974	40,991	33,105	13,619	2,120	0	0	-1,550	24,735	67,778	15,780	307,443
R0400	Net	0	283	0	31,677	5,590	36,649	26,794	22,070	9,163	1,414	0	0	830	16,517	23,633	9,182	183,802
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	347	0	9,103	1,606	20,200	15,528	13,508	11,538	964	0	0	228	2,262	3,840	4,050	83,174
R1200	**Other expenses**																	
R1300	**Total expenses**																	83,174

S.05.02.01

Premiums, claims and expenses by country

Non-life

		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
R0010			GI	US	ES	BM	JP	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	5,578	0	0	0	0	0	5,578
R0120	Gross - Proportional reinsurance accepted	310,246	49,099	33,669	37,138	24,790	7,262	462,204
R0130	Gross - Non-proportional reinsurance accepted	101,231	5,078	18,651	1,244	2,238	1,939	130,381
R0140	Reinsurers' share	265,920	32,515	31,905	23,029	16,217	5,520	375,106
R0200	Net	151,135	21,662	20,415	15,353	10,811	3,681	223,057
	Premiums earned							
R0210	Gross - Direct Business	4,729	0	0	0	0	0	4,729
R0220	Gross - Proportional reinsurance accepted	321,367	68,002	28,903	34,226	18,598	7,977	479,073
R0230	Gross - Non-proportional reinsurance accepted	101,013	5,090	18,767	1,214	2,277	2,021	130,382
R0240	Reinsurers' share	271,730	43,858	29,115	21,264	12,525	5,999	384,491
R0300	Net	155,379	29,234	18,555	14,176	8,350	3,999	229,693
	Claims incurred							
R0310	Gross - Direct Business	4,026	0	0	0	0	0	4,026
R0320	Gross - Proportional reinsurance accepted	197,278	52,950	15,506	12,100	13,323	5,939	297,096
R0330	Gross - Non-proportional reinsurance accepted	119,313	5,085	11,688	446	1,512	3,681	141,725
R0340	Reinsurers' share	204,718	34,648	16,689	7,528	8,901	5,772	278,256
R0400	Net	115,899	23,387	10,505	5,018	5,934	3,848	164,591
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	51,797	9,671	4,841	6,763	2,939	1,117	77,128
R1200	**Other expenses**							
R1300	**Total expenses**							77,128

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	-1	0	-2,926	-516	-37,919	-31,630	-6,212	-5,243	86	0	0	-1,853	-10,020	-9,362	-17,875	-123,471
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-25	0	-3,094	-543	-22,965	-20,653	-4,692	-2,419	-125	0	0	-1,167	-8,643	-998	-15,766	-81,090
R0150	**Net Best Estimate of Premium Provisions**	0	24	0	168	27	-14,954	-10,977	-1,520	-2,824	211	0	0	-686	-1,377	-8,364	-2,109	-42,381
	Claims provisions																	
R0160	Gross	0	1,692	0	147,101	25,959	194,637	149,484	91,628	70,749	8,187	0	0	7,082	97,386	158,364	145,102	1,097,373
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	1,000	0	86,090	15,192	112,599	87,847	53,539	41,286	4,855	0	0	4,915	57,768	104,851	90,904	660,846
R0250	**Net Best Estimate of Claims Provisions**	0	692	0	61,011	10,767	82,038	61,637	38,089	29,463	3,332	0	0	2,167	39,618	53,513	54,198	436,527
R0260	**Total best estimate - gross**	0	1,691	0	144,175	25,443	156,718	117,854	85,416	65,506	8,273	0	0	5,229	87,366	149,002	127,227	973,900
R0270	**Total best estimate - net**	0	716	0	61,179	10,794	67,084	50,660	36,569	26,639	3,543	0	0	1,481	38,243	45,149	52,089	394,146
R0280	**Risk margin**	0	80	0	6,830	1,205	7,489	5,655	4,082	2,974	395	0	0	165	4,270	5,040	5,815	44,000
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	0	1,771	0	151,005	26,648	164,207	123,509	89,498	68,480	8,668	0	0	5,394	91,636	154,042	133,042	1,017,900
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	975	0	82,996	14,649	89,634	67,194	48,847	38,867	4,730	0	0	3,748	49,123	103,853	75,138	579,754
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	796	0	68,009	11,999	74,573	56,315	40,651	29,613	3,938	0	0	1,646	42,513	50,189	57,904	438,146

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Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2014	9,367	93,240	87,431	59,228	20,595	21,318	11,821	7,384	3,779			3,779	314,163
R0180	2015	7,271	82,549	95,990	49,522	24,256	19,541	9,239	9,312				9,312	297,680
R0190	2016	10,183	101,044	91,114	57,670	31,602	18,139	15,055					15,055	324,807
R0200	2017	5,023	126,618	125,959	72,060	39,555	24,238						24,238	393,453
R0210	2018	4,602	121,639	115,604	79,999	52,768							52,768	374,612
R0220	2019	7,044	75,631	103,823	72,424								72,424	258,922
R0230	2020	8,340	80,560	80,865									80,865	169,765
R0240	2021	6,267	58,020										58,020	64,287
R0250	2022	5,989											5,989	5,989
R0260												Total	322,450	22,036,787

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	159,241	218,353	142,742	95,780	74,090	50,212	39,396	33,177	26,216			24,767
R0180	2015	157,424	208,101	151,815	99,031	69,184	48,301	39,128	29,268				27,260
R0190	2016	159,267	225,685	174,341	113,385	73,528	56,459	44,282					41,198
R0200	2017	280,340	299,298	221,754	150,914	113,720	87,492						81,036
R0210	2018	188,666	246,586	221,548	176,564	150,542							138,734
R0220	2019	147,091	290,108	263,158	187,718								173,058
R0230	2020	214,819	319,814	245,544									225,392
R0240	2021	150,170	258,044										232,866
R0250	2022	175,968											155,832
R0260												Total	1,100,143

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Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	500,000	500,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	25,109	25,109			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	13,504				13,504
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	538,613	525,109	0	0	13,504
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	538,613	525,109	0	0	13,504
R0510	Total available own funds to meet the MCR	525,109	525,109	0	0	
R0540	Total eligible own funds to meet the SCR	538,613	525,109	0	0	13,504
R0550	Total eligible own funds to meet the MCR	525,109	525,109	0	0	

R0580	**SCR**	353,137
R0600	**MCR**	88,284
R0620	**Ratio of Eligible own funds to SCR**	152.52%
R0640	**Ratio of Eligible own funds to MCR**	594.79%

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	543,119
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	513,504
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	4,506
R0760	**Reconciliation reserve**	25,109

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	215,795
R0790	**Total Expected profits included in future premiums (EPIFP)**	215,795

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USP Key	USP Key	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

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

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
1	1	Market risk	35,744	0	9	
2	2	Counterparty default risk	18,971	0	9	Counterparty default risk
3	4	Health underwriting risk	6,160	0	9	
4	5	Non-life underwriting risk	302,640	156,845	9	
5	7	Operational risk	29,217	0	9	

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

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	392,732
R0060	Diversification	-39,595
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**	353,137
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	353,137

	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

	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	Amount/estimate of LAC DT	
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	77,468

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	716	548
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	61,179	29,053
R0060	Other motor insurance and proportional reinsurance	10,794	5,127
R0070	Marine, aviation and transport insurance and proportional reinsurance	67,084	35,851
R0080	Fire and other damage to property insurance and proportional reinsurance	50,660	28,223
R0090	General liability insurance and proportional reinsurance	36,569	32,200
R0100	Credit and suretyship insurance and proportional reinsurance	26,640	26,864
R0110	Legal expenses insurance and proportional reinsurance	3,542	1,136
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	1,481	1,365
R0150	Non-proportional casualty reinsurance	38,244	14,969
R0160	Non-proportional marine, aviation and transport reinsurance	45,149	16,363
R0170	Non-proportional property reinsurance	52,089	15,785

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
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		

	Overall MCR calculation	C0070
R0300	Linear MCR	77,468
R0310	SCR	353,137
R0320	MCR cap	158,912
R0330	MCR floor	88,284
R0340	Combined MCR	88,284
R0350	Absolute floor of the MCR	3,966
R0400	**Minimum Capital Requirement**	88,284