Calpe Insurance Company Limited

Solvency and Financial Condition Report

As at 31 December 2023

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About this document

This document is the Solvency and Financial Condition Report ("SFCR") for Calpe Insurance Company Limited ("Calpe") as at 31 December 2023.

This SFCR covers Calpe on a solo basis.

Calpe's presentational currency is pounds sterling ("GBP"). As of the date of writing this report, Calpe has not yet published audited financial statements for the year ended 31 December 2023. Accordingly, all financial statement amounts referred to in this document are currently unaudited and may be subject to change.

Directors' statement

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

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

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

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

On behalf of the Board

Paul Cole
Director
5 April 2024

Douglas Murray
Director
5 April 2024

Executive summary

Calpe is a private limited company headquartered in Gibraltar and is part of the TransRe group of companies ("TransRe") headed by Transatlantic Reinsurance Holdings, Inc. ("TRH"), a company incorporated in Delaware, USA. Calpe is a wholly owned subsidiary of Transatlantic Reinsurance Company ("TRC"), a reinsurance company incorporated in New York, USA, and its ultimate parent undertaking is Berkshire Hathaway Inc. ("Berkshire Hathaway"), incorporated in Delaware, USA and headquartered in Omaha, Nebraska, USA.

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

Calpe's current focus is on writing United Kingdom ("UK") and Irish general liability business in support of a Managing General Agent ("MGA") and managing the run-off of a legacy motor portfolio.

TRC, together with some of its subsidiaries including Calpe, has been granted a rating of A++ (Superior) by AM Best. Calpe continues to benefit from the 80% quota share treaty (the "TRL Quota Share") that it places with TransRe London Limited ("TRL").

Business and performance

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

Calpe delivered improved underwriting results, closing 2023 with a gross loss ratio of 61% (2022: 76%) and a gross combined ratio of 101% (2022: 126%) on a Solvency II basis.

With Calpe's remaining two motor agreements placed in run-off in 2022, the 2023 portfolio comprised a long standing niche partnership with a specialist MGA writing general liability and employers liability business, focused predominantly on the construction and allied trades sector, along with some specialist niche schemes. This general liability book has a track record of delivering positive contributions for Calpe which continued through 2023, reflecting further rate strengthening during the year and a strong renewal retention of circa 80%. With increases on the liability book offset by reductions in the motor book, Calpe's gross written premium ("GWP") on a Solvency II basis remained broadly flat at £27.7m in both 2022 and 2023.

Following Berkshire Hathaway's acquisition of Alleghany Corporation ("Alleghany"), Calpe's investment portfolio has been substantially de-risked and is now invested exclusively in UK and German short-dated government bonds. With an average credit quality of AA (2022: AA) and an average duration of 0.6 years (2022: 0.9 years), the portfolio's credit risk and sensitivity to future interest rate movements are both low.

Following the sharp rises in 2022, UK market interest rates increased further before stabilising towards the end of 2023, resulting in Calpe's fixed income portfolio providing a market yield of 4.5% at the end of the year (2022: 3.1%). Having suffered a combined investment loss of £3.6m in 2022, the shift into short-term government bonds with attractive yields delivered a combined investment return of £1.2m in 2023 (2022: combined loss of £3.6m).

Inflation

All sectors of the market have experienced high levels of inflation in 2023 following Covid-19 and the advent of the Russia-Ukraine war. The casualty market, whilst not immune to inflationary impacts on claims, has appropriate rating structures and some favourable claims frequency trends that soften the impact. We will continue to closely monitor the geopolitical landscape, including the evolving situation in the Middle East, and any further inflationary impacts on reserving for our legacy motor portfolio, and rating levels for our in force business.

System of governance

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

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

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

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

Risk profile

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

In keeping with its risk appetite and tolerances, Calpe continues to purchase excess of loss ("XOL") reinsurance to protect its portfolio. Calpe undertakes detailed stress and scenario testing within its ORSA process. Scenario tests are used to test Calpe'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 arose from adverse underwriting results and reserve deterioration; and that it would take an extreme event (return periods in excess of 1-in-200 years) to breach its solvency capital requirement ("SCR").

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

Valuation for Solvency II purposes

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

As at 31 December 2023, Calpe's excess of assets over liabilities under Solvency II was £30.0m (2022: £27.1m) compared to £30.8m (2022: £28.5m) under UK GAAP.

As of the date of writing this report, Calpe has not yet published audited financial statements for the year ended 31 December 2023, and all financial statement amounts referred to in this document are currently unaudited and may be subject to change.

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

Capital management

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

Figure 1: Own funds by tier and capital requirements

Tier	Instrument	At 31 December (£'000s) 2023	2022
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(96)	(3,153)
Tier 2	Not applicable		-
Total eligible own funds to cover MCR		**29,904**	**26,847**
Tier 3	Net deferred tax asset	137	212
Total eligible own funds to cover SCR		**30,041**	**27,059**
MCR		**4,411**	**4,179**
SCR		**17,644**	**16,716**
MCR coverage ratio		**677.9%**	**642.4%**
SCR coverage ratio		**170.3%**	**161.9%**

Overall Calpe had eligible own funds ("EOF") sufficient to cover 170.3% (2022: 161.9%) of its SCR and 677.9% (2022: 642.4%) of its minimum capital requirement ("MCR") as at 31 December 2023.

The increase in SCR coverage ratio is due to an increase in own funds of £3.0m, partially offset by an increase in SCR of £0.9m during 2023.

The increase in EOF is largely attributable to:

- an increase in unaudited UK GAAP retained earnings of £2.3m; and
- a reduction in the risk margin for the solvency valuation, owing to the reduction in the cost of capital from 6% to 4%, in accordance with Gibraltar regulations, as aligned to the UK regulations.

The increase in SCR reflects:

- an increase in the capital charge for counterparty default risk (through an increase in type II exposures) and a reduction in the diversification credit across the principal risk modules; offset by:
- reductions in the market risk charge, due to the switch into short-dated treasury bonds; and
- reductions in the non-life underwriting risk charge, due to the reduction in business volumes.

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

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

A. Business and performance

A.1 Business

Company information

Calpe Insurance Company Limited:	5/5 Crutchett's Ramp Gibraltar GX11 1AA Company incorporation number: 104429 Legal Entity Identifier: 2138004X13159LETLH50
External auditors:	Deloitte LLP Floor 3 120 Irish Town Gibraltar GX11 1AA
Regulator	Gibraltar Financial Services Commission PO Box 940 Suite 3, Ground Floor Atlantic Suites Europort Avenue Gibraltar

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

Calpe's ultimate parent undertaking and controlling party is Berkshire Hathaway, a company incorporated in Delaware, USA and headquartered in Omaha, Nebraska, USA. Berkshire Hathaway is listed on the New York Stock Exchange. Further information on Berkshire Hathaway is available at www.berkshirehathaway.com.

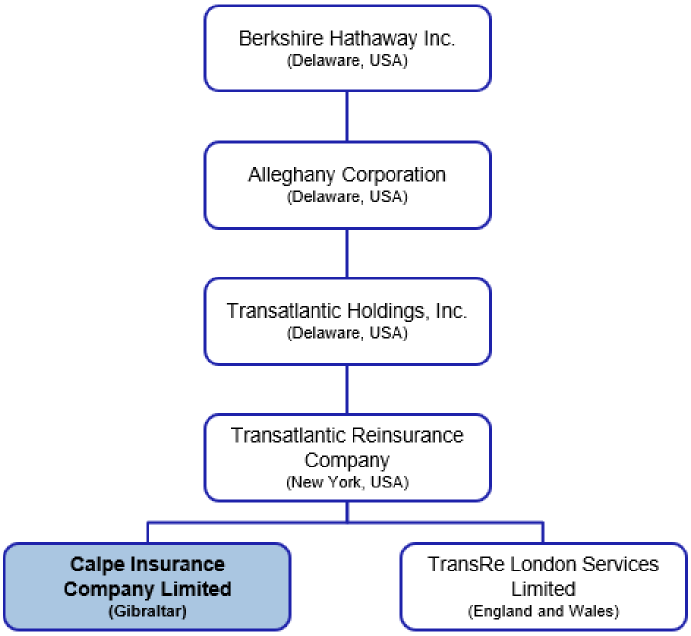
In addition to TRC and Berkshire Hathaway, TRH, incorporated in Delaware, USA and Alleghany, also incorporated in Delaware and TRH's immediate parent, are indirect parents and holders of qualifying holdings in Calpe.

On 15 March 2024, Mr Warren E. Buffett, a US resident, held shares representing approximately 31.0% of the voting interest and approximately 15.0% of the economic interest in Berkshire Hathaway.

Except as identified above, there are no other holders of qualifying holdings in Calpe. Calpe has no related undertakings as defined in Regulation 191 of the Financial Services (Insurance Companies) Regulations 2020. A simplified group structure chart is shown below.

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

Figure 2: Simplified organisational structure chart



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

Calpe provides insurance both as a co-insurer in support of other insurers and, as either a sole insurer or co-insurer, through MGAs. Calpe currently supports a specialist niche MGA that writes Employers' Liability and Public Liability business in the United Kingdom and the Republic of Ireland, writing the UK business on an insurance basis and the Republic of Ireland business as reinsurance of an Irish-regulated insurance carrier.

Calpe has not proposed or paid any dividends for, during or subsequent to the year ended 31 December 2023 (2022: £nil).

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

Market commentary

Overall, Calpe delivered GWP on a Solvency II basis of £27.7m in both 2023 and 2022. Whilst premiums were broadly flat, gross claims incurred decreased by 54.9% from £37.5m in 2022 to £16.9m in 2023 primarily as a result of provision releases in the legacy motor book. With 2023 expenses of £11.1m (2022: £24.4m), Calpe reported a small underwriting loss of £0.3m (2022: loss of £12.7m) on a gross basis. On a net basis, after the impact of the 80% quota share arrangement with TRL, Calpe delivered an overall net underwriting profit of £0.1m (2022: net loss of £0.7m).

The casualty market remained in a positive rating environment through 2023 and our portfolio continues to demonstrate strong rate adequacy. With positive increases in average premiums, increased submission flow and strong renewal retention, Calpe's casualty portfolio has continued to grow. The casualty MGA's market tenure, coupled with Calpe's strong rating, ensures that this MGA is well regarded in the market. The principals of the MGA have a long track record with Calpe in delivering strong results which continued in 2023, delivering a net claims ratio in 2023 of 49% (45% in 2022).

In addition to the TRL Quota Share, Calpe continues to mitigate severe exposures with XOL reinsurance.

As always, Calpe's priority is to ensure that good outcomes are delivered to our customers in line with our Consumer Duty requirements. To this end, we work closely with our MGA partner to ensure that the Price and Value and Consumer Understanding outcomes are part of our business as usual and governance processes. We also work closely with our run-off partners and third party claims handlers to ensure satisfaction of the Products, Services and Consumer Support outcomes.

Calpe's investment portfolio posted a combined return (investment income and realised and unrealised gains combined) of £1.2m (2022: combined loss of £3.6m).

Strategy and portfolio

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

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

Calpe currently holds permission to write motor vehicle and motor vehicle liability, fire and natural forces, damage to property, general liability and assistance. Our A++ AM Best rating ensures that we continue to see good submission flows for new business.

With no new motor business written in 2023, the make-up of Calpe's in force portfolio is 100% general and employers liability insurance, with income split broadly evenly between UK insurance and Irish reinsurance business.

Figure 3a: Solvency II line of business (gross written premium) as at 31 December 2023

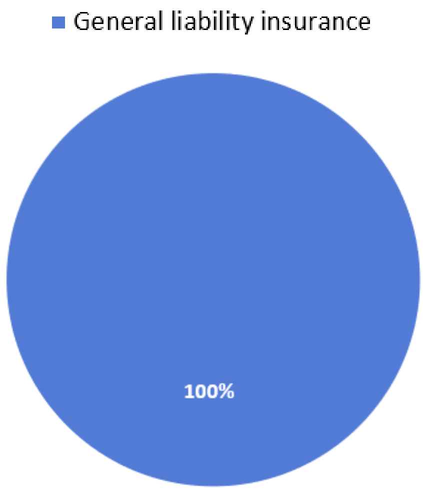


Figure 3b: Solvency II line of business (gross written premium) as at 31 December 2022

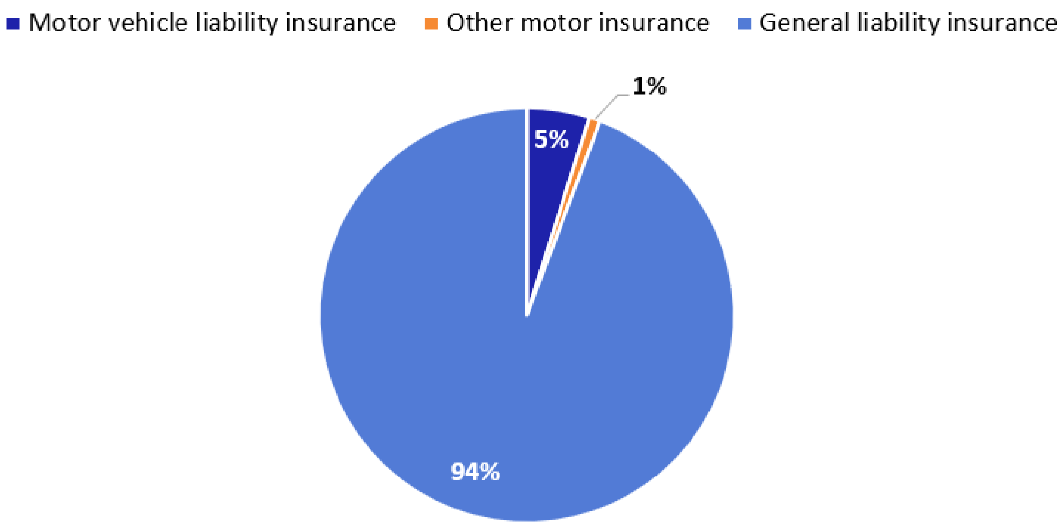
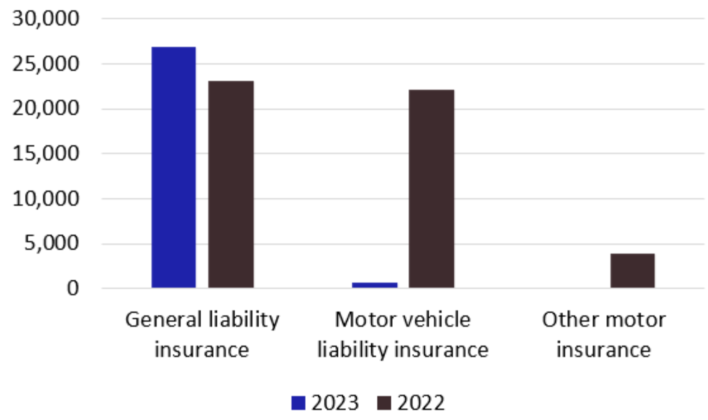


Figure 4: Solvency II line of business (gross earned premium £'000s)



No new classes of business were introduced in 2023.

A.2 Underwriting performance

Underwriting performance by line of business

As described in section A1, Calpe's 2023 portfolio is solely comprised of general liability (including employers' liability) business which has consistently produced strong positive net results and has had a heavy weighting on the performance of Calpe in 2023. The legacy motor portfolio is monitored closely and is running off within our expectations.

The tables below summarise the performance of those lines of business on a gross assumed and net basis after all outwards reinsurance, including the TRL Quota Share described in section B1.

Premiums are earned evenly over the risk period of the insurance policy. Calpe's loss ratio used to derive the claims incurred results is based on actuarial derived best estimate losses that are reviewed on a quarterly basis.

For motor business, Solvency II requires firms to report their results split between motor vehicle liability and other motor business. For 2023, there was no other motor business to report.

Figure 5a: Underwriting performance by Solvency II line of business (gross) 2023

Gross (£'000s)	General liability insurance	Motor vehicle liability insurance	Other motor insurance	Annuities	Total
Premiums written	27,785	(88)	0	0	27,698
Premiums earned	26,950	712	0	0	27,663
Claims (incurred) / released	(19,132)	2,203	0	0	(16,929)
Expenses	(10,969)	(105)	0	0	(11,074)
Underwriting profit/(loss)	(3,151)	2,811	0	0	(340)
Loss ratio	71%	-309%	0%	0%	61%

Figure 5b: Underwriting performance by Solvency II line of business (net) 2023

Net (£'000s)	General liability insurance	Motor vehicle liability insurance	Other motor insurance	Annuities	Total
Premiums written	4,783	(54)	0	0	4,729
Premiums earned	4,641	69	0	0	4,710
Claims (incurred) / released	(2,283)	296	0	0	(1,987)
Expenses	(2,247)	(373)	0	0	(2,620)
Underwriting profit/(loss)	111	(8)	0	0	103
Loss ratio	49%	-429%	0%	0%	42%

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

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

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

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

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

A.3 Investment performance

Financial investments

Following Berkshire Hathaway's acquisition of Alleghany, Calpe's investment portfolio has been substantially de-risked. The portfolio de-risking involved the sale of the Company's exchange traded fund ("ETF"), all its corporate, municipal, covered and quasi-government bonds, as well as its longer-dated government bonds.

The proceeds of these sales have been reinvested exclusively in short-dated UK and European government bonds, with maturities of less than one year at the date of purchase.

With the fixed income portfolio invested exclusively in government bonds, its credit quality is high, with an average rating of AA at 31 December 2023 (2022: AA) and with UK Gilts as the lowest rated holding, rated AA-. At 31 December 2023, the currency exposure of the portfolio including cash was 76% in GBP and 24% in EUR assets (2022: 85% and 15% respectively) and its average duration was 0.9 years (2022: 0.9 years). Over the course of 2023, the portfolio's average maturity dropped from 1.0 to 0.6 years.

Total investment return

Calpe's total investment return includes investment income (made up of interest income and the amortisation of any discount or premium on available-for-sale debt securities), 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.

As interest rates rose in response to further rises in inflation during 2023, the market yield of the portfolio also increased, from 3% at the start to 4.3% at the end of the year, having peaked in the UK in the autumn. Unlike last year, where rising yields had a significant, negative impact on Calpe's portfolio valuation, the move into short-dated government securities – whose valuations have much lower sensitivity to movements in market yields - provided a combined positive investment return of £1.2m in 2023 (2022: combined investment loss of £3.6m).

In line with the portfolio's low sensitivity to interest rate movements, this year's combined investment return consisted primarily of interest income of £1.1m (2022: £0.5m) and combined realised and unrealised capital losses of £0.1m (2022: £4.1m).

Figure 6a: Net investment return 2023

	Year to 31 December 2023			31 December 2023
Asset category (£'000s)	**Income**	**Gains / (losses)**	**Total investment return / (loss)**	**Total SII Value**
Cash[1]	10	0	10	1,186
Corporate bonds	20	35	55	0
Government bonds[2]	1,099	19	1,118	28,276
ETFs	25	20	45	0
Total	**1,154**	**74**	**1,228**	**29,463**

Figure 6b: Net investment return 2022

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

Investment income excludes investment management fees which are based on the value of assets under management during the period. Total fees charged in 2023 were £16.2k (2022: £22.2k).

Other than cash, all Calpe's investments were held in short-term government bonds (defined as sovereign notes with maturities less than one year at the date of acquisition) as at 31 December 2023, compared to £20.0m or 64% of the invested portfolio, at the end of 2022. Whilst income was earned from corporate bonds and ETFs during the year, they had all been sold by the year end.

As a consequence of the shift into short-term treasury notes, it is anticipated that Calpe will continue to generate low risk investment returns, in line with short-term UK and European market interest rates.

Securitisations

Calpe's portfolio does not include any securitised investments.

A.4 Performance of other activities

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

Calpe's reporting and presentational currency is GBP. The operating results and financial position of each non-GBP ledger are translated into GBP at the appropriate prevailing exchange rate.

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[1] Cash balances shown in Figures 9a and 9b represent cash held by the investment manager. For Calpe's total cash balances, please refer to Figure 21 in section D1. £10.2k of interest was earned on Calpe's non-investment cash in 2023 (2022: £nil).

[2] All government bonds as at 31 December 2023 are short-term investments (2022: £20.0m).

A.5 Any other information

Temporary run-off regime in Ireland

Before Brexit, Calpe's partners wrote insurance business in Ireland on behalf of Calpe under the freedom to provide services. In March 2021, the Central Bank of Ireland granted approval for Calpe to run off its existing Irish insurance business under the temporary run-off regime. Calpe will provide service continuity for all valid claims under that regime. As at the date of this report, Calpe continues to operate under the temporary run-off regime in the Republic of Ireland.

Financial risks associated with climate change

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

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

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

Physical, transition and liability risks may impact (re)insurers' property and liability portfolios, including general casualty, professional liability, and other lines of business.

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

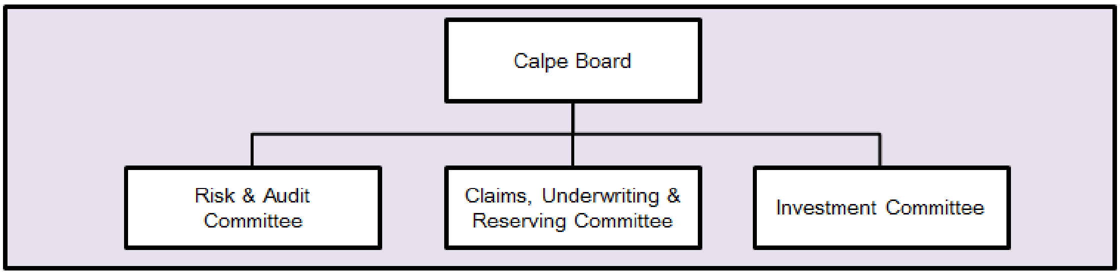
B. System of Governance

B.1 General information on the system of governance

Calpe's governance structure reflects its membership of a large international group of companies, whilst ensuring that it maintains robust local governance arrangements. Calpe 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 Calpe's key governance bodies is shown in Figure 7.

Figure 7: Governance oversight as at 31 December 2023



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

- setting Calpe's business strategy and monitoring performance against its business plan;
- approving proposed material changes to Calpe's business activities, in line with the agreed strategy and risk appetite for Calpe;
- approving Calpe's risk appetites and tolerances, ensuring they are in line with TransRe global appetites;
- considering and monitoring the key risks relevant to Calpe and ensuring adequate oversight is provided to monitor and mitigate these risks;
- maintaining oversight of Calpe's compliance with relevant laws and regulation;
- reviewing and maintaining the effectiveness of Calpe's corporate governance framework and internal control framework;
- ensuring Calpe maintains ongoing compliance with relevant laws and regulations;
- reviewing the adequacy and appropriateness of Calpe's reserves, as established by the Claims, Underwriting & Reserving Committee; and
- maintaining oversight of Calpe's reserving process.

The following individuals were members of Calpe's Board and members of the committees of the Board as at 31 December 2023.

Figure 8: Calpe's Board

Board Member	Role	Committees
Paul Tysoe	Independent non-executive director and Chair of the Board	All #
Douglas Murray	Executive director	All §
Andy Gaudencio	Executive director	All
Paul Cole	Executive director	All +
Robert Snow	Executive director	All

Chair of the Risk & Audit Committee

§ Chair of the Claims, Underwriting & Reserving Committee

+ Chair of the Investment Committee

Risk & Audit Committee

The Risk & Audit Committee's responsibilities include:

Risk

- providing oversight and challenge to the effectiveness of Calpe's Risk Management function, ERM framework and risk management culture, including the appetites and tolerances and embedding the ERM framework in Calpe in alignment with TransRe's overall ERM and risk governance framework;
- reviewing guidelines and policies governing the processes by which the management of Calpe and the relevant operations of Calpe assess, monitor and manage Calpe's exposure to risk;
- reviewing methodologies and strategies for risk measurement, management and mitigation and the overall risk tolerance and risk appetite for certain risk exposures and the limits to such risk exposures;
- monitoring the effectiveness of Calpe's risk management and internal control systems, including financial, operational and compliance controls and the ORSA and reporting any recommendations to the Board; and
- providing oversight and challenge to the effectiveness of Calpe's Compliance function, approving the Compliance Monitoring Plan and overseeing progress against it; and
- considering and addressing any actual or potential conflicts that may arise between Calpe and its appointed outsourcing providers.

Audit

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

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

Investment Committee

The Investment Committee's responsibilities include:

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

Following the changes in Calpe's investment portfolio described in section A3, the Board decided in February 2024 to reduce the number of routine Investment Committee meetings to one per year, subject to there being no material change in the investment strategy. It was agreed that a routine investment report would be included in Board agendas.

Claims, Underwriting & Reserving Committee

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

Underwriting

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

Claims

- ensuring customer centricity is being upheld throughout the claims management process and on an on-going basis, using trend analysis to identify potential areas of concern;
- reviewing and monitoring claims activity and claims trends;
- approving delegated claims handling authorities; and
- assisting the Board in setting the claims philosophy and claims development policy to be adopted.

Reserving

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

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

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

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

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

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

Key functions

Calpe has identified the following functions as key functions:

Figure 9: Key functions and key function holders

Key function	Holder
Risk Management System	Paul Cole
Compliance	Cat McCarthy
Internal Audit	Paul Tysoe
Actuarial	Robert Snow

Apart from the change in Compliance Function Holder from Kerris Fryer to Cat McCarthy, there were no material changes in Calpe's governance structure in the year ended 31 December 2023. Other than the Compliance Function Holder, whose position has been formally approved, Calpe Key function holders shown in the table above have been proposed and are pending GFSC approval. Changes to the roles of regulated individuals cannot be formally implemented until GFSC approval has been received.

Each of the key functions within Calpe is operationally independent of each other, with its own key function holder. Each key function reviews its resource needs on at least an annual basis and the key function holder is responsible for ensuring the key function has the necessary authority, resources and operational independence.

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

Remuneration policies and practices

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

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

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

Material transactions with shareholders

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

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

Calpe has a variable whole account quota share reinsurance agreement with TRL (as reinsurer) under which policies written in 2016 and prior were ceded 50% and subsequent policies have been ceded 80% to TRL.

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

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

B.2 Fit and proper requirements

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

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

Persons subject to assessment

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

Timing of assessment

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

Nature of assessment

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

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

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

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

Training and competency

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

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

In addition to the above, all personnel who possess professional qualifications are expected to maintain continuing professional development ("CPD") points in line with their relevant professional body requirements.

B.3 Risk management system including the ORSA

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

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

- actively sponsor and foster a risk awareness culture across Calpe, supporting personnel in making risk management based judgements, encouraging effective management of exposures within Calpe's stated risk appetite;
- ensure a clear, coherent risk strategy that includes policies, standards, risk appetites and clarity of ownership for risks;
- ensure risk 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 Calpe's strategic and operational objectives;
- ensure risks and emerging risks are identified, understood and assessed on a forward-looking basis to allow management to take proactive steps to mitigate them and to enhance resilience; and
- sustain a robust ORSA process that informs management's view of risk and capital.

Calpe's ERM framework is supported by a comprehensive suite of MI, risk policies and guidelines to help ensure adequate processes and procedures are in place to manage all types of risk. The framework is aligned with the regulatory requirements under the Solvency II regime as transposed into Gibraltar law and regulations as well as market best practice.

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

Calpe senior management and risk owners identify key risks to the business, as part of a rolling risk identification and assessment programme that takes places on a quarterly basis. Risk causes and consequences, together with mitigating controls, are identified for each risk. Key risks, owners and mitigating controls are recorded in a risk register which is presented to management on a quarterly basis for review and discussion.

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

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

In addition, the Risk Management function's roles and responsibilities include:

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

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

Own Risk and Solvency Assessment

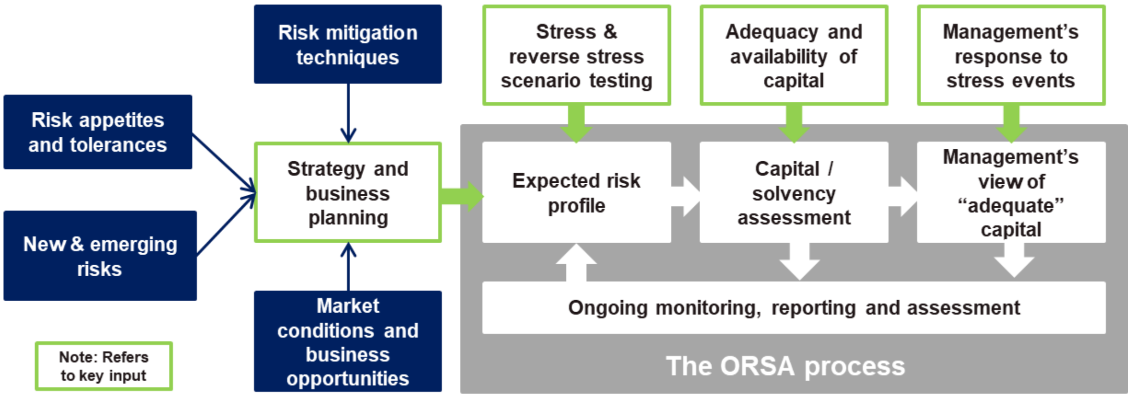
The ORSA process considers Calpe's solvency assessment against its risk profile, business objectives and capital management strategy in comparison to its regulatory solvency requirement in order to determine whether it has adequate capital to meet its business plan. The ORSA also considers the impact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

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

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

The ORSA process is represented diagrammatically as follows:

Figure 10: Calpe's ORSA process



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

Calpe's Board provides input into and reviews the scenarios considered within the ORSA stress tests. In addition, Calpe senior management has identified a number of triggers that would result in the ORSA being re-run at any point during the year. These triggers are tracked by the Risk Management function and reported to the Risk & Audit Committee every quarter. In addition to the tracking of the ORSA triggers, a comparison of Calpe's EOF against its ORSA capital target is presented to the Risk & Audit Committee each quarter.

Calpe's Risk Management function coordinates the relevant processes with subject matter experts across the business and prepares the ORSA report for review and discussion by Calpe's Board. Once the report is reviewed, the ORSA and the amount of capital Calpe intends to maintain is approved by the Board and the ORSA report is shared with the GFSC.

B.4 Internal control system

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

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

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

The financial control framework is designed to ensure that:

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

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

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

Compliance function

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

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

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

The Compliance function's responsibilities include:

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

B.5 Internal Audit function

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

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

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

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

B.6 Actuarial function

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

The Actuarial function is responsible for:

- coordinating the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- overseeing the calculation of technical provisions in the cases set out in Regulation 77 of the Financial Services (Insurance Companies) Regulations 2020;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk-management system.

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

B.7 Outsourcing

Outsourcing management

Calpe outsources underwriting and claims handling to its MGA and co-insurance partners. Some MGAs and lead insurers have their own in-house claims handling teams and others operate on an outsourced claims handling arrangement. In a small number of cases Calpe outsources claims handling directly to outsourced suppliers.

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

The GFSC's Financial Services (Operational Resilience) Regulations 2023 are in the process of being implemented in line with regulatory requirements and will further enhance the robustness of Calpe's outsourcing arrangements.

Outsourcing of critical or important operational functions

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

Figure 11: Outsourcing of critical or important operational functions as at 31 December 2023

Outsourcing	Jurisdiction
Insurance management services, including underwriting, claims, reinsurance support, governance and company secretarial, financial management, regulatory and compliance services, are provided by Robus under an insurance management services agreement.	Gibraltar
Certain intra-group services and support services, including underwriting support, claims and reinsurance support, actuarial, investment, accounting and treasury services, risk management and internal audit are provided by TRLS and TRC under a services agreement.	UK (TRLS) New York, USA (TRC)
Calpe outsources certain activities of its Internal Audit function to Mazars, as described in section B5.	UK
Calpe's day-to-day investment management activities are outsourced to New England Asset Management Limited ("NEAM"), a member of the Berkshire Hathaway group. NEAM's performance is monitored by TransRe's treasury and investment management function, based in New York, USA with further oversight provided by Calpe's Finance function. NEAM reports at least four times a year to Calpe's Investment Committee.	Ireland

B.8 Any other information

Calpe's system of governance has not materially changed during the year to 31 December 2023.

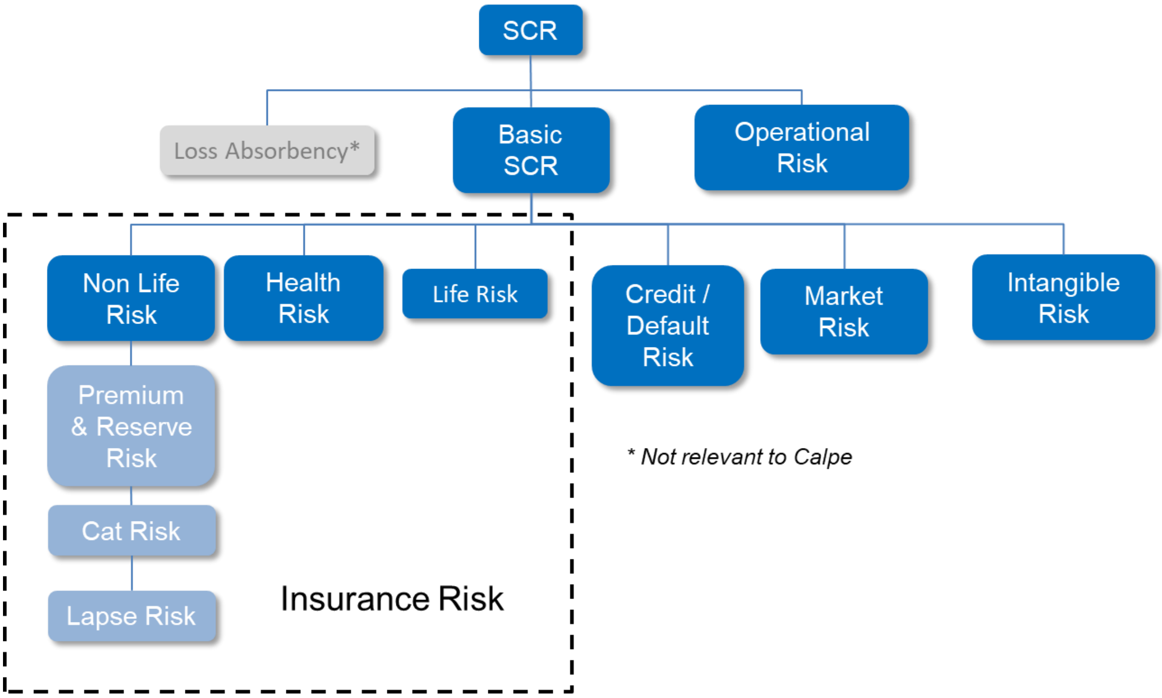
Calpe does not consider there to be any other material information to disclose on its system of governance.

C. Risk profile

Calpe has permission to write motor, assistance, property and general liability business and has the ability to provide insurance and co-insurance support to MGAs and insurers that have the expertise to underwrite motor, property and general liability classes of business.

Calpe's SCR is calculated using the Standard Formula for all components. The Standard Formula is a risk-based capital requirement that covers underwriting risk, market risk, credit risk and operational risk in a formulaic way and can be diagrammatically represented as follows:

Figure 12: Standard Formula risk modules



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

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

Application of the prudent person principle to market, credit, and liquidity risk

When making investment decisions, Calpe considers the risks associated with its investments, including the potential impacts of any economic shock, their liquidity and their admissibility under Solvency II. All assets are managed in accordance with the prudent person principle as described below.

Market Risk

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

Calpe does not use derivative instruments and does not hold any assets that are not traded in regulated financial markets.

Credit Risk

Counterparties are selected by 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 Calpe ensures only counterparties with sufficiently high credit ratings are used.

Calpe does not rely on a single rating agency; instead, it uses a number of agencies combined with its own analysis.

Liquidity Risk

Calpe's assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of Calpe's insurance liabilities. Calpe manages its liquidity risk by maintaining a highly liquid investment portfolio of superior credit quality and short average duration.

C.1 Underwriting risk

There was no change in Calpe's approach or appetite to (re)insurance/underwriting risk during 2023. With its motor insurance books now in run-off, Calpe underwrote solely general liability insurance and reinsurance business in support of an MGA during the year.

Key underwriting risks to which Calpe is exposed include:

- Premium / underwriting risk
  - excessive aggregation/catastrophe risks in a single region/location;
  - writing outside of appetite; and
  - underwriting below the technical price.
- Catastrophe Risk
  - man-made catastrophe risk – employers' liability (ancillary risk);
- Reinsurance risk
  - failure of reinsurance counterparties or reinsurance programmes;
- Reserve risk
  - inadequate reserving due to flaws in the provisioning/reserving methodology or in the application of the methodology, inadequate IBNR and inadequate Incurred But Not Enough Reported ("IBNER"); and
- Lapse risk
  - uncertainty arising from the risk of loss or adverse change in the value of insurance liabilities as a result of the discontinuance of insurance policies.

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

Premium / underwriting risk management

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

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

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

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

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

Reinsurance risk

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

Calpe does not have any exposure to special purpose vehicles.

Reserve risk management

Reserve risk is managed through the oversight provided by Calpe's Claims, Underwriting & Reserving Committee. Key controls to manage this risk include:

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

Risk sensitivity for underwriting risks

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

As part of the ORSA, the current and projected solvency positions over the business planning period have been calculated following adverse stresses at different return periods for the material underwriting risks (each risk's stress is considered individually) in addition to multiple losses arising from non-correlating events (for example, market risks and underwriting risks or a series of events). In addition to these underwriting events, consideration has been given to the risk of a material deterioration in Calpe's reserves, including adverse development in claims ratios and IBNR.

The results of the analysis showed that the most material impact on the SCR was the risk of a combination of severe underwriting losses plus a severe increase in reported claims and IBNR claims. The analysis undertaken indicates Calpe remains well capitalised and it would take an extreme event (return periods in excess of 1-in-200 years) to breach the SCR. Calpe's underwriting risk profile is therefore resilient to withstand severe shocks and is within the Board approved risk appetite. Sensitivity analysis is provided in further detail in section C7.

Processes for monitoring the effectiveness of risk mitigation techniques

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

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

In relation to Reserve Risk, Calpe's actuarial function conducts quarterly reserve reviews of Calpe's portfolio to determine appropriate reserve levels and expected IBNR adequacy. Calpe's reserves are also subject to review by TransRe's group actuarial function, based in New York, USA.

C.2 Market risk

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

For Calpe, market risk comprises the following key components:

Figure 13: Standard Formula market risk sub-modules

For reasons explained below, Calpe currently has no exposure to spread risk.

At least annually, the Investment Committee reviews Calpe's investment strategy which is designed to preserve capital, increase surplus and maintain liquidity.

Calpe's investment strategy forms the basis for the mandate given to NEAM, Calpe's investment manager. The mandate includes limits on certain classes and types of investments, restriction on investments in certain industries, sector and geographical limits. The execution of Calpe's investment strategy is subject to monitoring and oversight by the Investment Committee.

As mentioned in section A3, Calpe's investment portfolio has been de-risked, with the fixed income portfolio held exclusively in short-dated government bonds. The de-risking of the portfolio has substantially reduced Calpe's market risk, as short-term investments have significantly lower sensitivity to market interest rate movements. Accordingly, Calpe's investment returns are now stable and more predictable, closely tracking the yield on short-dated UK and European government bonds.

Calpe has a material risk concentration to the UK Government, through its £21.3m (2022: £21.4m) holding of UK Gilts. This risk is managed through review and monitoring by the Calpe Investment Committee and Calpe's investment manager.

Calpe is exposed to the following key market risks:

Interest rate risk

Movements in interest rates can arise from a number of sources, including inflationary pressures. Changes in interest rates can affect the fair value of fixed income securities and technical provisions under Solvency II. As interest rates rise, the fair value of fixed income portfolios decline and conversely, as interest rates decline, their fair value rises. To minimise the risk of investment value falls, Calpe adheres to investment policy guidelines established by Calpe's Investment Committee in line with Calpe's strategy and TransRe's overall objectives. As mentioned, the impact of interest rate risk on the investment portfolio has substantially reduced as a result of the portfolio de-risking following Berkshire Hathaway's acquisition of Alleghany.

Spread risk

This risk relates to the potential financial loss Calpe may suffer due to an increase in the spread that a fixed interest security trades at, relative to a comparable government bond.

With all of its investment portfolio now invested in government bonds, with an average credit quality of AA (2022: AA), Calpe currently has no exposure to spread risk.

Equity risk

Equity risk is 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. With no equity investments in its portfolio, Calpe has no exposure to equity risk.

Foreign currency risk

At 31 December 2023 76% of Calpe's investments were held in GBP (2022: 85%) with the balance held in EUR, broadly matching the currency profile of Calpe's liabilities and therefore mitigating the potential impact of foreign exchange and interest rate risk on Calpe's solvency position.

Market risk management and mitigation techniques

Calpe maintains a number of risk mitigation techniques and approaches to manage market risk including:

- investment risk and underwriting risk accumulation reporting, including issuer accumulations;
- mandates and guidelines provided to external investment managers, which include:
  - regulatory compliance;
  - duration;
  - benchmark portfolios;
  - credit quality;
  - sector limitations; and
  - issuer limitations;
- Board and Investment Committee oversight;
- stress testing; and
- market risk/value at risk analyses, including extreme market and currency stress tests.

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

Figure 14a: Portfolio composition as at 31 December 2023

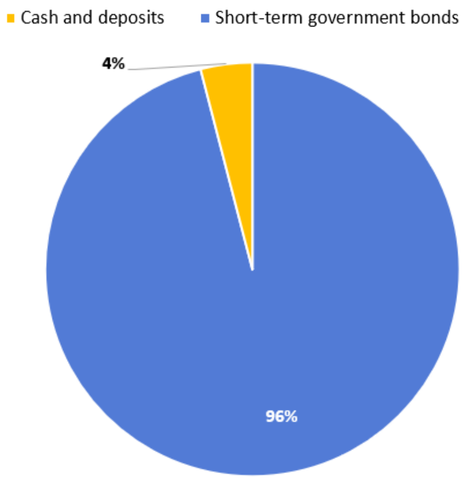
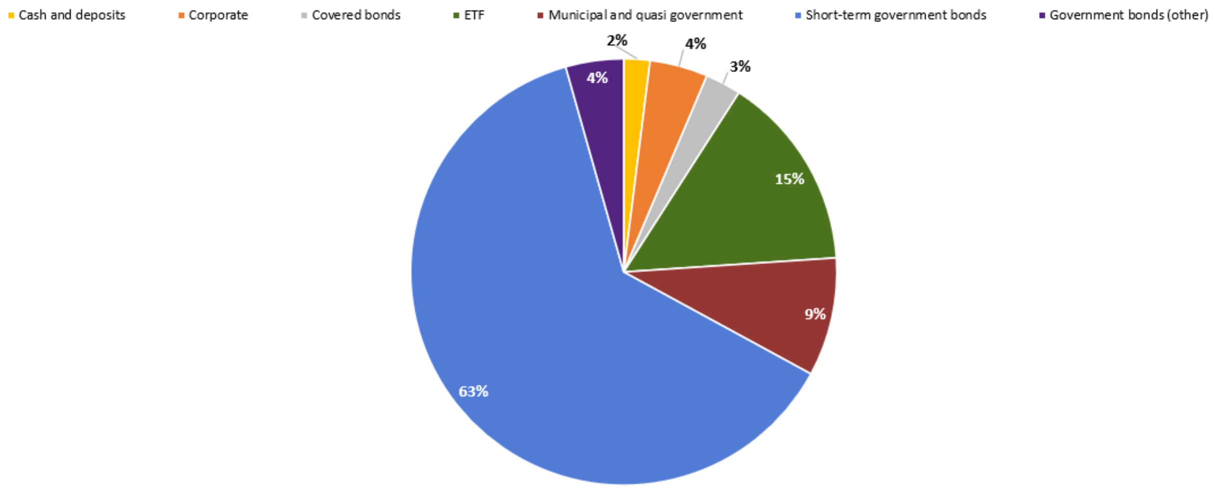


Figure 14b: Portfolio composition as at 31 December 2022



Stress and sensitivity tests for market risks

Calpe performs stress and scenario testing as part of its approach to managing market risk. Results are considered as part of the ORSA process. For the 2023 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse stresses.

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

Processes for monitoring the effectiveness of risk mitigation techniques

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

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

C.3 Counterparty default (credit risk)

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

Notwithstanding the completion of the investment portfolio de-risking process, there has been no change in Calpe's credit risk appetite or approach during the year.

MGAs / brokers / intermediaries / reinsurers

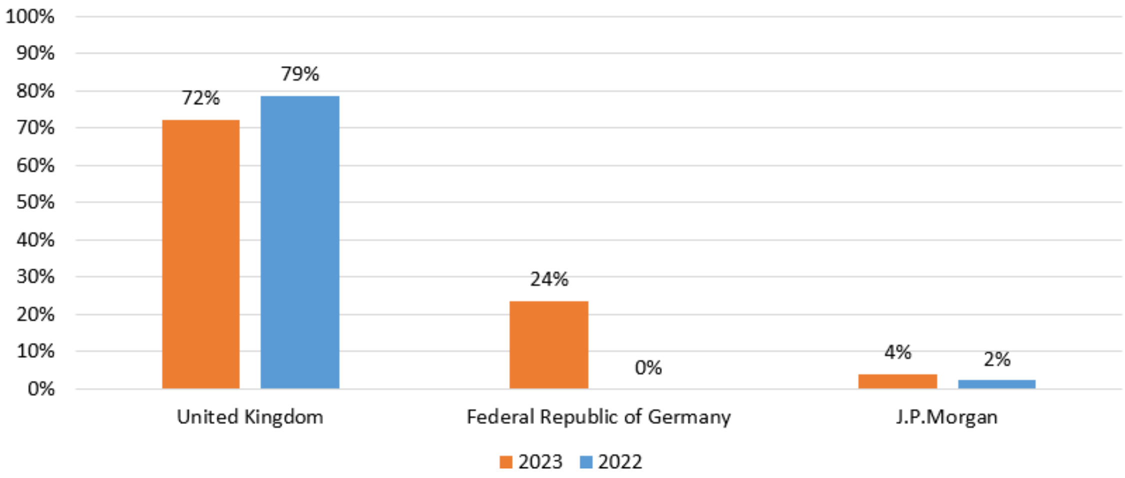
Calpe recognises the credit risks associated with business flowing through MGAs and co-insurers. All MGAs, co-insurers, brokers, intermediaries and reinsurers are subject to ongoing review by a range of forums, which include the Risk & Audit Committee, the Claims, Underwriting & Reserving Committee and ultimately Calpe's Board.

KYC checks are carried out prior to transacting with brokers, co-insurers or reinsurers for the first time. Reinsurers must go through a credit and security assessment which is overseen by TransRe and Alleghany.

Investment counterparties

Calpe maintains a highly rated investment portfolio. Calpe maintains all its investments in UK and European government bonds, with its main investment exposure being to the UK Government. All financial assets supporting the EUR liabilities of the firm are held in cash or government bonds. Calpe's largest fixed income exposures are shown below.

Figure 15: Top investment exposures as at 31 December



The average credit quality of its fixed income portfolio, split below by rating, as at 31 December 2023 is AA (2022: AA).

Figure 16a: Portfolio credit quality as at 31 December 2023

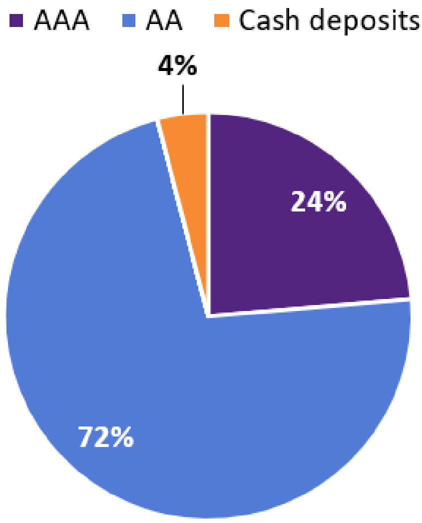
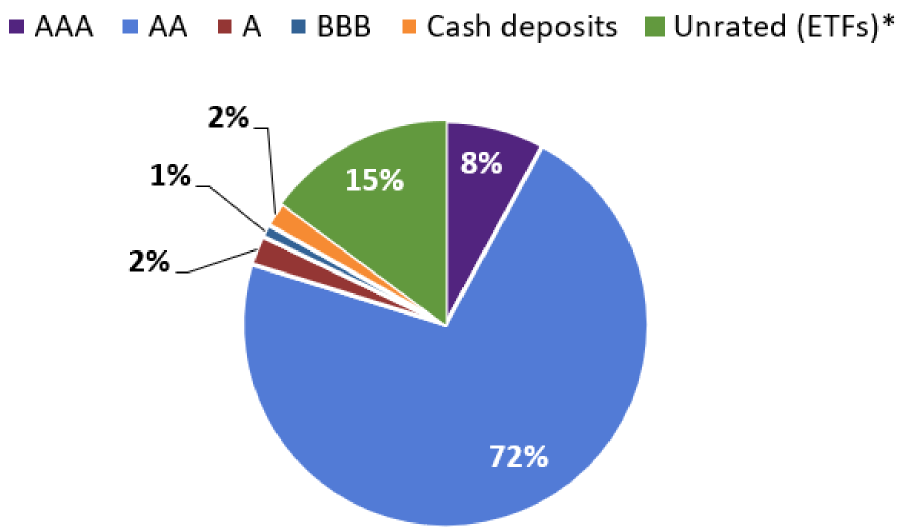


Figure 16b: Portfolio credit quality as at 31 December 2022



* Whilst the ETF held at the end of 2022 is shown as unrated, it represented a liquid, exchange traded fund, with an underlying fixed income portfolio of securities with a minimum credit rating of BBB-.

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

Use of external credit rating agencies

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

Calpe uses external credit assessments primarily to assess the credit quality of assets in its investment portfolios and its reinsurers. Calpe and TransRe do not rely solely on one rating agency and give consideration to a range of views provided by rating agencies as well as its own market knowledge and intelligence provided by professional investment managers.

TRL Quota Share

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

Cash at bank

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

Key controls

Key controls to mitigate credit risk include:

- Board oversight;

- Risk & Audit Committee oversight;
- investment risk reporting; and
- mandates and guidelines provided to external investment managers.

Risk sensitivity for credit risks

The sensitivity of the solvency ratio to credit defaults or rating downgrades of Calpe's counterparties has been considered as part of the risk management system (which includes the credit risk associated with the quota share arrangement with TRL).

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

Processes for monitoring the effectiveness of risk mitigation techniques

Calpe is able to leverage its membership of a global reinsurance group to continually monitor and assess the effectiveness of its controls. Calpe's Risk & Audit Committee and the Board review Calpe's risk profile and the effectiveness of risk mitigating controls on a regular basis. Information is provided to key forums to enable the monitoring of reinsurance recoverables and excessive counterparty exposures to be tracked and action is taken to enhance existing processes where appropriate.

Furthermore, Calpe benefits from the additional oversight provided by TransRe's Counterparty & Credit Risk Committee which monitors the credit quality of the retrocessionaires / reinsurers.

C.4 Liquidity risk

Liquidity risk is the risk of Calpe not having sufficient financial resources available to enable it to meet its obligations as they fall due, or to secure them only at excessive cost. Calpe sees liquidity risk as the management of risk arising from short term cash flows, rather than the risk arising from longer-term matching of assets and liabilities. Liquidity risk is considered by Calpe's Investment Committee and Board. There was no change in Calpe's liquidity risk appetite or approach during 2023 and, with its investment portfolio now exclusively invested in short-term government securities, Calpe continues to have limited liquidity risk.

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

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

Key controls

Key controls that aid in mitigating this risk include:

- weekly cash flow reporting to TRC;
- investment risk and underwriting risk accumulation reporting;
- asset/liability assessment performed every quarter;
- quarterly reserving exercise;
- quarterly balance sheet review; and
- half-yearly profitability reviews.

Risk sensitivity for liquidity risk

Calpe has carried out liquidity risk stress testing as part of its ORSA process with the results reviewed by the Board. Calpe does not consider liquidity risk to be a material risk.

Process for monitoring the effectiveness of risk mitigation techniques

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

Expected profit included in future premiums ("EPIFP")

EPIFP as at 31 December 2023, gross of reinsurance recoverables, was £1.1m (2022: £3.4m).

C.5 Operational risk

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

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

Each quarter, Calpe's directors assess the key operational risks, causes and consequences together with relevant mitigating controls. Each identified risk is assessed and scored using a standard matrix, on both an inherent basis and a residual basis after making allowance for risk mitigating controls in place.

Calpe maintains an Operational Risk policy that sets out Calpe's approach to mitigating operational risks. There has been no change to Calpe's operational risk appetite or approach during 2023.

Key controls

Key mitigating controls include:

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

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

Risk sensitivities for operational risk

Calpe's primary exposure to operational risk arises from its outsourcing relationships including MGAs, described in C6 below, Calpe does not have any significant exposures to operational risk.

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

For the 2023 ORSA, the current and projected solvency position over the business planning period were re-calculated, incorporating adverse operational risk stresses. Under all modelled scenarios, the analysis indicated that Calpe was well capitalised and was able to withstand these stresses without breaching its SCR .

Process for monitoring operational risk

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

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

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

C.6 Other material risks

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

MGA oversight/failure: Calpe is exposed to risks arising from outsourcing and the oversight of MGAs and outsourced claims handling functions. These service providers are given delegated authorities setting out claims handling and underwriting parameters which are approved at the Calpe Underwriting, Claims and Reserving Committee. Any deviations from these parameters require approval from the Committee. Regular audits of the MGAs (either live or in run-off) are conducted to ensure compliance with the parameters.

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

Emerging risks: On an ongoing basis, TransRe and Calpe undertake horizon scanning with a view to identifying new and emerging risks. Annually, TransRe holds a Global Emerging Risk Forum with senior level executives and employees from across the world attending. Where new and emerging risks are identified, these are tracked and reported to key fora. Climate change is also considered within the emerging risk process; please see section A5 and below for further details.

C.7 Any other information

Risk sensitivity

Calpe's SCR coverage ratio as at 31 December 2023 is 170.3% (2022: 161.9%). The below table shows the absolute change in the SCR coverage ratio under several hypothetical scenarios. The scenarios below have not been adjusted to take into account potential future management actions to mitigate their effects.

The analysis below shows that exchange rate fluctuations of 10% and interest rate adjustments of 1% would lead to minimal changes in the SCR coverage ratio; a £0.4m catastrophe loss (net of retrocession reinsurance recoveries) would lead to an absolute reduction in the SCR coverage ratio of 3%. In none of these instances does the SCR coverage ratio fall below 100%.

Figure 17: SCR coverage ratio sensitivity analysis

Sensitivity test	Absolute change to SCR coverage ratio
Exchange rates: +10%	2%
Exchange rates: -10%	-2%
Interest rates: +1%	4%
Interest rates: -1%	-5%
Catastrophe loss: £16m gross, £0.4m net of all reinsurance	-3%

Calpe does not consider there to be any other material information to disclose on its risk profile. A sensitivity test for credit spreads is no longer performed as Calpe had no exposure to spread risk at the year end following the de-risking of the investment portfolio.

D. Valuation for solvency purposes

This section provides a description of the material bases, methods and assumptions used to value assets, technical provisions and other liabilities under Solvency II. It also includes descriptions of how the bases, methods and assumptions under Solvency II differ from those applied for valuation purposes in the financial statements.

As of the date of writing this report, Calpe has not yet published audited financial statements for the year ended 31 December 2023, and all financial statement amounts referred to in this document are currently unaudited and may be subject to change.

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

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

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

As at 31 December 2023, Calpe's total assets under Solvency II were £207.0m (2022: £208.3m) compared to £241.3m (2022: £240.0m) in accordance with UK GAAP. Calpe's total liabilities under Solvency II were £176.9m (2022: £181.3m) compared to £210.4m (2022: £211.5m) under UK GAAP.

Accordingly, as at 31 December 2023, Calpe's excess of assets over liabilities under Solvency II was £30.0m (2022: £27.0m) compared to £30.8m (2022: £28.5m) under UK GAAP.

D.1 Assets

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

Figure 18: Assets reconciliation from Solvency II to UK GAAP as at 31 December 2023

(£'000s)	Solvency II	UK GAAP assets	Difference
Deferred acquisition costs	0	4,927	(4,927)
Deferred tax assets	137	0	137
Investments			
Government bonds	28,276	28,029	247
Interest receivable	0	220	(220)
Reinsurance recoverables			
Non-life excluding health	133,219	155,309	(22,090)
Life excluding health	1,566	0	1,566
Total Receivables			
Insurance and intermediary receivables	21,964	23,947	((1,983)
Reinsurance receivables	17,155	24,111	(6,956)
Receivables (trade, not insurance)	1,242	1,278	(36)
Cash and cash equivalents	3,431	3,431	0
Total assets	**206,989**	**241,253**	**(34,264)**

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

Deferred acquisition costs (“DAC”)

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

Deferred tax

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

- deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) are determined by reference to the difference between the UK GAAP and Solvency II balance sheets respectively, and the values ascribed for tax purposes;
- a positive value is only ascribed to deferred tax assets, where it is probable that future taxable profits will lead to the realisation of that deferred tax asset. This assessment takes into account time limits that apply to the carry forward of unused tax losses or credits;
- all temporary differences between the assets and liabilities in the statement of financial position and their tax base are included within the calculation;
- deferred tax assets or liabilities are accounted for using the balance sheet liability method and assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely; and
- deferred tax balances are recognised and valued in relation to all assets and liabilities that are recognised for solvency or tax purposes. Deferred tax balances are not discounted.

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

Figure 19: Deferred tax calculation as at 31 December

£’000s	2023	2022
Deferred tax asset under UK GAAP	**0**	**0**
Adjustment needed (all timing differences are expected to unwind at a tax rate of 12.5%)		
DAC	148	119
Change in technical provisions (“TPs”) (including removal of unearned premium reserves (“UPR”)	(236)	(214)
Investments	(4)	0
Risk margin	240	300
Net of receivables and payables (trade, not insurance)	(11)	7
Solvency II deferred tax asset	**137**	**212**

Financial instruments - investments

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

- accrued interest is included in investment valuation under Solvency II and disclosed in a separate line under UK GAAP; and
- short-term investments (those with less than 12 months to maturity when purchased) are carried at fair value under Solvency II, whereas they are carried at amortised cost under UK GAAP.

Fair value of investments

Calpe defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants as at the measurement date. All Calpe's investment assets are recorded at fair value under Solvency II. Under UK GAAP, short-term investments are valued at amortised cost, whilst fixed income investments with original maturities of more than one year at the acquisition date, are carried at fair value. Assets carried at fair value are measured and classified in a hierarchy for disclosure purposes in accordance with IFRS 13, as described below, on a basis which is materially consistent with the hierarchy applicable under Solvency II. The IFRS 13 hierarchy consists of three levels based on the observability of inputs available in the marketplace as follows:

1. Level 1: Fair value measurements that are quoted prices in active markets that Calpe has the ability to access for identical assets. Market price data is generally obtained from exchange or dealer markets. All Calpe's fixed income investments at 31 December 2023 are classified as Level 1, on the grounds that they are traded on recognised exchanges.
2. Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. Calpe had no Level 2 assets as at 31 December 2023.
3. Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements may be made under circumstances in which there is little if any, market activity for the asset. Calpe had no Level 3 assets as at 31 December 2023.

All (2022: £20.0m) of Calpe's fixed income investments are held in short-dated UK or German treasury bonds, carried at amortised cost in the financial statements and fair value (including accrued interest) under Solvency II. There was negligible difference between the two bases as at 31 December 2023 and 2022.

Fair value sources and use of pricing vendors

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

(Re)insurance and intermediary receivables and payables

Under Solvency II, insurance and reinsurance receivables and payables are recognised when due, with amounts not yet due deducted from technical provisions. Under UK GAAP, the whole amount (due and not yet due) is included under insurance and intermediary receivables. Receivable and payable balances include amounts due to and from insurers, reinsurers, retrocessionaires, agents and brokers. Due to the short-term nature of Calpe's (re)insurance receivables and payables, amounts are not discounted on either a UK GAAP or Solvency II basis.

Other receivables and payables (trade not insurance)

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

Cash and cash equivalents

The valuation and presentation of Calpe's cash and cash equivalents in the Solvency II balance sheet is consistent with Calpe's financial statements. Cash and cash equivalents comprise cash in hand and on demand deposits with banks. Cash includes balances held in accounts with investment fund managers and custodians.

Foreign currency transactions and balances

Calpe presents its financial statements and Solvency II reporting in GBP. Calpe applies a consistent policy for translating transactions and balances in currencies other than the relevant currency of presentation between its financial statements and Solvency II reporting.

Leasing arrangements

Calpe had no operating or financial leasing arrangements during 2023 or 2022.

D.2 Technical provisions

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

- Best estimate liabilities ("BELs") are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates. These include all of the relevant cash inflows and outflows to meet the requirements of the policies Calpe is obligated to at the valuation date.
- The risk margin represents an allowance for the cost of capital necessary to support the policies Calpe is obligated to at the valuation date over their lifetime. It is calculated by taking 4% (2022: 6%) of future capital requirements attributable to the policies and discounting back to the relevant balance sheet date using risk free discount rates.

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

Technical Provisions = Best Estimate Liability + Risk Margin

Segmentation into lines of business

Under Solvency II, BELs are segmented into twelve lines of business for non-life insurance obligations (with additional segmentation for non-proportional reinsurance accepted) and three lines of business for health insurance obligations pursued on a similar basis to non-life insurance (with additional segmentation for non-proportional reinsurance accepted). Calpe's PPO claims are separated from its other non-life obligations and reported as annuities stemming from non-life insurance contracts.

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

Figure 20: Technical provisions by line of business as at 31 December 2023

Solvency II line of business (£'000)	Gross	Reinsurance ceded	Net	Risk margin	Total TP
Motor vehicle liability insurance	106,290	94,343	11,948	958	12,905
General liability insurance	46,019	38,876	7,142	573	7,715
Total non-life	**152,309**	**133,219**	**19,090**	**1,530**	**20,620**
Life: annuities	2,436	1,566	871	70	941
Total technical provisions	**154,745**	**134,785**	**19,961**	**1,600**	**21,561**

Net technical provisions for life annuities of £0.9m (2022: £0.3m) comprise four (2022: four) periodic payment orders ("PPO").

Technical provisions bases, methodologies and key assumptions

Basis

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

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

Figure 21: UK GAAP to Solvency II reconciliation for the year ended 31 December 2023

UK GAAP to SII reconciliation	Assumed £'000s	Ceded £'000s	Net £'000s
UK GAAP Technical Provisions	**177,019**	**155,309**	**21,710**
DAC	(4,927)	(3,942)	(985)
Contingent commission costs	1,237	990	247
Reserving margins	5,043	1,406	3,637
Future premiums & acquisition costs	(2,799)	(2,376)	(423)
Future other expenses	482	0	482
Legally obliged unincepted business	(2,486)	(2,508)	22
Discounting	(18,824)	(14,060)	(4,764)
Counterparty default	0	(35)	35
Solvency II best estimate	**154,745**	**134,784**	**19,961**
Risk margin	1,600	0	1,600
Solvency II technical provisions	**156,345**	**134,784**	**21,561**

Best estimate liability

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

Claims provision

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

- the best estimate of outstanding losses, and any loss adjustment expenses ("LAE");
- plus the best estimate of IBNR based on earned premiums;
- plus the best estimate of unpaid non-contingent acquisition costs that have been incurred;
- plus the best estimate of unpaid contingent commission on earned premiums;
- plus the best estimate of unpaid other expenses that have been incurred;

- less the best estimate of unpaid premiums that have been earned.

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

Premium provision

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

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

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

Methodologies for loss reserves and IBNR

Under both Solvency II and UK GAAP, the methods employed to estimate loss reserves include the following:

Paid loss development, incurred loss development methods

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

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

In the 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 Calpe uses (described above) are employed to estimate ultimate losses, including the delay between the claim being reported to the (co)insurer or MGA, and the insurer or MGA reporting the claim to Calpe. Expert judgement is employed to select the most appropriate method, particularly when the delays previously identified within the data fluctuate between claims.

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

Methodologies for expired and unexpired periods of coverage

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

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

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

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

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

Future premiums & acquisition costs

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

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

Future other expenses

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

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

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

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

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

Legally obliged unincepted business

At any given time, Calpe may have contracts that have been written but have not yet incepted (i.e. the cover has not yet commenced). For example, a contract that was bound on 28 December 2023 which incepts on 1 January 2024 would be included within legally obliged unincepted business at 31 December 2023.

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

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

Events not in data

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

Calpe, TRL and the London branch of TRC have more than 35 years of credible claims experience, which is used to derive assumptions. This historical claims experience contains many significant natural and man-made catastrophe losses.

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

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

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

Discounting

Technical provisions are not discounted under UK GAAP.

Under Solvency II, Calpe calculates best estimates separately for obligations in different currencies using the relevant risk-free term structures of interest rates prescribed by EIOPA. The set of currencies for which spot discount curves are provided by EIOPA form a subset of the complete table of currencies defined in the accounting system of Calpe. Where, for a given currency, spot discount curves are not provided by EIOPA, the spot discount curve for GBP is used by default.

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

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

Counterparty default

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

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

Probability of default x Loss given default

These are defined as follows:

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

Risk margin

The risk margin is calculated as the present value of future SCRs, multiplied by the prescribed rate for the cost of capital of 4% (2022: 6%) per annum as determined by Solvency II regulation.

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

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

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

Reinsurance arrangements within the technical provisions

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

Existing reinsurance

Calpe employs both proportional and non-proportional ceded reinsurance.

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

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

Future reinsurance purchases

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

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

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

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

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

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

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

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

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

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

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

The uncertainty inherent in estimating IBNR relating to unexpired periods of coverage is exacerbated by the application of the same underlying valuation techniques to the calculation of technical provisions in respect of unexpired periods of coverage.

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

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

- other natural disasters;

and man-made catastrophes such as:

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

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

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

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

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

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

Sensitivity analysis for technical provisions

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

Figure 22: Technical provision sensitivities as at 31 December 2023

	Exchange Rates		Interest Rates		Reserving Assumptions*	
Key assumptions	+10%	-10%	+100bps	-100bps	+10%	-10%
Technical provisions	2%	- 2%	-2%	3%	12%	- 12%

* This sensitivity includes a +/-10% change to outstanding losses and IBNR on ultimate premiums.

Exclusions from technical provisions

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

Matching adjustment

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

Volatility adjustment

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

Transitional measures to technical provisions ("TMTP")

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

Transitional risk-free interest rate-term structure

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

Changes in assumptions since prior period

There have been no material changes to relevant assumptions since the prior period. Valuation assumptions, however, are updated each quarter to reflect prevailing economic conditions.

D.3 Other liabilities

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

Figure 23: Other liabilities – reconciliation from Solvency II to UK GAAP as at 31 December 2023

£'000s	Solvency II liabilities	UK GAAP liabilities	Difference
Insurance and intermediary payables	14,880	14,699	181
Reinsurance payables	4,682	13,627	(8,945)
Payables (trade, not insurance)	1,041	1,149	(108)
DAC	0	3,942	(3,942)
Total other liabilities	**20,603**	**33,417**	**(12,814)**
Technical provisions	156,345	177,019	(20,674)
Total liabilities	**176,948**	**210,436**	**(33,488)**

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

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

Calpe has no financial or operating lease arrangements.

(Re)insurance and intermediaries payable

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

Payables (trade not insurance)

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

Provisions

Other than technical provisions, Calpe held no provisions in its UK GAAP or Solvency II balance sheets as at 31 December 2023 (2022: £nil).

Contingent liabilities

Calpe does not recognise any contingent liabilities as at 31 December 2023 (2022: £nil).

Employee benefits

Calpe does not consider any material employee benefit liabilities exist as at 31 December 2023 (2022: £nil).

Aggregation of liabilities

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

D.4 Alternative methods for valuation

Calpe does not use any alternative methods for valuation.

D.5 Any other information

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

E. Capital management

E.1 Own funds

As at 31 December 2023 Calpe's own funds to cover its SCR were £30.0m (2022: £27.1m), representing an increase of £2.9m on the prior year.

Calpe's own funds comprise mostly ordinary paid-up share capital (including the share premium account) which is classified as Tier 1. The amount of Tier 1 own funds is reduced by the deficit on the reconciliation reserve of £0.1m at 31 December 2023 (2022: deficit of £3.2m).

Calpe does not have any Tier 2 own funds but recognises a deferred tax asset of £0.1m (2022: £0.2m), which is classified as Tier 3 own funds. Solvency II rules sets certain limits for the recognition of different tiers of capital. None of these limits were exceeded during the year.

As at 31 December 2023 and 2022, the available own funds of Calpe were as follows:

Figure 24: Eligible own funds by tier

Tier	Instruments	At 31 December (£'000s) 2023	2022
Tier 1	Ordinary paid up share capital	30	30
	Share premium related to ordinary share capital	29,970	29,970
	Reconciliation reserve	(96)	(3,153)
Tier 2	N/A	-	-
Total eligible own funds to cover MCR		**29,904**	**26,847**
Tier 3	Deferred tax asset	137	212
Total eligible own funds to cover SCR		**30,041**	**27,059**

As at 31 December 2023, Calpe had no ancillary own funds.

The reconciliation reserve deficit of £0.1m (2022: £3.2m deficit) is calculated below and is dependent on the level of excess assets over liabilities and the values of ordinary share capital and deferred tax assets. The reconciliation reserve has the potential for volatility. Movements in the reconciliation reserve are associated with movements in EOF and thus the SCR coverage ratio. The sensitivity of the SCR coverage ratio to movements in a range of parameters is provided in section C7 of this report.

Figure 25: Reconciliation Reserve

	At 31 December (£'000s) 2023	2022
Excess of assets over liabilities	**30,041**	**27,059**
Less:		
Ordinary share capital	(30,000)	(30,000)
Deferred tax asset	(137)	(212)
Reconciliation reserve deficit	**(96)**	**(3,153)**

Every quarter Calpe reviews its own funds against the MCR and SCR requirements. The review is undertaken by the Risk Management function and is presented to the Risk & Audit Committee as part of the quarterly review process. There have been no material changes to own funds during the year.

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

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

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

- the ability to call on additional capital under the TRC Capital Support Guarantee Agreement;
- revisions to the Calpe business plan, such as changes to the composition of business;
- varying the quota share with TRL; and
- the purchase of additional reinsurance.

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

Below is an explanation of material differences between the net assets under UK GAAP and the excess of assets over liabilities as calculated for solvency purposes. As of the date of writing this report, Calpe has not yet published audited financial statements for the year ended 31 December 2023, and all financial statement amounts referred to in this document are currently unaudited and may be subject to change.

Figure 26: Reconciliation of UK GAAP net assets to the excess of assets over liabilities under as at 31 December

	2023 £'000s	UK GAAP treatment	Solvency II treatment
UK GAAP net assets	**30,817**		
Change in:			
Net DAC	(985)	DAC shown separately, matching unearned premium income.	DAC subsumed within TPs on a cash flow basis.
(Re)insurance receivables	(8,940)	Separate recognition of (re)insurance receivables, whether due or not yet due.	Separate recognition of (re)insurance receivables only when due. Receivables not yet due are deducted from TPs.
(Re)insurance recoverables	(20,524)	(Re)insurance recoverables shown separately.	(Re)insurance recoverables included within TPs.
Other receivables	(36)	Separate recognition of other receivables, whether due or not yet due.	Separate recognition of other receivables only when due. Receivables not yet due are deducted from TPs.
Investments	27	Short-term investments at amortised cost.	Short-term investments carried at fair value including accrued interest.
(Re)insurance payables	8,764	Accrued (re)insurance expenses not yet due shown separately.	Accrued (re) insurance expenses not yet due included in TPs.
Other payables	107	Accrued (re)insurance expenses not yet due shown separately.	Accrued (re)insurance expenses not yet due included in TPs.
Technical provisions	22,204	Adjustment from UK GAAP (re)insurance reserves to TPs under Solvency II, described in D2 above.	
Risk margin	(1,530)	No explicit risk margin.	Inclusion of separate risk margin.
Deferred tax asset / liability	137	UK GAAP deferred tax asset adjusted for different valuation bases of assets and liabilities under Solvency II, set out in Figure 19.	
Solvency II own funds	**30,041**		

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

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

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

E.2 SCR and MCR

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

Figure 27: Solvency II capital requirements at 31 December

	2023 (£'000)	2022 (£'000)
EOF to cover SCR	30,041	27,059
EOF to cover MCR	29,904	26,847
MCR	**4,411**	**4,179**
Basic SCR	13,572	12,858
Operational risk	4,072	3,858
SCR	**17,644**	**16,716**
Market risk	1,548	2,512
Counterparty default risk	6,789	5,386
Life underwriting risk	96	47
Health underwriting risk	0	0
Non-life underwriting risk	8,234	8,259
less diversification	(3,094)	(3,346)
Basic SCR	**13,573**	**12,858**
Non-life catastrophe risk	3,231	1,657
Non-life premium & reserve risk	6,804	7,681
Non-life lapse risk	284	319
less diversification	(2,084)	(1,398)
Non-life underwriting risk	**8,235**	**8,259**

Overall Calpe had EOF sufficient to cover 170.3% (2022: 161.9%) of its SCR and 677.9% (2022: 642.4%) of its MCR as at 31 December 2023.

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

The increase in SCR coverage ratio is due to an increase in own funds of £3.0m, partially offset by an increase in SCR of £0.9m during 2023.

The increase in EOF is largely attributable to:

- an increase in unaudited UK GAAP retained earnings of £2.3m; and
- a reduction in the risk margin for the solvency valuation, owing to the reduction in the cost of capital from 6% to 4%, in accordance with Gibraltar regulations, as aligned to the UK regulations.

The increase in SCR reflects:

- an increase in the capital charge for counterparty default risk (through an increase in type II exposures) and a reduction in the diversification credit across the principal risk modules; offset by:
- reductions in the market risk charge, due to the switch into short-dated treasury bonds; and

- reductions in the non-life underwriting risk charge, due to the reduction in business volumes.

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

The components of EOF are shown in Figure 24 and a breakdown of the reconciliation reserve is provided in Figure 25.

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

Simplifications have been used only where specified in the Delegated Regulation (EU) 2015/35 (the "Solvency II Delegated Regulation"). The simplifications used by Calpe are listed below:

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

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

Calculation of the MCR

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

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

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

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

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

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

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

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

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

E.6 Any other information

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

Appendix 1: Abbreviations used in this report

AM Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
BEL	Best Estimate Liabilities
Berkshire Hathaway	Berkshire Hathaway Inc
BF	Bornhuetter-Ferguson
bps	Basis points
Calpe	Calpe Insurance Company Limited
CFO	Chief Financial Officer
CPD	Continuing Professional Development
CRO	Chief Risk Officer (TransRe group)
DAC	Deferred Acquisition Costs
EIOPA	European Insurance and Occupational Pensions Authority
ELR	Expected Loss Ratio
ENIDs	Events not in Data
EOF	Eligible own funds
EPIFP	Expected Profit included in Future Premiums
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ETF	Exchange Traded Fund
EU	European Union
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound Sterling
GFSC	Gibraltar Financial Services Commission
GRM	Global Risk Management (TransRe group)
GWP	Gross Written Premium
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
IT	Information Technology
KYC	Know Your Counterparty
LAE	Loss Adjustment Expenses
LDF	Loss Development Factors
LOB	Lines of Business
LTF	Loss Trend Factors
MCR	Minimum Capital Requirement
MGA	Managing General Agent
MI	Management information
Moody's	Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their affiliates
NEAM	New England Asset Management
NED	Non-executive Director
NYSE	New York Stock Exchange
ORSA	Own Risk and Solvency Assessment
PPO	Periodic payment order
QRT	Quantitative Reporting Template
Robus	Robus Risk Services (Gibraltar) Limited
RSR	Regular Supervisory Report
S&P	Standard & Poor's Financial Services LLC and/or its affiliates

S&R	Sustainability and Resilience
SCR	Solvency Capital Requirement
SF	Standard Formula
SFCR	Solvency and Financial Condition Report
Solvency II, or SII	Solvency II, as adopted into Gibraltar law by the Financial Services (Insurance Companies) Regulations 2020
TMTP	Transitional Measures on Technical Provisions
TPs	Technical Provisions
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRC Capital Support Guarantee Agreement	The capital support guarantee agreement described in section B1
TRH	Transatlantic Holdings, Inc.
TRL	TransRe London Limited
TRL Quota Share	The quota share reinsurance agreement described in section B1
TRLS	TransRe London Services Limited
UK	United Kingdom
UK GAAP	United Kingdom generally accepted accounting practice
ULR	Ultimate Loss Ratio
UPR	Unearned Premium Reserve
US or USA	United States of America
UY	Underwriting Year
XOL	Excess of Loss

Appendix 2: Public Quantitative Reporting Templates (QRTs)

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	137
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)	28,276
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*	28,276
R0140	*Government Bonds*	28,276
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
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:	134,785
R0280	*Non-life and health similar to non-life*	133,219
R0290	*Non-life excluding health*	133,219
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	1,566
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	1,566
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	21,964
R0370	Reinsurance receivables	17,154
R0380	Receivables (trade, not insurance)	1,242
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	3,431
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	206,989

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	153,839
R0520	*Technical provisions - non-life (excluding health)*	153,839
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	152,309
R0550	*Risk margin*	1,530
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,506
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)*	2,506
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	2,436
R0680	*Risk margin*	70
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	14,880
R0830	Reinsurance payables	4,682
R0840	Payables (trade, not insurance)	1,041
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**	176,948
R1000	**Excess of assets over liabilities**	30,041

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				-85	0			14,043									13,958
R0120	Gross - Proportional reinsurance accepted				-2	0			13,741									13,739
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				-33	0			23,001									22,968
R0200	Net				-54	0			4,783									4,729
	Premiums earned																	
R0210	Gross - Direct Business				715	0			13,571									14,286
R0220	Gross - Proportional reinsurance accepted				-3	0			13,379									13,376
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				643	0			22,309									22,952
R0300	Net				69	0			4,641									4,710
	Claims incurred																	
R0310	Gross - Direct Business				-2,681	0			12,932									10,251
R0320	Gross - Proportional reinsurance accepted				479	0			6,200									6,679
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				-1,907	0			16,849									14,942
R0400	Net				-295	0			2,283									1,988
	Changes in other technical provisions																	
R0410	Gross - Direct Business				0	0			0									0
R0420	Gross - Proportional reinsurance accepted				0	0			0									0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share				0	0			0									0
R0500	Net				0	0			0									0
R0550	**Expenses incurred**				373	0			2,247									2,620
R1200	**Other expenses**																	0
R1300	**Total expenses**																	2,620

S.05.01.02

Premiums, claims and expenses by line of business

Life

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

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			GB	IE				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	13,958	0	0	0	0	13,958
R0120	Gross - Proportional reinsurance accepted	0	0	13,739	0	0	0	13,739
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	11,604	11,364	0	0	0	22,968
R0200	Net	0	2,354	2,375				4,729
	Premiums earned							
R0210	Gross - Direct Business	0	14,286	0	0	0	0	14,286
R0220	Gross - Proportional reinsurance accepted	0	0	13,376	0	0	0	13,376
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	11,888	11,064	0	0	0	22,952
R0300	Net	0	2,398	2,312				4,710
	Claims incurred							
R0310	Gross - Direct Business	0	10,509	-258	0	0	0	10,251
R0320	Gross - Proportional reinsurance accepted	0	0	6,679	0	0	0	6,679
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	9,475	5,467	0	0	0	14,942
R0400	Net	0	1,034	954				1,988
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0				0
R0550	**Expenses incurred**	0	1,180	1,440	0	0	0	2,620
R1200	**Other expenses**							0
R1300	**Total expenses**							2,620

S.05.02.01

Premiums, claims and expenses by country

Life

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

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**									0	0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									0	0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								2,436	0	2,436						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								1,566	0	1,566						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								870	0	870						
R0100	**Risk margin**								70	0	70						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**								2,506	0	2,506						

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0			0									0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				-1	0			795									794
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				0	0			456									456
R0150	**Net Best Estimate of Premium Provisions**				-1	0			339									338
	Claims provisions																	
R0160	Gross				106,291	0			45,224									151,515
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				94,343	0			38,420									132,763
R0250	**Net Best Estimate of Claims Provisions**				11,948	0			6,804									18,752
R0260	**Total best estimate - gross**				106,290	0			46,019									152,309
R0270	**Total best estimate - net**				11,947	0			7,143									19,090
R0280	**Risk margin**				958	0			572									1,530
	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**				107,248	0			46,591									153,839
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				94,343	0			38,876									133,219
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				12,905	0			7,715									20,620

S.19.01.21

Non-Life insurance claims

Total Non-life business

	Accident year / underwriting year	
Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											37	37	37
R0160	2014	1,450	6,877	6,381	2,533	1,770	1,335	2,030	493	144	31		31	23,044
R0170	2015	5,579	17,734	9,994	10,685	5,415	5,343	2,062	7,725	1,434			1,434	65,971
R0180	2016	7,757	17,816	9,965	4,958	4,706	3,441	1,652	600				600	50,895
R0190	2017	4,524	23,507	14,746	6,649	7,122	4,258	9,461					9,461	70,267
R0200	2018	2,968	21,501	12,059	7,903	6,403	5,554						5,554	56,388
R0210	2019	3,095	18,619	12,812	9,008	6,073							6,073	49,607
R0220	2020	3,125	17,786	7,626	4,417								4,417	32,954
R0230	2021	3,637	19,101	10,987									10,987	33,725
R0240	2022	2,321	8,803										8,803	11,124
R0250	2023	12											12	12
R0260												Total	47,409	394,024

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											1,724	1,695
R0160	2014	7,768	12,902	10,514	7,222	3,455	2,599	630	313	-67	-98		-92
R0170	2015	11,730	21,954	29,237	22,397	15,729	11,104	10,266	5,981	4,738			4,576
R0180	2016	14,546	34,062	25,839	20,959	14,714	10,537	9,182	8,746				8,575
R0190	2017	23,104	46,977	38,542	31,423	20,945	15,876	8,489					8,208
R0200	2018	20,785	38,821	37,332	29,679	24,111	18,475						17,633
R0210	2019	15,498	36,512	38,285	30,674	23,936							22,398
R0220	2020	16,155	35,144	41,406	36,403								33,975
R0230	2021	21,144	46,551	50,430									46,347
R0240	2022	12,427	25,266										23,553
R0250	2023	6,876											5,945
R0260												Total	172,813

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	30	30		0	
R0030	Share premium account related to ordinary share capital	29,970	29,970		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-96	-96			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	137				137
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**	30,041	29,904	0	0	137
	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	30,041	29,904	0	0	137
R0510	Total available own funds to meet the MCR	29,904	29,904	0	0	
R0540	Total eligible own funds to meet the SCR	30,041	29,904	0	0	137
R0550	Total eligible own funds to meet the MCR	29,904	29,904	0	0	
R0580	**SCR**	17,644				
R0600	**MCR**	4,411				
R0620	**Ratio of Eligible own funds to SCR**	170.26%				
R0640	**Ratio of Eligible own funds to MCR**	677.93%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	30,041
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	30,137
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-96
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	1,081
R0790	**Total Expected profits included in future premiums (EPIFP)**	1,081

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,548		
R0020	Counterparty default risk	6,789		
R0030	Life underwriting risk	96		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	8,234		
R0060	Diversification	-3,095		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	13,572		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,072
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
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**	17,644
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	17,644
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

USP Key

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

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

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	2,378

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	11,948	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	7,142	4,783
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	6

		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	284	
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	2,384
R0310	SCR	17,644
R0320	MCR cap	7,940
R0330	MCR floor	4,411
R0340	Combined MCR	4,411
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	4,411