AXIS Specialty Europe SE

Solvency and Financial Condition Report

Year Ended 31 December 2023

CONTENTS

As used in this report, references to "we", "us", "our" or "Company" refers to AXIS Specialty Europe SE. The Solvency and Financial Condition report is presented in thousands of US Dollars (USD'000) unless otherwise stated. Amounts in tables may not reconcile due to rounding differences.

AXIS Specialty Europe SE ("the Company") has prepared this Solvency and Financial Condition Report ("SFCR") in compliance with the public disclosure requirements under the Commission Delegated Regulation (EU) 2015/235 of the European Parliament supplementing Directive 2009/138/EC, known as the Solvency II Directive, which was transposed into Irish Law effective 1 January 2016. This transposition took the form of secondary Irish legislation in the form of a Statutory Instrument, the European Union (Insurance and Reinsurance) Regulations 2015, which together with the Solvency II Directive are collectively referred to as "Solvency II" in this report. This "SFCR" for the company is for year ended 31 December 2023.

This report covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management process. The Board of Directors ("the Board") of the Company has ultimate responsibility for these matters. The Board use the assistance of various governance and control functions that it has put in place to manage the business and monitor risk.

The Company is regulated by the Central Bank of Ireland ("the Central Bank") and complies with the Corporate Governance Requirements for Insurance Undertakings, 2015 and all related regulatory requirements and codes. The U.K branch of the Company is regulated by the Prudential Regulatory Authority ("PRA") in the U.K. The Company is also regulated by the Financial Conduct Authority ("FCA") for conduct of business rules in respect of its business in the U.K and the National Bank of Belgium ("NBB") in respect of its business in Belgium.

Business and Performance

The Company operated from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2 until January 2023 when the Company sold its Head Office premises and has entered into a new le agreement to le office space at 20 Kildare Street, Dublin 2 from 12 April 2023. The Company has underwriting branches in the United Kingdom and Belgium.

The Company is a part of the AXIS Capital Holdings Limited ("AXIS Capital") group. AXIS Capital is a Bermuda-bd holding company. At 31 December 2023, it had common shareholders' equity of USD 4.7 billion, total capital of USD 6.6 billion and total assets of USD 30.2 billion.

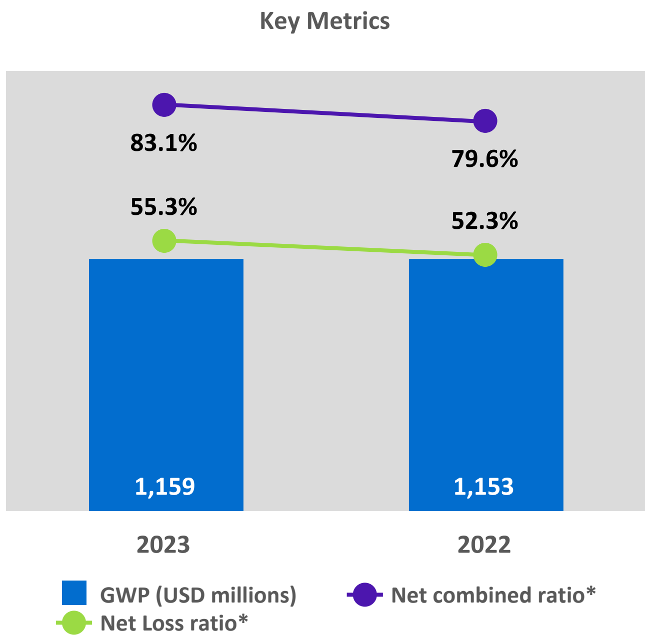
The principal activity of the Company is the transaction of insurance business in respect of the risks of third parties, primarily in the marine, aviation, energy, liability, property (including renewable energy), credit, and accident and health classes of business.

The U.K. officially left the E.U. in 2020 and is now considered a third country. European law no longer applies directly in the U.K., which also means that the Company has lost its passporting rights. An application for authorisation of a third country branch was submitted by the Company to the U.K.'s Prudential Regulatory Authority (PRA) in 2018. This was approved on 28 October 2022 and ASE now has a third country branch which is subject to regulation by the PRA.

In 2023, the Company reported a profit of USD 42.8 million compared to a USD 2.2 million loss in 2022. Gross premium written in 2023 increased by USD 5.9 million to USD 1,158.9 million. Most lines of business saw increases driven by new business and positive rate on renewals. This is offset by reductions in professional lines business due to lower activity in transactional liability business and a challenging rate environment.

The net combined ratio, which relates net losses and other expenses incurred to net earned premium, is the primary indicator of underwriting and therefore, company performance. The Company's net combined ratio was 83.1% (2022: 73.9%). In 2022, the Company entered into a retrospective reinsurance transaction which distorts the comparability of net combined ratios. Excluding this transaction, the Company's 2022 net combined ratio was 79.6%. On a comparable basis, the Company's net loss ratio was 55.3% (2022: 52.3%) representing a current accident loss ratio of 55.4% (2022: 56.2%) and flat prior year development in the year (2022: (3.9%)).

The Company's underlying performance has remained strong despite significant global challenges, with the insurance industry affected by macro economic impacts of high inflation and volatile interest rates, continuing geopolitical turmoil and another year of above average losses arising from natural catastrophes.



* 2022 comparative excludes impact of retrospective reinsurance transaction

Business and Performance (continued)

The Company believes its market positioning, specialty underwriting acumen, global platform, claims management capabilities and deep relationships with distributors and clients,supported by a conservative and well performing investment portfolio, will provide opportunities for strong profitability, with differences among our lines of business driven by our tactical response to market conditions.

The Company's investment portfolio generated positive returns from investments of USD 33.6 million in 2023 (2022: USD 33.9 million loss). This translated to a positive return on average cash and investments (pre-tax) of 5.3% in 2023 (2022: 5.2% loss). Investment performance was positively impacted by the portfolio yield, the rally in equity markets, and spread tightening.

During 2023, the Company paid an interim dividend of USD 15 million dividend (2022: USD 10 million) to its parent company AXIS Specialty Holdings Ireland Limited. The Directors propose a final dividend of USD 13 million for the year.

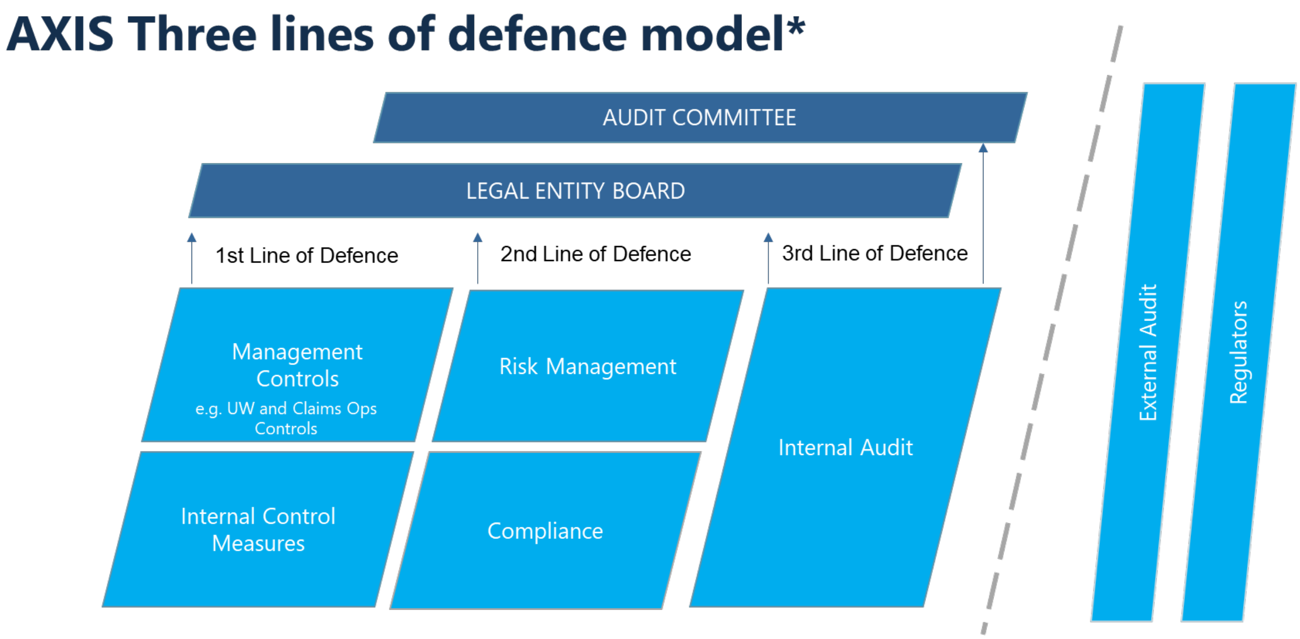
Refer to Section A for further detail relating to business and performance.

System of Governance

The Board of Directors ("the Board") is ultimately responsible for the good governance, strategy, and oversight of the conduct of performance of the Company. The Company is subject to the relevant requirements set out by the Central Bank, including the Corporate Governance Requirements for Insurance Undertakings, 2015. The Board recognizes that an effective system of governance is essential for appropriate management of the Company and adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders through the diligent oversight of policies, processes and decision making.

The Company implements the "three lines of defence" model which is used to structure roles and responsibility for risk and control activity. The key functions within the second and third of the three lines of defence are Risk, Compliance and Internal Audit. These key functions are delegated responsibility to monitor and independently challenge the business and to report their findings to the relevant oversight Committee and/or the Board itself.

The three lines of defence model, is described below:



* Source – Chartered Institute of Internal Auditors (IIA) – see link. As amended for AXIS.
https://www.iia.org.uk/resources/audit-committees/governance-of-risk-three-lines-of-defence/

Refer to Section B for further detail on the Company's system of governance.

Risk Profile

The Company's risk landscape comprises insurance, market, credit, liquidity, operational and other risks that arise as a result of doing business. Across these risk categories, emerging threats and opportunities are identified and evaluated through a framework that includes the assessment of potential known and unknown factors that could affect exposures.

Risk Profile (continued)

Insurance risk is comprised of underwriting risk (including catastrophe risk) and reserving risk. Underwriting risk is managed through the Company's underwriting risk governance framework. A key component of this is the peer review process which allows for a collaborative review of risk and pricing by management, and ensures underwriting is within established protocols and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis. Limits are set on underwriting capacity, and cascade authority to individuals based on their specific roles and expertise. The Company seeks to mitigate reserving risk by, among other things, diligently monitoring claims and maintaining a structured process and control framework for determining carried reserves.

The management of market and credit risk comprises the identification, assessment and controlling of the risks inherent in the financial and credit markets and includes monitoring of compliance with the Company's risk management standards, including various risk limits. The Company seeks to mitigate market risk through asset-liability management supplemented with various internal policies and limits. The day-to-day management of asset classes is centralised within AXIS Capital to control aggregation of risk, and provide a consistent approach to constructing portfolios as well as the selection process of external asset managers. Limits are set on the concentration of investments by single issuers and certain asset classes, and on the level of illiquid investments. Further, the Company's investment guidelines do not permit the use of leverage in any of the fixed maturity portfolios. The company manages credit risk through close monitoring of concentration and creditworthiness of our material receivable balances, particularly of its reinsurers. Tolerances and limits are in place to ensure that credit risk is kept to a level within appetite.

The Company aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. The Company manages liquidity through limits on the minimum percentage of the investment portfolio to mature within a defined timeframe.

The Company manages operational risk through sound corporate and risk governance, including the application of process controls throughout which are reviewed on a regular basis. The Risk Management Function is responsible for coordinating and overseeing the Group-wide framework for operational risk management.

The Company has put in place an operating model for EEA risks, covering the regulated activities of underwriting, claims handling, and complaints handling, with Brexit being the driver of this. This model ensures that applicable activities are undertaken in the correct jurisdiction, while ensuring the Company can retain effective oversight of its activities.

Refer to Section C for further detail on the Company's risk profile.

Valuation for Solvency Purposes

The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. As used in this report, references to "GAAP" refer to the accounting standards and regulations under which the financial statements have been prepared.

The Solvency II Balance Sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

The valuation of assets and liabilities for GAAP is the same as Solvency II except for:

- valuation of technical provisions and associated reinsurance recoverables,
- valuation of property, plant and equipment including leases;
- recognition of approved dividends; and
- deferred tax calculated on the expected tax impact once the valuation adjustments from GAAP to Solvency II unwind.

Refer to Section D for further detail on valuation for Solvency purposes.

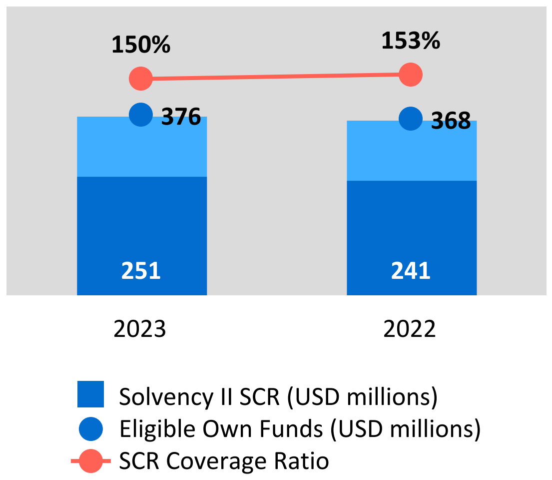
Capital Management

The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements. A business plan is prepared annually to support the capital management objective and includes a three year plan of expected performance.

Capital Management (continued)

For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 100% (2022: 100.0%) of the Company's own funds are classified as Tier 1.

Solvency II SCR Coverage



The Company applies the Standard Formula approach in calculating the Solvency II Capital Requirement ("SCR").

Refer to Section E for further detail on Capital Management.

The SCR at 31 December 2023 was USD 251.1 million (2022: USD 240.6 million) with a coverage ratio of 149.8% (2022: 152.9%).

The increase in SCR over prior year is largely attributable to increases in premiums and reserves driving higher non-life underwriting risk, operational risk and counterparty risk charges. Own Funds increase represents USD 42.8 million profit, partially offset by USD 15 million dividend paid in the year, USD 13 million proposed dividend and USD 7 million GAAP to Solvency II valuation adjustments.

The Minimum Capital Requirement ("MCR") at 31 December 2023 was USD 62.8 million (2022: USD 60.1 million) with a coverage ratio of 599.1% (2022: 611.7%).

The final SCR and MCR amounts remain subject to supervisory assessment. The Company was compliant with Solvency II capital requirements throughout the year.

A. BUSINESS AND PERFORMANCE

A. 1 Business

Company Profile

AXIS Specialty Europe SE was incorporated in Ireland on 18 February 2002 as a limited liability company. On 10 September 2012, the Company re-registered as a Societas Europaea ("SE") having received Irish High Court approval.

The principal activity of the Company is the transaction of insurance business in respect of the risks of third parties, primarily in the liability, marine, energy, property (including renewable energy), credit, and accident and health classes of business. Accident and health business includes income protection and miscellaneous financial loss lines of business.

During January 2023, the Company operated from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2. This office was officially sold to a third party on 31 January 2023. The Company has entered into a new lease agreement to lease office space at 6th Floor 20 Kildare Street, Dublin 2, Ireland from 12 April 2023.

The Company is 100% owned by AXIS Specialty Holdings Ireland Limited ("ASHIL"), an Irish registered company which is 100% owned by AXIS Capital, a company incorporated in Bermuda. The Bermuda Monetary Authority acts as the group supervisor of AXIS Capital.

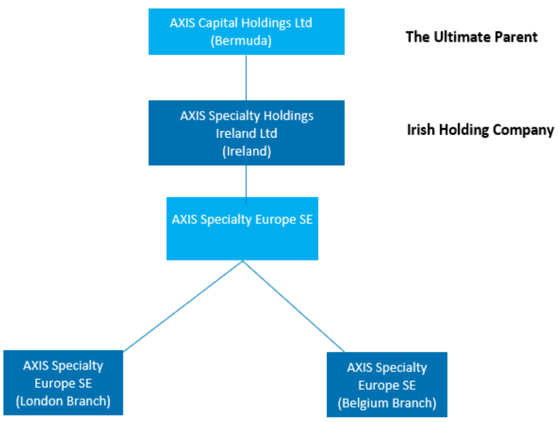
At 31 December 2023, AXIS Capital had common shareholders' equity of USD 4.7 billion, total capital of USD 6.6 billion and total assets of USD 30.2 billion.

The Company has an underwriting branch in the United Kingdom ("U.K."). The U.K. branch trades as "AXIS Specialty London" located at 52 Lime Street, London EC3M 7A, U.K.

Pursuant to the U.K.'s withdrawal from the European Union on January 31, 2020, the Company submitted an application to have its U.K. Branch fully registered by the Prudential Regulation Authority ("PRA") and the U.K. Financial Conduct Authority ("FCA") as a third-country branch. This application was approved by the PRA and FCA on 28 October 2022, therefore, the U.K. Branch of the Company is now fully registered in the U.K.

The Company also has an underwriting branch in Belgium, AXIS Specialty Europe SE (Belgium Branch), which is regulated by the Central Bank of Ireland, and the National Bank of Belgium.

Simplified Group Structure



Refer to Appendix I for the AXIS Capital group structure including the Company and its related undertakings.

Shared Services within the AXIS Group
The AXIS Group ("Group") operates a global business providing a range of speciality (re)insurance products and services. Business segments and legal entities within the Group rely on the breadth of support functions offered by the Group, such as Finance, Actuarial, Human Resources ("HR"), Business Technology Solutions ("BTS"), Treasury & Investments, Corporate Risk and Risk Funding. Certain functions have centralised support, such as HR and BTS, with a dedicated representative within the business segment. This also applies to the legal entities where many of the business and support function leaders have a shared responsibility, with some of those having obligations at both business segment and legal entity level.

Supervision and External Audit
The Company is regulated by the Central Bank, New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3.

AXIS Specialty London is regulated by the Central Bank and the PRA and is regulated by the Financial Conduct Authority ("FCA") in respect of the conduct of the United Kingdom business.

The Belgium branch is regulated by the Central Bank of Ireland, and by the National Bank of Belgium.

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm were appointed auditors on 18 April 2002. Under Article 17 of Regulation (EU) no 537/2014 the Company is required to appoint a new auditor for the financial year ended 31 December 2024. On 30 November 2022, the Company selected Mazars as the new auditor, effective from the financial year ended 31 December 2024. Deloitte Ireland LLP intend to resign as statutory auditors upon the conclusion of the 2023 statutory audit, and have confirmed, in accordance with Section 400 of the Companies Act 2014, that there are no circumstances connected with their resignation which should be brought to the attention of the members or creditors of the Company.

Performance
On a GAAP basis, the profit for the year ended 31 December 2023 was USD 42.8 million (2022 : USD 2.2 million loss).

	2023	**2022**
	USD'000	**USD'000**
Gross written premium	1,158,855	1,152,992
Technical result	32,151	35,280
Net investment income/(losses)	33,552	(33,905)
Foreign exchange losses	(4,468)	(2,828)
Profit/(Loss) on ordinary activities before taxation	61,236	(1,454)
Taxation on profit/(loss) on ordinary activities	(18,465)	(726)
Profit/(Loss) on ordinary activities after taxation	**42,771**	**(2,180)**

The Company's underwriting performance has remained strong despite significant global challenges, with the insurance industry affected by macro economic impacts of high inflation and volatile interest rates, continuing geopolitical turmoil and another year of above average losses arising from natural catastrophes.

In 2023, investment performance was positively impacted by the investment income, tightening in credit spreads and a rally in equity markets reversing adverse performance in 2022 driven by increasing sovereign interest rates, decline in equity markets and credit spread widening.

The Company believes its market positioning, specialty underwriting acumen, global platform, claims management capabilities and deep relationships with distributors and clients, supported by a conservative and well performing investment portfolio, will provide opportunities for strong profitability, with differences among our lines of business driven by our tactical response to market conditions. Rates and terms and conditions across the majority of insurance lines continued to be favourable as pricing generally continues to rise, albeit at varying levels based on market dynamics relative to the individual lines. The Company continues to pursue a highly targeted and disciplined underwriting strategy across all lines and channels of distribution.

During 2023, the Company paid a USD 15 million interim dividend (2022: USD 10 million) to its parent company AXIS Specialty Holdings Ireland Limited. The Directors propose a final dividend of USD 13 million for the year.

A.2 Performance from Underwriting

	2023 USD'000	2022 USD'000
Gross written premium	1,158,855	1,152,992
Net premiums written	199,320	157,040
Gross premiums earned	1,096,383	1,038,336
Net premiums earned	187,590	133,657
Other technical income (net)	418	366
Net losses and loss expenses	(103,810)	(51,323)
Net operating expenses	(52,047)	(47,421)
Technical result	**32,151**	**35,280**
Net combined ratio	**83.1 %**	**73.9 %**

Gross premium written USD 1,158.9 million in 2023 was broadly in line with prior year (2022: USD 1,153.0 million)

On 9 December 2022, AXIS Capital and a number of its subsidiaries entered into a retrospective reinsurance agreement with a third-party. Under the agreement, the Company has been insured against potential adverse development in respect of its net provisions for claims outstanding, providing the Company with protection in several professional lines and liability insurance portfolios, predominantly relating to 2019 and prior accident years. The 2022 profit and loss account includes USD 38.9 million in outwards reinsurance premium for this retrospective reinsurance agreement and an offsetting reinsurance recovery in net claims incurred.

The net combined ratio, which relates net losses and other expenses incurred to net earned premium, is the primary indicator of underwriting and therefore, company performance. The Company's net combined ratio was 83.1% (2022: 73.9%), representing a current accident loss ratio of 55.4% (2022: 56.2%) and flat prior year development in the year (2022: (3.9)%). The 2022 retrospective reinsurance transaction distorts the comparability of net combined ratios. Excluding this transaction, the Company's 2022 net combined ratio was 79.6%. On a comparable basis, the Company's net loss ratio was 55.3% (2022: 52.3%) representing a current accident loss ratio of 55.4% (2022: 56.2%) and flat prior year development in the year (2022: (3.9)%).

Premiums
The following table provides premium written and net premium earned by line of business:

Direct business and accepted proportional reinsurance	**Gross premiums written 2023 USD'000**	**Gross premiums written 2022 USD'000**	**Net premiums earned 2023 USD'000**	**Net premiums earned 2022 USD'000**
Income Protection	34,053	28,509	7,784	6,454
Marine, aviation and transport	229,028	202,395	43,534	37,255
Fire and other damage to property	466,352	386,981	68,840	58,824
General liability	368,490	459,859	59,672	24,237
Credit and suretyship	60,926	75,249	7,760	6,888
Miscellaneous financial loss	6	—	1	—
Total	**1,158,855**	**1,152,993**	**187,590**	**133,658**

Premiums (continued)

Analysis of gross premiums written by geographic location of insured

	2023	2022
	USD'000	USD'000
Europe	288,603	290,702
UK	479,459	483,555
North America	243,224	224,797
Asia	76,092	64,445
Oceania	21,987	30,871
Central & South America	26,210	25,126
Africa	23,279	33,495
	1,158,855	**1,152,992**

Refer to Appendix II S.04.05.21 for further detail on the top five countries by gross premiums written.

In 2023, gross written premiums were USD 5.9 million higher than prior year.

- The increase in Fire and other damage to property and Marine, aviation and transport were primarily due to favourable rate changes and new business.
- The decrease in General Liability was primarily driven by professional lines business reflecting the lower level of activity in transactional liability business and a challenging rate environment and cyber business due to reduction in line sizes.

Ceded Reinsurance
The Company continues to purchase both proportional and non-proportional reinsurance to reduce the risk of exposure to loss, from both third parties and other AXIS Capital group companies. The Company shares its third party reinsurance protections with a number of group companies.

Ceded premiums written decreased from USD 996.0 million in prior year to USD 959.5 million in 2023. Excluding the effect of the retrospective reinsurance agreement, ceded written premiums have decreased USD 2.4 million. There has been no material change to the risk mitigation strategy during 2023.

Other technical income (net)
In consideration for the Company's appointment of certain intermediaries as reinsurance intermediary/broker for the placement and servicing of treaty reinsurance purchased or renewed by the Company on or after 1 April 2009, and in consideration of the Company's performance of various administrative services to assist the reinsurance intermediary/broker, the intermediaries agree to share the received brokerage revenue derived from the business written on behalf of the Company.

During 2023, USD 1.7 million (2022: USD 1.5 million) was receivable for the performance of those administrative services. Other technical income net of reinsurance recognised in 2023 was USD 0.4 million (2022: USD 0.4 million).

Net losses and loss expenses

	Net losses and loss expenses	Net loss ratio	Net losses and loss expenses	Net loss ratio
	2023	2023	2022	2022
Direct business and accepted proportional reinsurance	USD'000	%	USD'000	%
Income protection	4,622	59.4 %	4,044	62.7 %
Marine, aviation and transport	29,236	67.2 %	17,168	46.1 %
Fire and other damage to property	36,299	52.7 %	29,535	50.2 %
General liability	30,229	50.7 %	(1,701)	(7.0)%
Credit and suretyship	3,411	44.0 %	1,969	28.6 %
Miscellaneous financial loss	(24)	nm	307	nm
Total	**103,809**	**55.3 %**	**51,322**	**38.4 %**

Net losses and loss expenses (continued)
The Company's net loss ratio was 55.3% (2022 (excluding the retrospective reinsurance transaction): 52.3%) representing a current accident loss ratio of 55.4% (2022: 56.2%) and flat prior year development in the year (2022: (3.9)%). Current year catastrophe and weather events contributed 4.1% to the net loss ratio compared to 4.0% in 2022.

The current accident year loss ratio reflects elevated loss experience in property and marine and aviation business and heightened loss trends in liability business consistent with changes in loss assumptions reflected in recent periods, partially offset by the changes in business mix associated with the increase in property business and the decrease in professional lines business written in recent periods.

Net operating expenses
Net operating expenses include net acquisition costs and net general and administrative expenses incurred during the year. Net general and administrative expenses are allocated across the different lines of business based on gross earned premium.

Direct business and accepted proportional reinsurance	**Net operating expenses 2023 USD'000**	**Net operating expenses 2022 USD'000**
Income protection	3,023	2,253
Marine, aviation and transport	11,245	8,855
Fire and other damage to property	23,460	18,784
General liability	13,578	16,656
Credit and Suretyship	740	873
Miscellaneous financial loss	—	—
Total	**52,045**	**47,421**

	2023	**2022**
Net operating expense ratio	**27.7 %**	**35.5 %**

The increase in net operating expenses is largely driven by changes in business mix with higher acquisition costs attributable to increase in renewable energy onshore and liability business partially offset by increases in property and marine business associated with lower acquisition costs.

Excluding the impact of the retrospective reinsurance transaction, the 2022 net operating expense ratio was 27.5% with the increase in net operating expenses largely offset by higher premium earning through in 2023.

A. 3 Performance from investment activities

	Dividends 2023 USD'000	**Interest 2023 USD'000**	**Realised gains/(losses) 2023 USD'000**	**Unrealised gains/(losses) 2023 USD'000**	**Total 2023 USD'000**
Government Bonds	—	8,262	(1,290)	3,613	10,585
Corporate Bonds	—	8,067	(6,656)	11,097	12,508
Equity instruments	472	—	84	4,585	5,141
Collateralised securities	—	1,502	(16)	951	2,437
Cash and deposits	—	4,354	—	—	4,354
Other investments	—	—	—	(365)	(365)
FX Forward	—	—	(45)	—	(45)
	472	**22,185**	**(7,923)**	**19,881**	**34,615**

	Dividends	Interest	Realised gains/(losses)	Unrealised gains/(losses)	Total
	2022	2022	2022	2022	2022
	USD'000	USD'000	USD'000	USD'000	USD'000
Government Bonds	—	3,034	(6,751)	(4,176)	(7,893)
Corporate Bonds	—	6,368	(8,733)	(15,752)	(18,117)
Equity instruments	584	—	6,829	(14,252)	(6,839)
Collateralised securities	—	706	(623)	(2,723)	(2,640)
Cash and deposits	—	1,713	(20)	—	1,693
Other investments	—	—	—	562	562
FX Forward	—	—	286	—	286
	584	**11,821**	**(9,012)**	**(36,341)**	**(32,948)**

The Company's investment portfolio comprises debt, equity, cash and cash equivalents, investment funds and derivatives (used only for hedging foreign currency exposure). The portfolio includes investments in securitisations of USD 3.1 million (2022: USD 3.5 million). Investment performance was positively impacted by the portfolio yield, the rally in equity markets and spread tightening reversing the adverse performance in 2022 driven by increasing sovereign interest rates, decline in equity markets and credit spread widening.

The Company's investment portfolio generated positive returns from investments of USD 33.6 million (including investment charges and expenses) in 2023 (2022: USD 33.9 million negative return). The pre-tax total return on average cash and investment was positive 5.3% inclusive of foreign exchange losses that hedge liabilities (2022: 5.3% loss).

	2023	2022
	USD'000	USD'000
Investment expenses and charges	1,064	955

Investment expenses and charges relate to costs associated with the management of the investment portfolio including custodian fees and third party investment manager fees. It is not practicable to allocate investment management costs between the different investment classes.

A.4 Performance of other activities

In the normal course of its operations, the Company has entered into a "Central Services Agreement" within the AXIS group and performs services on behalf of other AXIS companies. There have been no other significant activities undertaken by the Company.

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Lease arrangements

In April 2023, the Company entered into a new agreement to lease office space at 20 Kildare Street, Dublin. The lease expires in April 2026, with no option to terminate during the lease term.

The Company leases three floors in the Scalpel, 52 Lime Street, which was effective September 2018 and expires in May 2036, with no option to terminate during the lease term.

The Company has served notice of its intention to exercise the break option on the lease of its current Brussels office, effective August 2024. A new 9 year lease has been agreed for new office space, effective 1 July 2024 and expiring in June 2033, with no option to terminate during the lease term.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	USD '000
Lease commitments payable:	
Within 1 year	5,370
Within 2 to 5 years	19,162
After 5 years	33,778
	58,310

The Company is not party to any finance leases as at 31 December 2023.

A.5 Any other information

All material information regarding business and performance has been disclosed in Sections A.1 - A. 4 above.

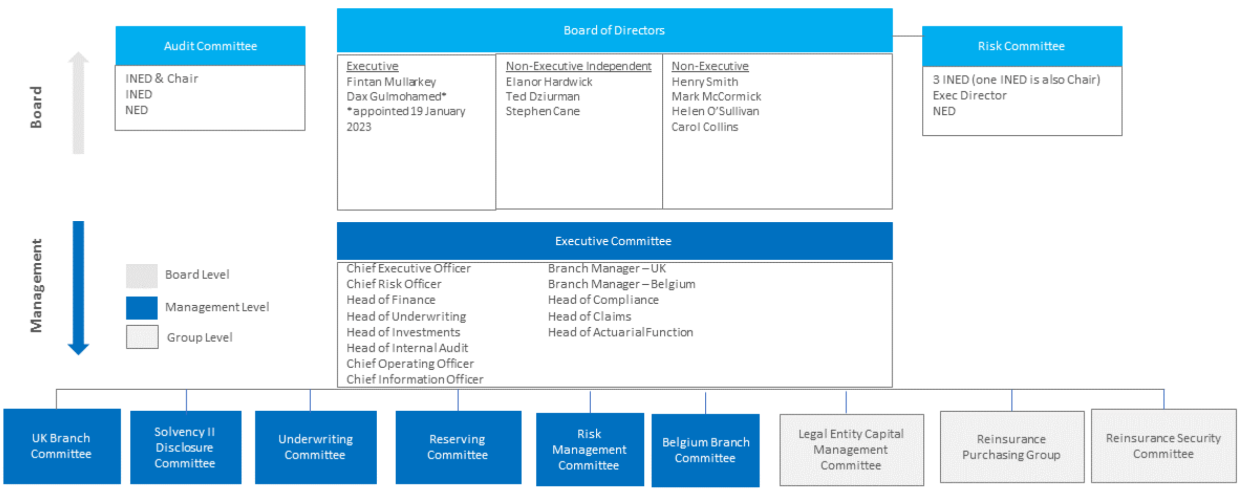
B. SYSTEM OF GOVERNANCE

B.1 General governance arrangements

The Board believes an effective system of governance is essential for the appropriate management of the Company and is responsible for the prudent, effective and ethical oversight of the Company. The Company's system of governance reflects the nature, scale and complexity of the Company and is implemented in compliance with Solvency II, the Central Banks Corporate Governance Requirements for Insurance Undertakings 2015, and related regulations and codes. The Company adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders; through long term diligence in oversight of policy, process and decisions.

The key control functions within the Company's system of governance, Compliance, Risk, and Internal Audit have developed and documented oversight monitoring strategies which are reported on to the relevant oversight Committee and/or Board. Responsibility for business decisions and governance rests with the Board who may delegate authority to Board sub-Committees and Management to act on behalf of the Board in respect of certain matters. The Board considers the system of governance to be appropriate and effective.

There were no changes in the system of governance over the reporting period. The material components of the system of governance are outlined below.



Board of Directors

The Company has established a Board of Directors comprising a minimum of five directors including at least two non-executive directors. As at 31 December 2023, the Board comprised 9 Directors, a majority of 7 being independent or Group non-executive directors and two Executive Directors. All Group non-executive directors are deemed independent directors who exercise sound judgement and decision making, independent of the views of management or outside interests. The Company considers the independence of a majority of its Board members to be a key component of good governance. During the reporting period, Dax Gulmohamed was appointed an Executive Director of the Board.

Board of Directors (continued)
The Board is responsible for the following:

- Setting and overseeing the long-term objectives, purpose, values and business strategy for the Company and considering the impact of such strategy on the stakeholders of the Company.
- Monitoring and oversight of the business activities of the Company.
- Corporate, regulatory and compliance governance.
- Compliance with all legal and regulatory requirements, including in particular the requirements of the Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings 2015 (the "CBI Code"), the Central Bank of Ireland Fitness and Probity regime ("F&P Regime"), the Solvency II Directive (Directive 2009/138/EC) as amended by the Omnibus II Directive (2014/51/EC) and the European Communities (Insurance and Reinsurance) Regulations 2015.
- Effective, prudent and ethical oversight of the Company, including oversight of the amounts, types and distribution of internal capital and own funds adequate to cover risks.
- Oversight of Board Committees.
- Overseeing the internal control framework, including the operational resilience framework and the financial reporting and accounting framework, and ensuring key control functions including risk, internal audit and compliance are properly managed, are independent of business units and have adequate resources and authority to operate effectively.
- Appointment, monitoring and removal of persons performing Controlled Functions or Pre-approval Controlled Functions on behalf of the Company.
- Reviewing and approving the criteria for critical or important business services, including reviewing impact tolerances and reviewing scenario testing on critical or important business services.
- Defining and documenting the responsibilities of Directors, Board Committees and senior management to ensure that no single person has unfettered control of the business.
- Succession planning for the Board and senior management.
- Monitoring the performance of outsourced providers
- Reviewing and approving the pre-emptive recovery plan prepared in accordance with the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Recovery Plan Requirements for Insurers) Regulations 2021.
- Ensuring the Company has a robust and transparent organisational structure with effective communication and reporting channels.
- Ensuring the Company has a remuneration framework that is in line with the risk strategies of the Company.
- Oversight of diversity and inclusion policies designed to promote diversity within the workforce.

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The Board is enabled to discharge its responsibilities through receipt and review of appropriate management information, regular oversight of the business and the participation in ongoing training and briefings. The Board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the Company's activities. The Board will meet at least six times a year.

The Board is responsible for ensuring that the system of governance is internally reviewed on a regular basis and should determine the appropriate scope and frequency of the reviews, taking into account the nature, scale and complexity of the business. The Board is also responsible for determining who within the Company should conduct the review and should ensure that they are suitably independent.

The Board reserves certain key matters for itself and delegates certain matters to Board sub-Committees and to the Chief Executive Officer, who in turn delegates authority to the Executive Committee and Management. The Board Terms of Reference specify what decisions are reserved for the Board and which decision-making powers it has chosen to delegate.

The Board has established Board and Management Committees as required by law or regulation and as it deems appropriate given the nature, scale and complexity of the Company. The roles and responsibilities of the Committees are further described in this section.

Board Audit Committee
The Audit Committee is a sub Committee of the Board and its purpose is to assist the Board of Directors in its oversight of:

- the integrity of the Company's financial statements,
- the Company's compliance with legal and regulatory requirements,
- the independent auditors' qualifications, independence and effectiveness; and
- the effectiveness, adequacy and performance of the Company's internal audit, internal controls and IT systems.

The Audit Committee also reviews external reports and disclosures pursuant to the rules promulgated by the Central Bank and otherwise. In fulfilling its purpose, the Committee maintains free and open communication with the Company's independent auditors, internal auditors and management.

The Audit Committee comprises non-executive directors, the majority being independent, and neither the Chair of the Board nor the Chief Executive Officer are members.

Board of Directors (continued)
The Committee consists of no fewer than three directors, as determined by the Board of Directors. Committee members shall be appointed annually by a majority vote of the Board of Directors. The Committee Chair is an independent non-executive director appointed by a majority vote of the Board of Directors.

Board Risk Committee
The purpose of the Risk Committee is to assist the Board of Directors in overseeing the integrity and effectiveness of the Company’s enterprise risk management framework, and ensuring that the Company’s risk assumption and risk mitigation activities are consistent with that framework.

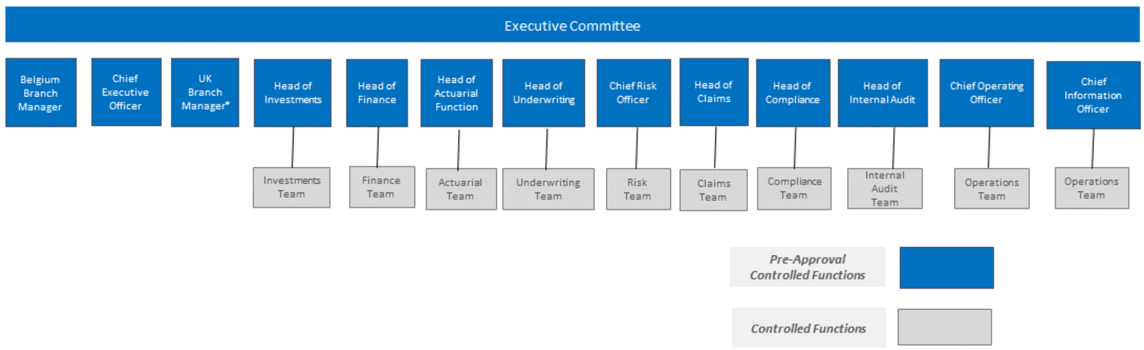
In furtherance of its purpose, the Risk Management Committee has the following duties and responsibilities:
- review and approve the Company’s Enterprise Risk Management Framework, and monitor management’s effective implementation of this framework,
- review and approve annually, the Company’s Risk Management Strategy Framework, overseeing the integrity and effectiveness,
- review the output of the Stress Test and Scenario Testing Framework, and provide input on scenario design and selection,
- review and approve annually the Company’s Risk Management Strategy and Reinsurance Management Strategy documents,
- review and approve any changes to the Company’s Own Solvency Needs and Risk Limits,
- review and approve the Company’s annual Own Risk and Solvency Assessment ("ORSA") policy and the Company’s ORSA Report,
- review the Company’s assessment of emerging risks that could have significant impact on the Company,
- review the operational risk register and any applicable risk events reported in the quarter,
- before a decision to proceed is taken by the Board, review the inherent risks associated with any proposed strategic transactions, focusing in particular on risk aspects and implications on the Company’s Own Solvency Needs and Company Risk Limits,
- meet on a regular basis with the Chief Risk Officer in a separate executive session,
- to review and recommend for approval to the Board, the Company’s three-year business plan, focusing in particular on risk aspects and implications for the Company’s Own Solvency Needs and Company Risk Limits.

The Risk Committee shall consist of no fewer than three directors, as determined by the Board of Directors. The Committee shall include a Chair who shall be a non-executive director.

Group Remuneration and Nomination Committee
Effective 1 January 2023, the Board have elected not to establish a Remuneration and Nomination Committee and resolved to rely on the AXIS Group Human Capital and Compensation Committee and the Corporate Governance and Nominating and Social Responsibility Committee. There is common membership between the Board and these Group Committees and these Directors provide a report twice per year to the Board.

Executive Committee ("ExCo")
The ExCo, chaired by the Chief Executive Officer, is delegated the day-to-day running of the Company by the Board. The ExCo includes the Company executive's holding Pre-Approval Controlled Function ("PCF") positions:

Board of Directors (continued)



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The Exco has established a number of functional internal Committees to support the management and governance of the Company's activities. It is also supported by various AXIS Group committees including the Reinsurance Purchasing Group, the Reinsurance Security Committee and the Legal Entity Capital Committee.

The main responsibilities of the ExCo are:

- managing and overseeing the business activities of the Company,
- managing and overseeing the activities of each branch of the Company,
- annually preparing ASE's three-year business plan, and presenting same to the Board for approval,
- reviewing ASE's risk framework and appetite and recommending to the Board for approval,
- managing and overseeing key control functions including risk, internal audit, actuarial, and compliance,
- approving ASE quarterly provision for loss and loss expense reserves,
- reviewing certain policies of ASE and recommending same to the Board for approval,
- reviewing and approving those policies of ASE which do not require Board approval.

Underwriting Committee
The Underwriting Committee ensures underwriting alignment with business objectives, the annual business plan, and any relevant regulatory and compliance requirements. The Underwriting Committee is responsible for:

- underwriting strategy and management, including overseeing the management of underwriting risk within agreed risk appetites, and reporting breaches to the ExCo, or other committee, as appropriate;
- reviewing and providing input into the business plan for recommendation to the ExCo;
- reviewing progress against the annual business plan and monitoring performance against defined targets;
- maintaining and monitoring the underwriting control framework, ensuring that appropriate documented underwriting policies and procedures are in place;
- approving Class of Business Underwriting Guidelines and monitoring breaches of business written outside agreed criteria, or causing breach of appetite; and
- reviewing letters of authority to underwriters.

The Underwriting Committee is chaired by the Deputy Chief Underwriter, and receives updates from various underwriting teams as well as the Pricing, Risk Funding, Claims, Delegated Underwriting, Conduct Risk, Risk, Compliance, Operations, and Reserving functions.

Reserving Committee
The purpose of the Committee is to assist the Board in its oversight of the governance of the setting of reserves and its compliance with the Reserving Policy as set by the Board.

Board of Directors (continued)
Core responsibilities of the Reserving Committee include:

- Reviewing and approving the quarterly actuarial reserve proposals of the actuarial central estimate (ACE) and management best estimate (MBE) for inclusion in local management accounts.
- Reviewing the year-end GAAP reserves and recommending to the ASE Audit Committee for approval to be included in the Company accounts.
- Reviewing the quarterly Solvency II technical provisions calculation and recommending to the Solvency II Disclosure Committee for approval to include in the quarterly QRTs.
- Reviewing the annual Solvency II technical provisions calculation and recommending to the Solvency II Disclosure Committee and Audit Committee for approval to include in the annual QRTs.
- Review the actuarial best estimate projections of ultimate claims, gross and net of reinsurance, and by line of business.
- Review month two plus forecast reserves at month three.
- Overseeing the governance of the setting of technical provisions and its compliance with the Reserving Policy.
- Considering areas of judgment and materiality within the reserves.
- Reconciliation/Walk from GAAP Reserves to Solvency II technical provisions.
- Where relevant, ensuring that any changes to the business processes or claims handling practices or target market profile that may impact on technical provisions are documented and discussed with the actuarial function.
- Where relevant, documenting its views on whether any such changes will impact on the quantum of technical provisions required, for example that there are actual savings arising from any such changes rather than just changes in the timing of claims paid.

The Reserving Committee includes the Head of Actuarial Function, Chief Executive Officer, Head of Finance, Chief Risk Officer and Head of Claims. Effective from 1 January 2023, the membership of the Reserving Committee also includes one Independent Non-Executive Director.

Risk Management Committee
The Risk Management Committee is a functional Committee whose main purpose is to support the Board Risk Committee in overseeing the integrity and effectiveness of the company's Enterprise Risk Management framework, and make appropriate recommendations to the Board Risk Committee.

The Risk Management Committee comprises the Chief Risk Officer, Chief Executive Officer, Head of Underwriting, Head of Finance, Head of Compliance, Head of Actuarial Function and Chief Operating Officer for the Company.

Solvency II Disclosure Committee
The purpose of the Solvency II Disclosure Committee is to provide a forum that ensures that Solvency II Reporting and Disclosures are accurate, complete and present fairly in all material respects the financial condition and results of operations of the Company and are made in a timely manner in accordance with applicable laws, rules and regulations. The Committee reviews annual Solvency II reporting and recommends board approval. On a quarterly basis, the Board has delegated authority to the Solvency II Disclosure Committee to approve the quarterly reporting.

For the ASE UK Branch reporting, the Disclosure Committee will review the annual reports, and propose these to the UK Branch Management Committee for approval prior to submission to the PRA. The Disclosure Committee will review and approve quarterly UK Branch Solvency II reports prior to submission to the PRA.

The Solvency II Disclosure Committee comprises the Head of Finance, Chief Executive Officer, Head of Investments, Chief Risk Officer, Head of Compliance and Head of Actuarial Function. Where UK Branch reports are being reviewed, the UK Branch Manager will also sit on the Committee.

Board of Directors (continued)

UK Branch Management Committee

The UK Branch has a functional committee, chaired by the UK Branch Manager whose responsibilities include:

- effective, prudent and ethical oversight of the UK branch, including managing the business activities and back-office function of the UK Branch,
- implementing and monitoring the annual business plan of the UK Branch as approved by the Board of Directors,
- approve the UK Branch underwriting guidelines,
- ensuring the Company's risk framework and appetite, as approved by the Board, is implemented in the UK Branch,
- ensuring effective implementation of the Company's policies and procedures, in the UK Branch, as approved by the ExCo and/or the Board,
- reviewing the UK branch reports prior to submission to the PRA and/or FCA; and
- managing the interaction and relationship with ASE and Group Committees and underwriting segment teams, including the ASE Board and Audit/Risk Committees, the ExCo, and the AXIS Europe Solvency II Disclosure Committee.

The UK Branch Management Committee includes UK Branch executives holding senior control function positions. The management committee may co-opt other positions onto the committee.

Belgium Branch Management Committee

Similar to the UK Branch Management Committee, the Company has also established a committee to oversee the Belgium Branch. This is another functional committee, whose responsibilities include:

- effective, prudent and ethical oversight of the Belgium Branch, including managing the business activities and back-office function of the Branch,
- implementing and monitoring the annual business plan of the Belgium Branch as approved by the Board,
- approve the Belgium Branch underwriting guidelines; and
- managing the interaction and relationship with other management and AXIS Capital committees.

The Belgium Branch Management Committee includes Branch executives holding senior control function positions. The management committee may co-opt other positions onto the committee

The Terms of Reference of each management level Committee specify the delegation of responsibilities by the Board and/or ExCo to the Committee. The second and third line are appropriately represented at all management level Committees. There are clear policies and procedures in place to ensure that any input from Compliance, Risk or Internal Audit required for a decision are included in the relevant reports or documentation.

Key Functions

Under Solvency II, the following are considered key functions:

- Risk-management function,
- Compliance function,
- Internal Audit function; and
- Actuarial function.

The Company ensures that key functions have the necessary authority, resources and operational independence to carry out their tasks and fulfil their obligations. All key functions present regular updates to the Board on a quarterly basis. The roles and responsibilities of each function are further described later in this section.

Conflicts of interest

Conflicts of interests, and the appearance of conflicts, are managed under the Company's Conflict of Interest Policy and the AXIS Code of Business Conduct. Each employee, officer and director of the Company is required to conduct business with integrity and to comply with all applicable laws.

B.1.2 Remuneration

An AXIS Europe Remuneration Policy has been established to cover the Company and its sister company, AXIS Re SE.
The remuneration policy and practices incorporate the following principles and shall:

- be in line with the Company's business and risk management strategy plan, its risk profile, objectives, risk management practices, its long-term interests and performance as a whole,
- ensure that conflicts of interest are avoided,
- promote sound and effective risk management and shall not encourage risk taking that exceeds the Company's risk appetite and risk tolerance limits,
- incorporate non-financial performance metrics as part of the annual performance management process,
- reward employees who demonstrate a significant contribution to the success of the business,
- remain competitive to attract, retain and motivate high performing staff with appropriate experience, qualifications and talent; and
- be non-discriminatory.

B.1.2 Remuneration (continued)
AXIS Europe's remuneration structure includes both fixed and variable components.

Fixed:
The fixed component of the remuneration structure shall be of a sufficiently high proportion of total remuneration to the effect that employees are not dependent on the variable remuneration component.

Variable:
- variable remuneration payments shall be flexible and discretionary,
- the variable component of remuneration shall be determined by a combination of individual performance and the performance of the AXIS Capital,
- employee's performance shall be evaluated based on achievement of both financial goals related to business targets and non-financial goals,
- metrics used to measure AXIS Capital performance in determining the variable component of the remuneration shall allow for a downwards adjustment for exposure to current and future risks; and
- a portion of the variable remuneration applicable to employees at senior leader level and above shall be deferred over a period of not less than three years.

The variable component of remuneration of employees engaged in Risk, Compliance, Internal Audit and Actuarial functions is not directly linked to the performance of the individual operational units they monitor and/or test.

Other Remuneration
Termination or severance payments shall be related to performance achieved over the employees' entire period of activity and shall be designed not to reward failure.

Employees subject to this policy are prohibited from hedging the economic risk of owning AXIS Capital stock or pledging AXIS Capital stock for loans or other obligations in accordance with the AXIS Insider Trading Policy.

B.1.3 Material transactions with shareholders and the Board of Directors
There have been no material transactions during the reporting period with the company's sole shareholder ASHIL outside the normal course of business.

There were no contracts or arrangements of any significance in relation to the business of the Company in which the Directors had a material interest, as defined by the Companies Act 2014, at any time during the reporting period.

Director emoluments include all payments made to the Board of Directors. The Directors of the Company are employed by a related group company. It is not practicable to allocate remuneration received between their services as executives of group companies and their services as Directors of the Company. Fees paid by the Company to non-executive Directors are included in 'Aggregate emoluments in respect of qualifying services'.

	2023	2022
	USD'000	USD'000
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	2,976	2,457
Aggregate amount of money or value of other assets, including shares but excluding share options, paid to or receivable by the directors under long term incentive schemes in respect of qualifying services	1,226	1,003
Aggregate Contributions paid, treated as paid or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors	294	168
Compensation paid or payable for loss of office or other termination benefits	—	400
	4,496	**4,028**

B.2 Fit and proper requirements
The Company is subject to the Central Bank Fitness and Probity Regime ("F&P"), which is set out under Part 3 of the Central Bank Act, 2010, and subsequent Statutory Instruments. This Regime sets the minimum standards aimed to ensure all persons who run the business, or hold key positions, are at all times competent and capable, act honestly, ethically and with integrity and are financially sound. The Regime requires the Company to have in place certain control functions ("CF") and pre-approval control functions ("PCFs"). The potential candidates for controlled functions that are subject to pre-approval by the Central Bank before appointment include Board Directors and the heads of key functions. Before taking up a PCF position a potential candidate is required to submit an Individual Questionnaire to the Central Bank for their review and consideration. Should the potential candidate not be approved by the Central Bank, the potential candidate is not appointed to the position.

B.2 Fit and proper requirements (continued)
Further to this, the UK Branch of the Company is also subject to the PRA and FCA's Senior Managers & Certification Regime ("SMCR"), which requires the Company to have in place certain Senior Manager Functions ("SMFs") and Certified Persons ("CPs"). The Company has put in place a Fitness & Probity policy which complies with both the Regime and the SMCR.

Both F&P and SMCR impose a requirement on persons performing a CF, PCF, SMF, or CP on behalf of the Company to comply with certain standards of competence, capability, honesty, integrity and financial prudence ("F&P Standards"). The policy sets out the approach to assessing the fitness & probity of existing staff and new hires.

In order to meet the F&P and SMCR requirements, the Company applies the below criteria for CFs, PCFs, SMFs, and CPs and must satisfy itself on reasonable grounds that the person complies with the F&P Standards and/or SMCR regime, as applicable:
- an assessment of whether an individual's Conduct is deemed Competent and Capable,
- an assessment of whether an individual's Conduct is deemed Honest, Ethical and Acting with Integrity; and
- an assessment of an individual's Financial Soundness.

The Company does not allow a person to perform a controlled function unless it is satisfied that the person complies with the F&P and SMCR requirements. The person has to agree to comply with the requirements on an ongoing basis. This includes a commitment to continuing their professional development and retention of certain qualifications, where applicable. CFs and PCFs, SMFs and CPs attest, on an annual basis, to continuing compliance with F&P Standards.

The Central Bank's (Individual Accountability Framework) Act 2023 (the IAF Act) was signed into law on 9 March 2023 with final guidance published in December 2023. The framework consists of four pillars, the Senior Executive Accountability Regime (SEAR), Common Conduct Standards for CFs and Additional Conduct Standards for PCFs and CF-1s , New Business Standards, reforms to the F&P Regime and amendments to the CBI's Enforcement Capabilities under the Administrative Sanctions Procedure (ASP).

Effective 29 December 2023, the Company is in scope of the new Conduct standards, meaning all CFs and PCFs must abide by these standards and it must provide training and have in effect policies on how these standards are integrated. The conduct standards also introduces the Duty of Responsibility that requires PCFs to take 'reasonable steps' to ensure that the aspects of the firm's affairs for which they are responsible for under SEAR, are conducted so that the firm does not contravene its obligations under financial services legislation. Standards for Business that are applicable to all firms have also been introduced.

Also effective 29 December 2023 are reforms to the F&P Regime. These reforms introduce obligations on the Company allowing a person to perform a CF or PCF role unless they are in compliance with F&P standards and must maintain a 'certificate' regarding the confirmation of the ongoing F&P of each PCF and CF. The Company has implemented a number of controls in order to meet the new requirements.

SEAR will be effective from July 2024 and will clarify senior individuals' roles and responsibilities and enhance the CBI's ability to hold individuals to account for regulatory breaches in the area for which they are responsible. The Company will document allocated responsibilities of senior individuals and prepare statements of responsibilities for all PCFs. The Company will also have in place an overarching Management Responsibility Map. To note Independent Non-Executive Directors and Non-Executive Directors will come into scope of SEAR in July 2025.

B.3 Risk management system including the Own Risk and Solvency Assessment ("ORSA")

B.3.1 Overview of the Risk Management Framework
AXIS has an established Group-Wide Enterprise Risk Management ("ERM") framework which provides a structured and consistent approach to ensuring that risks are appropriately identified, assessed, managed, monitored and reported with clear ownership and appropriate levels of oversight. This framework is implemented consistently and proportionately across the AXIS Group and its legal entities, including the Company.

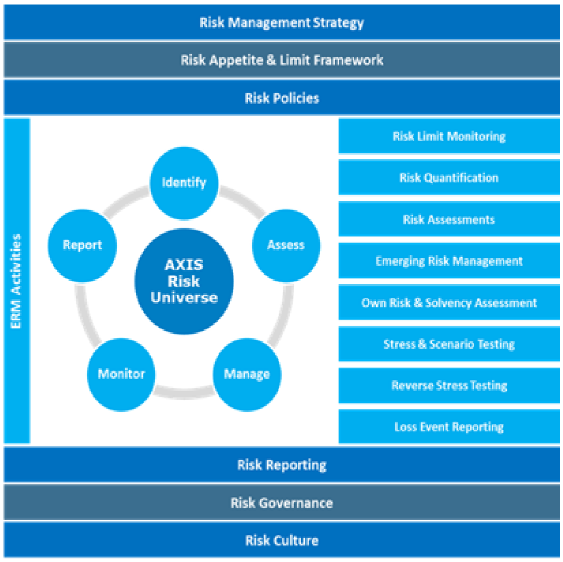
The mission of ERM at AXIS is to promptly identify, assess, manage, monitor and report risks that affect the achievement of our strategic, operational and financial objectives. The key objectives of the risk management framework are to:
- protect our capital base and earnings by monitoring our risks against our stated risk appetite and limits;
- promote a sound risk management culture through disciplined and informed risk taking;
- enhance value creation and contribute to an optimal risk-return profile by providing the basis for efficient capital deployment;
- support our Group-wide decision-making process by providing reliable and timely risk information; and
- safeguard AXIS capital' reputation.

The ERM framework is an evolving framework which develops in response to changes in the Company's internal and external environment in order to remain relevant to the business and enhance value creation. The implementation and oversight of the framework is the responsibility of the Risk Function, which is led by the CRO.
The key elements of the ERM Framework are described in further detail below and include Risk Governance, Risk Strategy/ Appetite Statement, the Risk Management Cycle and Key Controls.

Risk Governance

We articulate roles and responsibilities for risk management throughout the organisation from the Board of Directors and the Chief Executive Officer to the business and functional areas, thus embedding risk management throughout the business.

Risk governance is executed through a three lines of defence model, with the business units ("first line") responsible for the identification, assessment, management, mitigation and monitoring of risks on a day-to-day basis; the Risk Function ("second line") providing oversight and guidance on risk management across the business by supporting and challenging Risk Owners in their identification, assessment, management and mitigation of risk; and Internal Audit ("third line") providing independent assurance on the effectiveness of governance, risk management and internal controls.



The Risk Committee of the Board assists the Board of Directors in overseeing the integrity and effectiveness of the ERM framework. The Risk Committee reviews, approves and monitors risk strategy, risk appetite and key risk limits and receives regular reports from the Risk Function to ensure any significant risk issues are being addressed by management. The Risk Committee further reviews the Company's risk policies and satisfies itself that those effective systems of risk management and controls are established and maintained. Among its other responsibilities, the Risk Committee also reviews and approves our annual ORSA report.

The ExCo is responsible for the implementation of the Company's ERM framework, with all identified material risks on the Company's risk register assigned ownership to an ExCo member. This ensures that ownership of risks is at the highest level of the Company and that Risk Owners have the appropriate authority and resources to take management action where appropriate. The ExCo is supported by the Risk Management Committee ("RMC"), as well as various committees and working groups at Group and Company level (for example the Emerging Risk and Climate Change Working Groups).

Risk Appetite Statement
The company articulates its appetite and tolerance for risk through its Risk Appetite and Limit Framework. The Company's risk appetite, as approved by the Board of Directors, represents the amount of risk that the Company is willing to accept in pursuit of its strategic objectives within the constraints imposed by its capital resources, as well as the expectations of its stakeholders as to the type of risk the Company holds within the business. The Risk appetite and Limit Framework includes limits by individual risk type which are defined based on the capital available and management's preference for risk in line with the Company's business strategy. The RAS is reviewed and approved by the Board Risk Committee on an annual basis.

We regularly monitor the Company's position against risk appetite through, for example, risk dashboards and limit consumption reports. These are intended to allow us to detect potential deviations from our internal risk limits at an early stage.

Risk Management Cycle
The Risk Function implements the ERM framework through a cyclical process of identifying, assessing, managing, monitoring and reporting of all material risks to which the Company is or could be exposed.

Ongoing risk identification activities are in place to identify new and/or changing risks to the achievement of the Company's strategy and business objectives. A process is also in place for scanning the external environment to identify risks that present an emerging threat to the business environment, industry or Company. These are classified as emerging risks and are captured on the Company's emerging risk radar. The Emerging Risks Working Group oversees the process for identifying, assessing, managing, monitoring and reporting current and potential emerging risks. They are regularly discussed and reviewed by the Company's Board Risk Committee.

Risk assessment and measurement activities are carried out on a regular basis in order to understand the Company's exposure to each risk on the Risk Register, through quantitative and/or qualitative measures and inform the Company's own view of risk and assessment against risk appetite. Risk mitigation strategies and control activities are in place for each risk based on impact and materiality and are typically aimed at reducing or avoiding our exposure, in line with the Company's risk appetite.

B.3.1 Overview of the Risk Management Framework (continued)

Changes in the internal and external environment are monitored on an on-going basis, ensuring that changes that may substantially affect the Company's exposure to risks are identified, assessed and appropriately managed. The Risk Function engages in extensive risk reporting and communication in order to enable the Board in their risk oversight responsibility and support the Company's decision-making process by providing reliable and timely risk information.

Key controls

Each Risk Owner is responsible for designing and implementing an adequate and efficient internal control environment to manage their respective risks. The control environment consists of processes, policies, guidelines, standards of practice / procedures, collectively referred to as 'key controls' deployed by the Risk Owner to manage risk. The effectiveness of key controls is evaluated on a quarterly basis by first line control owners and reviewed by the Risk Function. Internal Audit provide overall assurance over the effectiveness of these key controls. All key controls are documented and signed-off quarterly within AXIS' Riskonnect platform which facilitates control self-assessment and enforces individual ownership and accountability for key controls. The Risk function facilitates training for control owners, including an online e-learning module, on their role and responsibilities as a control owner.

B.3.2 Own Risk and Solvency Assessment

The Company currently sets its capital requirements based on the Solvency II Standard Formula SCR calculation, and ensures the ongoing appropriateness of this approach through a comparison with the outcome of its ORSA. The ORSA is the overarching framework of processes employed by Management to establish a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements.

The main objectives of the ORSA process are to:

- inform short, medium and longer-term decision making and strategic management; and
- ensure the Company has sufficient capital at all times commensurate with a comprehensive assessment of its risk profile, and in line with internal and external solvency standards.

In order to fulfil the objectives set out above, the ORSA is a dynamic process which is incorporated into the Company's ERM framework and Risk Management Cycle which provide a continuous assessment of all material risks the Company is exposed to, with quarterly reporting to the Board on material changes to the risk profile and associated capital requirements. In addition, ORSA results are formally documented in the annual ORSA report which includes a summary of the ORSA activity during the previous year and the outcome of the forward-looking assessment.

ORSA triggers are defined and monitored to identify events with the potential to materially impact the most recent ORSA results, for example changes to the risk profile or capital.

A core component of the ORSA is the forward-looking assessment performed in conjunction with the business planning process, whereby the impact of short and medium term business plans on the risk profile and capital needs of the Company is assessed. As part of this, the outputs from the Company's Solvency II Standard Formula are reviewed to analyse changes in risk composition, prospective risk exposures relative to the RAS and overall risk capital requirements. The ORSA also includes various forms of stress tests and scenario analysis whereby the resilience of the Company's solvency ratios to adverse stress scenarios over the planning horizon is assessed.

The Board of Directors is responsible for overseeing the Company's ORSA, with the Risk Committee serving as the focal point for that oversight. The Risk Committee has a material input into the ORSA through reviewing and challenging the quarterly and annual (forward-looking) results and approving the annual ORSA report, as well as reviewing the selection and calibration of stress and scenario tests. The outcome of the ORSA informs the Company's RAS, including the ongoing appropriateness of its Own Solvency Needs and capital contingency plans, and influences the Company's business strategy by being closely linked to the business planning process.

B.4 Internal control system

The Board is ultimately responsible for ensuring that adequate and effective internal controls are embedded within the Company. Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels. The Company is committed to having an internal control system that satisfies its organisational needs and all applicable regulatory requirements. The Company seeks to avoid policies, procedures and practices that may provide incentives for inappropriate activities.

The AXIS internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992, and updated in 2013.

The AXIS internal controls are documented and maintained in Riskonnect, the AXIS risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

B.4 Internal control system (continued)

The internal control framework includes the following five interrelated components:

- Control Environment: The primary responsibility of the Board is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to help broaden the perspective of executive management. The Board has established the Audit Committee to facilitate and assist in the execution of its responsibilities. In terms of internal control oversight, it is the responsibility of the Audit Committee to review and periodically discuss with the Board the adequacy and effectiveness of the Company's internal control structure. There are several oversight committees such as the RMC which help set the management tone in terms of the control environment. In addition, AXIS operates with a "three lines of defence" model.
- Risk Assessment: The Internal Controls policy lists the risks ('Risk universe') to which the Company is exposed which the Risk Committee of the Board and RMC annually evaluate. For each risk in the universe, there is a separate risk policy which affirms AXIS's group-wide approach, appetite and risk mitigation/control philosophy for managing each risk.
- Control Activities: Each risk policy identifies an individual Risk Owner, normally a member of the AXIS Group Executive Committee, having appropriate experience and knowledge of the risk. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. Activities include, but are not limited to, reconciliation, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.
- Information and Communication: In terms of communication, the Company has clear reporting and communication lines in place. Role profiles make clear each individual's role, their reporting lines and functional terms of reference set out responsibilities by function. Clear organisational and structure charts are also maintained. There is an escalation policy in place to ensure matters are reported upwards as required by employees. The Report Concerns Policy also provides various confidential lines of communication for reporting violations and concerns.
- Monitoring: The effectiveness of the internal control framework is independently validated via regular internal audit reviews which are conducted on a rotational basis with findings reported to the Audit Committee. There are also Management Initiated Audits ("MIAs") done on claims and underwriting transactions which are reported to the Management Audit Committee. There are various monitoring activities performed by the second line of defence in line with their annual monitoring plans.

The internal control framework is regularly reviewed and updated and annually assessed by the external auditors. The Internal Audit function also validate that the COSO 2013 framework is present and functioning as part of its annual internal audit plan.

Compliance Function

The Company has a Compliance Function which is part of the Group Legal Department, predominantly staffed by lawyers and compliance experts. The Compliance Function is an assurance function responsible for the compliance and governance arrangements of the Company. The mandate of the Compliance Function is to support the business to be compliant with applicable regulations within the "three lines of defence" model, which defines the governance structure at AXIS and the related roles and responsibilities.

The Board has appointed a Head of Compliance (a PCF) of the Company who is primarily responsible for ensuring the activities of the Company are conducted in compliance with the Regulations, and reporting to the Board and to the Central Bank and other Regulatory Authorities as applicable. In line with Article 270 of the Delegated Regulation, the Board reviews the Compliance Policies at least annually and ensures that recommendations for improvements are adequately incorporated and approve proposals for Policy amendment.

The Head of Compliance oversees the Compliance Function and ensures it is appropriately resourced and meets all material service level requirements. The Compliance Function has access to specialist external expertise to assist on particular matters or jurisdictions.

Principal responsibilities of the Head of Compliance include:

- obtaining the approval of the CEO and the Board for a Policy statement on compliance with the insurance acts and regulations, with guidelines issued by the CBI and with other applicable legislation,
- advising the Board and management on compliance with laws and regulations supporting delivery of strategic objectives,
- establishing an annual Compliance Plan to manage regulatory risks,
- designing a common monitoring framework and delivering risk-based monitoring activities,
- leading the horizon scanning and regular updates to the business,
- designing, implementing and reviewing compliance policies, procedures and related processes, and
- designing and executing compliance training and awareness on compliance matters such as countering the financing of terrorism and financial sanctions, consumer protection and anti-bribery and corruption.

In addition, the duties of the Compliance Function include assessing the adequacy of the measures adopted by the Company to prevent non-compliance.

B.4 Internal control system (continued)

In line with Article 270 of the Delegated Regulation and Article 46 of the Solvency II Directive, the Compliance Function maintains a set of Compliance policies to track applicable legal, regulatory and corporate requirements.

B.5 Internal Audit Function

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations and protect the assets and reputation of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's governance, risk management and internal controls.

The internal audit activity is established by the Audit Committee of the Board. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* (*Standards*). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to AXIS' relevant policies and procedures and the internal audit activity's methodology.

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of AXIS records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee and full Board.

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal audits are performed across the Company's audit universe, which encompasses all areas of the business and the Company, within a three to five year cycle. Areas of higher risk will be audited more frequently. Audits selected for a forthcoming annual plan will be submitted for approval to the Audit Committee. Over the course of each year, auditors meet with key personnel to monitor performance, changes in the business, and emerging risks within the Company. Resulting midterm changes to the audit plan will be recommended and submitted to the Audit Committee for approval. The internal audit methodology is set out in the 'AXIS Internal Audit Methodology' document. The methodology is reviewed to ensure that it is up-to date after any changes to the business or updates to the IIA Standards.

The scope of each audit is determined using a risk-based approach. At the conclusion of each audit, an audit report containing any issues requiring corrective action by management is published. Management is responsible for implementing these agreed upon action plans. Internal Audit is responsible for monitoring implementation of these action plans and verifying satisfactory performance. The Audit Committee is briefed quarterly on the status of internal audits in progress, completed audits, open corrective action plans, and any other important matters concerning the Company. Evidence supporting Internal Audit's conclusions is maintained in the Riskonnect system.

B.6 Actuarial Function

The main purpose of the Actuarial function is to effectively support the Company reserving framework and governance, including principles, policies, standards of practice, processes and controls and reporting.

The Actuarial function has the following duties and responsibilities:

- calculation and recommendation of the technical provisions,
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions,
- peer reviewing and signing off on work product and recommendations that relate to governance and control function responsibilities. This includes the peer reviewing of pricing and planning loss ratios as necessary,
- ensuring the sufficiency and quality of the data used in the calculation of technical provisions,
- informing the Board of Directors of the reliability and adequacy of the calculation of technical provisions,
- ensuring the sufficiency of processes and controls supporting the AXIS reserving framework and maintaining comprehensive documentation for all aspects of this framework,
- expressing an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements,
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements,
- establishing and maintaining a reserving platform, infrastructure and reporting capabilities to support GAAP, local statutory and management needs; and
- ensuring that the reserving framework is applied effectively in the Company.

The Head of Actuarial function provides a written report to the Board presenting the tasks undertaken by the Actuarial function and their results, as well as any deficiencies identified and recommendations on how such deficiencies should be remedied. A full Actuarial report is provided at least annually, with updates addressing specific aspects of the work of the Actuarial function provided on a more regular basis.

B.7 Outsourcing

Outsourcing is an arrangement of any kind between the Company and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the Company itself. Where appropriate, the Company uses service providers when it is more efficient and more cost effective than utilising its own resources.

The Company is subject to the AXIS European Outsourcing Policy which is derived from Directive 2009/138/EC (the "Solvency II Directive"), Commission Delegated Regulation (EU) 2015/35 (the "Delegated Regulation"), the EIOPA Guidelines on System of Governance and the Central Banks Cross Industry Guidance on Outsourcing. The purpose of the AXIS European Outsourcing Policy is to ensure that ASE is identifying and managing the risks associated with its outsourcing activities through appropriate due diligence, approval and on-going monitoring activities and thereby continue to meet both its financial and service obligations, including operational resilience. The policy requirements are based on the principle that as a regulated firm, the Company remains fully responsible for discharging all its obligations when outsourcing certain functions or activities. The Company's service providers may be an entity from the AXIS Group (intra-group outsourcing or in-sourcing) or a third party (external outsourcing) and it may be located inside or outside of the EU.

The Board is ultimately responsible for ensuring that there is adequate oversight and governance in relation to outsourcing. The outsourcing of a 'critical or important' activity must be approved by the Board or PCF holder ("Business Leader") prior to the commencement of an outsourcing arrangement. Business Leaders are responsible for carrying out appropriate due diligence on service providers in accordance with the AXIS European Outsourcing Policy to ensure the service provider has the necessary ability to carry out the outsourcing activity, taking into account the impact of the proposed arrangement on the operations of the Company.

The Company determines whether an outsourced function or activity is 'critical or important'. As outlined in the Central Bank's Cross-Industry Guidance on Outsourcing, the Central Bank expects firms to have regard to the following definition when determining the criteria for the criticality or importance of the Function(s) to be outsourced: "*Functions that are necessary to perform core business lines or critical business functions should be considered as critical or important, unless the institution's assessment establishes that a failure to provide the outsourced Function or the inappropriate provision of the outsourced Function would not have an adverse impact on the operational continuity of the core business line or critical business function*". A materiality assessment has been designed by the Company for use in determining whether an arrangement is deemed a Critical or Important Functional Activity ("CIFA"). This materiality assessment is documented within the AXIS European Outsourcing Policy, which is subject to Board review and approval on an annual basis.

Prior to commencement, proposed outsourcing arrangements must be assessed using the materiality assessment with the outcome of the assessment recorded by the individual functions. The materiality assessment must also be considered on an ongoing basis – in the event an agreement changes and then is considered a CIFA against the Company's' expectations. The Company is required to provide timely notification of planned or CIFA outsourcing arrangements and of any material changes to existing CIFA outsourcing arrangements to the Central Bank.

B.7 Outsourcing (continued)

Business Leaders ensure that risk assessments are conducted of any proposed outsourcing arrangements, aligned with the Company's risk appetite, and where necessary, appropriate controls developed and implemented. The relevant function or team will conduct and document these risk assessments as appropriate. Outsourced arrangements, whether internal or external, must not harm the Company, specifically:

a. Materially impairing the quality of the Company's governance of its business
b. Unduly increasing the Company's operational risk
c. Obstructing relevant supervisory authorities from monitoring the Company's compliance with outsourcing regulations and any regulations applying to the activities themselves, and
d. Harming the service that the Company provides to its policyholders and clients.

The Company maintains an Outsourcing Register which documents all internal and external outsourced arrangements, which is regularly reviewed and updated in compliance with the Central Banks Cross Industry Guidance on Outsourcing.

The AXIS Group Vendor Management Office ("VMO") has established an enterprise-wide standard methodology to assess performance and risk of outsourced services (excluding underwriting and claims which are monitored by the relevant business leader). Outsourcing arrangements are managed effectively through Service Level Agreements ("SLAs") which are reported to and monitored by the VMO reporting relevant issues to the business leader. The VMO ensures that all relevant aspects of a service providers risk management, financial resources and internal control systems are adequate and robust, in addition to ensuring that the outsourcing activities do not impact AXIS governance or operational risk.

The Company benefits from the shared support services provided by the wider AXIS Group entities, providing the Company with access to necessary skills and resources enabling the Company to operate more effectively to meet regulatory and business requirements.

The table below outlines an overview of outsourced CIFAs and the jurisdiction of where the service provider is located:

Function	Description of Service Provided	Jurisdiction
Internal		
Investment Management	Delivery of investment management services within the investment limits as set by the Board and the production and delivery of investment performance reporting to the Board and other relevant oversight Committees.	US
Internal Audit	Delivery of audits on the approved Internal Audit Plan, including reporting to relevant management, in compliance with the Internal Audit Charter and the International Professional Practices Framework of the Institute of Internal Auditors.	US
External		
Finance	Finance outsourcing includes provision of accounting and reconciliation services	Multi-jurisdictional
Actuarial	Actuarial outsourcing includes actuarial close and control services	Multi-jurisdictional
Investments	Investment services outsourcing includes investment management of assets, accounting and risk solutions.	Multi-jurisdictional
Business and Technology	IT services outsourcing includes provision of data storage and IT application development and maintenance	Multi-jurisdictional
Underwriting	Underwriting outsourcing includes authority to write business and issue policies	Multi-jurisdictional
Claims	Claims outsourcing include claims business process, compliance and modelling support, claims handling and advice.	Multi-jurisdictional

B.8 Assessment of governance

The Board is responsible for ensuring sound governance, that the operational effectiveness of the risk management and control environment is maintained and that effective risk management policies are adhered to within the risk management framework. Risk assessment and evaluation takes place as an integral part of the annual planning and forecasting process, the results of which are reviewed by senior management and the Board. There is also an ongoing program of operational reviews and audits and annual self - assessment of financial controls. The results of these reviews are reported to the Audit Committee, whose purpose is to assist the Board and the ExCo, in the oversight of the effectiveness, adequacy and performance of the Company's internal controls.

The Company has assessed the effectiveness of risk management and the control environment and has concluded that it provides for the sound and prudent management of its business, and that it is proportionate to the nature, scale and complexity of the risks inherent in the Company's business.

B.9 Any other information

The Board is responsible for ensuring that the Company causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, and enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the Company and maintaining sufficient information to enable any person charged with the winding up of the Company to take control of those assets. The accounting records are kept at 6th Floor, 20 Kildare Street, Dublin 2.

All material information regarding system of governance is disclosed in sections B.1 - B.8

C. RISK PROFILE

The Company's risk profile comprises insurance, credit, market, liquidity, operational, strategic and other risks that arise as a result of doing business. Ongoing risk identification activities are in place to identify new, emerging and changing risks to the achievement of the Company's strategy and business objectives. Risk assessment activities are carried out on a regular basis in order to understand the Company's exposure to each risk, through quantitative and/or qualitative measures and inform the Company's own view of risk. The following sections provide definitions of the above risk categories as well as the Company's related risk management practices.

C.1 Insurance Risk

The insurance risk category encompasses the underwriting risks in all lines of business including the marine, professional lines, aviation, energy, property (including renewable energy), credit, liability and accident and health classes of insurance business. Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to the Company through the underwriting process. The two main components are underwriting risk and reserve risk.

C.1.1 Underwriting risk

Risk Definition

Underwriting risk represents the risk that premiums will not be sufficient to cover incurred losses.

Risk Mitigation

Underwriting risk is managed through the Company's underwriting risk governance framework. A key component of this is the peer review process which allows for a collaborative review of risk and pricing by management, and ensures underwriting is within established protocols and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis. Limits are set on underwriting capacity, and cascade authority to individuals based on their specific roles and expertise.

Another key component of the Company's mitigation of underwriting risk is the purchase of reinsurance. AXIS has a centralised Risk Funding department which coordinates external treaty reinsurance purchasing across the group and is overseen by the Reinsurance Purchasing Group, in conjunction with the Reinsurance Security Committee. The Company also benefits from internal quota share and stop loss agreements with AXIS Specialty Limited ("ASL").

Premium (Pricing) Risk

Risk Definition

Premium risk represents the risk that we are not appropriately charging for the amount of risk we are taking

Premiums for (re)insurance contracts are intended to cover expected claim costs, acquisition costs, operating costs, and an adequate level of profit margin commensurate to the risk being assumed. Premium amount is typically agreed upfront, whereas the claim cost materialises over an extended period, especially for liability lines. Social, economic, and legal environment may evolve differently over that period compared to the original expectation. Additionally, inherent variability in claim counts and amounts could result in higher overall claim costs than expected in a given year. These factors could lead to a shortfall in premiums charged at the time of underwriting the policy. Premium risk can increase in times of heightened uncertainty in claim cost trends and at times when demand-supply imbalance results in competitive pricing.

We mitigate premium risk in our portfolio through four main levers. Firstly, we take a vigilant and cautious approach on claims cost trends, and we review these assumptions regularly and frequently. Secondly, in some of our contracts we include loss and / or exposure adjustment features that flex premium and / or acquisition costs in response to higher than expected exposures and / or claim costs. Thirdly, we employ underwriting action and reinsurance protection to minimise volatility in our claims experience by managing aggregation of limits and by maintaining balance between portfolio margin and limits deployed. Most importantly, we exercise active cycle management whereby we grow the portfolio at times when pricing is in surplus and we shrink the portfolio at times when pricing is in deficit.

Accumulation/ catastrophe risk

Risk Definition

Accumulation risk represents the risk of additional, unexpected losses due to having unknown / unintended risk concentrations where aggregation of risk exposure is not understood or managed appropriately. The majority of the Company's accumulation risk exposure arises from either natural catastrophes such as earthquakes, hurricanes, storms and floods or man-made catastrophes such risks as train collisions, aeroplane crashes, terrorism or cyber-attacks.

Natural Perils Catastrophe Risk

Natural catastrophes represent a challenge for risk management due to their accumulation potential and occurrence volatility as well as the uncertainty around the potential impacts of climate change. Natural catastrophe risk is mitigated through diversification (i.e. offering a variety of products across different geographic regions), the purchase of significant reinsurance protections and the Company's exposure management framework and governance. In managing natural catastrophe risk, the risk limit framework aims to limit the impact to the Company's SII SCR coverage ratio from an aggregation of natural peril catastrophe events.

Man-Made Catastrophe Risk

Consistent with our management of natural peril catastrophe exposures, we take a similarly focused and analytical approach to the management of man-made catastrophes. Man-made catastrophes are harder to model in terms of assumptions regarding intensity and frequency. For these risks, we couple the vendor models (where available) with our bespoke modeling and underwriting judgement and expertise. This allows us to take advantage of business opportunities related to man-made catastrophe exposures particularly where we can measure and limit the risk sufficiently as well as obtain risk-adequate pricing.

Risk Mitigation

Through the effective monitoring and reporting of accumulation risk, the Company is able to effectively intervene and mitigate risk on a timely basis. We also use reputable catastrophe models to support this monitoring. Mitigation actions might include abstaining from additional underwriting commitments (or non-renewing existing commitments upon expiry) or purchasing additional treaty or facultative reinsurance for peak exposures.

Stress and scenario testing is also performed to enhance understanding of the Company's exposure to Accumulation risk and measure the potential impact of stress scenarios to the Company's solvency ratios. Stress testing performed covers natural catastrophe peril exposures and Realistic Disaster Scenario ("RDS") stresses measuring the loss impact to the business on man-made catastrophe scenarios covering accumulations and clashes across all classes of business. Results are reported to the Risk Management Committee and Risk Committee.

Special Purpose Vehicles

In June 2019, AXIS sponsored a catastrophe bond, Northshore Re II Limited, Series 2019-1 which provides the Group with multi-year annual aggregate cover capacity of USD 165 million for U.S. named storms (incl. Puerto Rico & U.S. Virgin Islands), U.S. and Canada earthquake and European wind-storm events. The risk period is from 27 June 2019 to 30 June 2023. The Series 2019-1 CAT Bond matured at 30 June 2023 and was redeemed thereafter.

In December 2020, AXIS sponsored a catastrophe bond, Northshore Re II Limited, Series 2021-1 which provides the Group with multi-year annual aggregate cover capacity of USD 150 million for U.S. named storms (including Puerto Rico & U.S. Virgin Islands), U.S. and Canada earthquake and European wind-storm events. The risk period is from 1 January 2021 to 31 December 2023. The Series 2021-1 CAT Bond matured at 31 December 2023 and was redeemed thereafter.

In June 2022, AXIS sponsored a new catastrophe bond, Northshore Re II Limited, Series 2022-1 which provides the Group with multi-year annual aggregate cover capacity of USD 140 million for U.S. named storms (including. Puerto Rico & U.S. Virgin Islands) and U.S. and Canada earthquake events. The risk period is from 1 July 2022 to 30 June 2025.

The catastrophe bonds operate on index triggers and losses are calculated through usage of pay-out factors. The vehicles are fully funded at the inception of the risk period, ensuring full collateralization of the covers throughout the risk period.

In December 2023, AXIS sponsored a new cyber bond, Long Walk Reinsurance Limited, Series 2024-1 which provides the Group with multi-year occurrence capacity of USD 75 million for systemic cyber events. The risk period is from 1 January 2024 to 30 December 2025. The cyber bond operates on an indemnity trigger with losses based on AXIS' original ultimate net loss. The vehicle is fully funded at the inception of the risk period, ensuring full collateralization of the cover throughout the risk period.

C.1.2 Reserving risk

Risk Definition

Reserving risk represents the risk that loss reserves established to cover losses already incurred are insufficient. The estimation of loss reserves is subject to uncertainty as the settlement of claims that arise before the Balance Sheet date is dependent on future events and developments. There are many factors that would cause reserves to increase or decrease, which include, but are not limited to, emerging claims and coverage issues, changes in legislative, regulatory, social and economic environment and unexpected changes in loss inflation.

Risk Mitigation
The AXIS reserve framework is designed to ensure that the process of establishing reserves is supported by appropriate governance structure and reserving risk management practices including robust governance, processes and controls over the reserving cycle and internal and external independent assessment of the adequacy of loss reserves.

We calculate reserves for losses and loss expenses ("loss reserves") in accordance with actuarial best practice based on substantiated methodologies and assumptions. In addition, we have well established processes in place for determining loss reserves, which we ensure are consistently applied. Our loss reserving process demands data quality and reliability and requires a quantitative and qualitative review of overall reserves and individual large claims.

C.1.3 SCR Coverage Scenario Testing - Insurance Risk
SII SCR coverage scenario testing is performed on an annual basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios including insurance risk. A summary of the stress testing for insurance risk as at 31 December 2023 is provided in section C.8.

C.2 Credit Risk
Risk Definition
Credit risk represents the risk of incurring financial loss due to the diminished creditworthiness (reduced financial strength and, ultimately, possible default) of third-party counterparties. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme, amounts due from policyholders and intermediaries, and credit risk assumed through insurance contracts such as the credit & political Insurance business.

Risk Mitigation
As part of the Company's credit risk framework, credit risk limits are assigned which are based on and adjusted according to a variety of factors including the prevailing economic environment and the nature of underlying credit exposures.

Investment portfolio
The Company is exposed to potential losses arising from the diminished creditworthiness of issuers of bonds as well as third party counterparties such as custodians. Exposure to such credit risk is limited through diversification, issuer exposure limitation and, with respect to custodians, through contractual and other legal remedies.

The fixed term maturity portfolio represents approximately USD 536.4 million or 15.1% of the Company's total assets (2022: USD 406.7 million or 13.4% of its total assets). The credit ratings of fixed term maturities are shown below at 31 December 2023 and 31 December 2022.

	2023	**2022**
	USD '000	**USD '000**
Rating		
AAA	14,841	197,668
AA	317,870	16,798
A	102,789	89,673
BBB	67,956	64,835
Below BBB	32,985	37,679
	536,441	**406,653**

The methodology for assigning credit ratings to fixed term maturities is in line with the methodology used for the Barclays U.S Aggregate Bond Index. This methodology uses the middle of Standard & Poor's (S&P), Moody's and Fitch ratings. When ratings from only two of these agencies are available, the lower rating is used. The reduction in the AAA rated balance and increase in the AA rated balance reflects the downgrade of the US Government and Agencies by Fitch in 2023.

The Company also has credit risk relating to cash and cash equivalents. Cash and cash equivalents comprise cash at bank and investment in money market funds. In order to mitigate concentration and operational risks related to cash and cash equivalents, the maximum amount of cash that can be deposited with a single counterparty is limited and the Company invests in acceptable counterparties based on current rating, outlook and other relevant factors.

Investment portfolio (continued)
The table below provides a breakdown of the Company's cash and cash equivalents by credit rating at 31 December 2023 and 31 December 2022:

		2023	2022
Rating	**Rating Agency**	**USD '000**	**USD '000**
AAA	S&P	74,494	98,704
P-1	Moody's	33,761	32,367
		108,255	**131,071**

Reinsurance recoverable assets
As a result of its reinsurance purchasing activities the Company is exposed to the credit risk of a reinsurer failing to meet its obligations under the reinsurance contracts. To help mitigate this, all reinsurance purchasing is subject to financial security requirements specified by the Reinsurance Security Committee ("RSC"). The RSC maintains a list of approved reinsurers, reviews credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty limits for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors. Generally, the RSC requires reinsurers who do not meet specified requirements to provide collateral.

The table below provides a breakdown of the Company's reinsurance recoverable and prepaid reinsurance premiums balances by credit rating at 31 December 2023 and 31 December 2022:

	2023	2022
Rating	**USD '000**	**USD '000**
A++	114,331	32,686
A+	465,972	527,917
A	1,305,458	1,039,569
A-	20,750	23,830
B++	1,365	637
Not rated	165,957	167,448
	2,073,833	**1,792,087**

The A balance includes USD 1,125.8 million (2022: USD 927.0 million) recoverable from AXIS Specialty Limited (ASL), a related party. The unrated balance includes USD 120.0 million (2022:USD 155.5 million) recoverable in respect of a retrospective reinsurance agreement secured by collateral in a trust.

Premium receivables
The largest credit risk exposure to receivables is from brokers and other intermediaries. The risk arises where they collect premiums from customers or pay claims to customers on behalf of the Company. There are policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions and overdue debt collection.

Underwriting portfolio
The Company provides credit insurance primarily for lenders (financial institutions) seeking to mitigate the risk of non-payment from their borrowers. The Company's credit insurance exposures are concentrated primarily within developed economies. The underlying risk associated with the Company's credit related business is governed through the underwriting risk management framework described in C.1.1.

SCR Coverage Scenario Testing - Credit Risk
SII SCR Coverage scenario testing is performed on an annual basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios including credit risk. A summary of the stress testing for credit risk as at 31 December 2023 is provided in section C.8.

C.3 Market Risk

Risk Definition

Market risk is the risk that our financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign currency exchange rates. Fluctuations in market prices or rates primarily affect the Company's investment portfolio.

Risk Mitigation

Through asset and liability management, the Company aims to ensure that market risks influence both the economic value of investments and loss reserves and other liabilities in the same way, thus mitigating the effect of market fluctuations. For example, important features of liabilities are reflected, such as maturity patterns and currency structures, on the asset side of the Balance Sheet by acquiring investments with similar characteristics.

Asset-liability management is supplemented with various internal policies and limits. As part of the annual Strategic Asset Allocation process, whereby target allocations for the various asset classes are set for the forthcoming period, different strategic asset classes are simulated and stressed to evaluate the 'optimal' portfolio (given return objectives and risk constraints). The management of asset classes is centralized to control aggregation of risk, and provide a consistent approach to constructing portfolios as well as the selection process of external asset managers. Limits are set on the concentration of investments by single issuers and certain asset classes, and we limit the level of illiquid investments.

Investment portfolios are stress tested using historical and hypothetical scenarios to analyze the impact of unusual market conditions and to ensure potential investment losses remain within risk appetite.

The Balance Sheet includes a substantial amount of assets whose fair values are subject to market risks. The following sections provide information on the primary market risk exposures at 31 December 2023. The Company does not currently anticipate significant changes in primary market risk exposures or in how these exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Equity price risk

The portfolio of equity securities has exposure to equity price risk. This risk is defined as the potential loss in fair value resulting from adverse changes in stock prices. The global equity portfolio is managed to a benchmark composite index, which consists of a blend of the S&P500 and MSCI World Indices. Changes in the underlying indices have a corresponding impact on the overall portfolio.

Interest rate and credit spread risk

Interest rate risk includes fluctuations in interest rates and credit spreads that have a direct impact on the fair value of fixed term maturities. As interest rates rise and credit spreads widen, the fair value of fixed term maturities falls, and the converse is also true.

Sensitivity to interest rate changes and credit spread changes is monitored by revaluing fixed maturities using a variety of different interest rates (inclusive of credit spreads). Duration and convexity is used at the security level to estimate the change in fair value that would result from a change in each security's yield. Duration measures the price sensitivity of an asset to changes in yield rates. Convexity measures how the duration of the security changes with interest rates. The duration and convexity analysis takes into account changes in prepayment expectations for MBS and ABS securities. The analysis is performed at the security level and aggregated up to the asset category levels.

Foreign exchange risk

Foreign exchange or currency risk represents the risk that the fair value of future cash flows, assets and liabilities will fluctuate because of changes in foreign exchange rates. Foreign exchange risk is managed by seeking to match the estimated insurance liabilities payable in foreign currencies with assets, including cash and investments that are also denominated in such currencies. Foreign Currency derivatives are utilized to manage and reduce open currency exposures reported on the company's quarter end balance sheets and as a result reduce foreign exchange exposures and associated currency risk charges under Solvency II.

Foreign exchange risk (continued)

The table below provides a breakdown of the Company's exposure to foreign currencies on a GAAP basis at 31 December 2023 and 31 December 2022:

As at 31 December 2023	**GBP**	**EUR**	**CAD**	**NOK**	**AUD**	**DKK**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	18,435	55,500	9,526	2,004	1,895	—	6,189	**93,549**
Other net assets/(liabilities)	(103,407)	(41,489)	(210)	(144)	(5,203)	—	(8,109)	**(158,562)**
Total Foreign Currency Exposure	**(84,972)**	**14,011**	**9,316**	**1,860**	**(3,308)**	**0**	**(1,920)**	**(65,013)**
Foreign Currency Derivatives Net	75,548	(15,494)	(5,250)		4,065	—	0	**58,869**
Total Net Foreign Currency Exposure	**(9,424)**	**(1,483)**	**4,066**	**1,860**	**757**	**0**	**(1,920)**	**(6,144)**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	**(942)**	**(148)**	**407**	**186**	**76**	**0**	**(192)**	**(614)**

As at 31 December 2022	**GBP**	**EUR**	**CAD**	**NOK**	**AUD**	**DKK**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	12,368	55,274	7,692	5,844	2,169	2,311	4,396	**90,054**
Other net assets/(liabilities)	(52,618)	(20,137)	673	(170)	(6,566)	(574)	(4,108)	**(83,500)**
Total Foreign Currency Exposure	**(40,250)**	**35,137**	**8,365**	**5,674**	**(4,397)**	**1,737**	**288**	**6,554**
Foreign Currency Derivatives Net	99,305	(4,089)	—	—	13,439	—	1,521	**110,176**
Total Net Foreign Currency Exposure	**59,055**	**31,048**	**8,365**	**5,674**	**9,042**	**1,737**	**1,809**	**116,730**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	**5,906**	**3,105**	**837**	**567**	**904**	**174**	**181**	**11,673**

SCR Coverage Scenario Testing - Market Risk

SII SCR Coverage scenario testing is performed on an annual basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios including market risk. A summary of the testing performed as at 31 December 2023 is provided in section C.8.

C.4 Prudent person principle and investments

The Company is required to invest in assets in accordance with the 'prudent person principle'. As part of its prudent person approach, when the Company invests its assets it considers the following:
(a) the type of business carried on by the Company, in particular the nature, the amount and the duration of the expected claims payments, in such a way as to secure sufficiency, liquidity, security, quality, profitability and matching of the Company's investments,
(b) diversification and adequate spread of assets so as to enable appropriate response to changing economic circumstances, in particular developments in the financial markets and real estate markets or large impact catastrophic events,
(c) keeps to a prudent level of investments in assets that are not traded on a regulated financial market,
(d) proper diversification of the assets so as to avoid excessive reliance on any particular asset, issuer or group of undertakings and accumulations of risk in the portfolio as a whole,
(e) not invest in assets issued by the same issuer, or by issuers belonging to the same group, in such a way as to expose the undertaking to excessive risk concentration; and
(f) assess the impact of irregular market circumstances on its assets and diversify those assets to ensure that the impact is reduced.

The Company may invest in derivative instruments to the extent that they help to reduce investment risks or facilitate efficient portfolio management. However, the Company shall value those investments on a prudent basis, taking into account the underlying assets and must include a valuation of the relevant institution's assets. The Company will also avoid excessive risk exposure to a single counterparty and to other derivative operations.

The requirements specified in paragraph (d) and (e) above do not apply to investment in government bonds.

C.5 Liquidity Risk

Risk Definition

Liquidity risk is the risk that the Company may not have sufficient financial resources to meet its obligations when they are due, or would have to incur excessive costs to do so. As an insurer, the core business generates liquidity primarily through premium, investment income and the maturity/sale of investments. Exposure to liquidity risk stems mainly from the need to cover potential extreme loss events.

Risk mitigation

The Company aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. To manage liquidity risk, a range of liquidity policies and measures are in place including maintaining cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows, as well as those that could result from a range of potential stress events. Forecasts are also prepared regularly to predict required liquidity levels over both the short- and medium-term.

In addition, there are internal limits on the minimum percentage of the investment portfolio to mature within a defined timeframe. The Company further undertakes stress testing to ensure that it would be able to withstand extreme loss events and still remain liquid.

Expected profit in future premium

The expected profit included in future premiums is calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.
At 31 December 2023, the expected profit in future premiums net of reinsurance is USD 17.2 million (2022: USD 13.1 million).

C.6 Operational Risk

Risk Definition

Operational risk represents the risk of loss as a result of inadequate processes, system failures, human error or external events, including but not limited to direct or indirect financial loss, reputational damage, customer dissatisfaction and legal and regulatory penalties.

The third country branch application for the UK Branch was approved on 28 October 2022, and ASE now has a third country branch which is subject to regulation by the PRA and Financial Conduct Authority (FCA). The Company embedded a new operating model for EEA risks to ensure applicable activities undertaken in the correct jurisdiction, while ensuring the Company retained effective oversight. The requirements and market practices in relation to the new operating model are evolving and the Company in turn continues to evolve our operating model to align with our view of best practices in relation to managing cross border business.

Risk Mitigation

Group Risk is responsible for coordinating and overseeing a group-wide framework for operational risk management. As part of this oversight, we facilitate the identification, assessment and management of key operational risks through risk assessments, and these are recorded on our risk register. We also maintain an operational loss-event database which helps us monitor and analyse potential operational risk issues, identify any trends, and, where necessary, put in place improvement actions to avoid occurrence or recurrence of operational loss events. We further supplement this with deep dive reviews to identify the key drivers of risk and review and challenge the appropriateness of current mitigation strategies and make recommendations for improvement. We manage transaction type operational risks through the application of process controls throughout our business. We have specific processes and systems in place to focus on high priority operational matters, such as managing business resilience, information security, and third-party vendor risk, which are described below:

- Major failures and disasters that could cause a severe disruption to working environments, facilities, and personnel, represent a significant operational risk to our business. Our Business Continuity Management framework strives to protect critical business services and the functions that support these business services from these effects to enable us to carry out our core tasks in time and at the quality required.
- We have developed a number of Information Technology ("IT") platforms, applications and security controls to support our business activities worldwide. Dedicated security standards are in place for our IT systems to ensure the proper use, availability and protection of our information assets.
- We have enhanced our governance processes for governance and prioritization of projects, to ensure greater transparency of decision-making process, alignment of teams working on the same projects, consistency of approach and alignment to strategy.
- Our use of third-party vendors exposes us to a number of increased operational risks, including the risk of security breaches, fraud, non-compliance with laws and regulations or internal guidelines and inadequate service. We manage material third-party vendor risk, by, among other things, performing a thorough risk assessment on potential large vendors, reviewing a vendor's financial stability, ability to provide ongoing service and business resilience planning.

C.7 Other material risks

Inflation

The Company's balance sheet is exposed to changes in economic and social inflation. Unexpected inflation movements can have an impact on the valuation of the Company's insurance liabilities and on the adequacy of pricing, as well as on investment valuations and the ability to match durations between assets and liabilities. In addition, to the extent that unanticipated higher inflation in different geographies leads to currency fluctuations, we may also experience increased volatility on foreign exchange gains and losses.

The Company has undertaken extensive activity to ensure that all elements of the Company's risk profile which are impacted by inflation are being properly managed and that valuations on the Company's balance sheet take into account the most up-to-date assumptions on current and future inflation rates.

Climate change

We are potentially exposed to different aspects of climate risk, specifically, physical, investment, liability and transition risks, across our underwriting and investment portfolio as well as our operations as a result of climate change.

Physical risks describe weather-related events and longer-term shifts in climate, and emanate primarily from underwriting of property insurance and reinsurance. Climate change may expose us to an increased frequency and/or severity of these weather-related losses, and there is a risk that our pricing of these perils or our management of the associated aggregations does not or will not appropriately allow for changes in climate. Over the longer term, climate change may have an impact on the economic viability of certain lines of business, if suitable adjustments in price and coverage cannot be achieved.

The Company may also be exposed to liability risks. Liability risks relate to losses or damages suffered by our insured from physical or transition risks, such as losses stemming from climate-related litigation in liability lines. These risks could arise from management and boards not fully considering or responding to the impacts of climate change, or not appropriately disclosing current and future risks. In addition, new regulatory developments, increased litigation activity and subsequent liability issues associated with climate change or greenwashing accusations may lead to losses under directors and officers or professional liability, particularly where the emitter is deemed to have misled investors.

There is additionally a risk that certain elements of our business cease to be viable as a result of climate change '"transition'" risks, which relate to losses driven by changes in technology, measures adopted by governments and regulators to encourage and support this transition, and society as a whole adapting to a lower-policy, legal, technological, and market changes to address climate risks and include changes in consumer behaviour, shareholder preferences, and any additional regulatory and legislative requirements.

AXIS established a Climate Change Working Group in 2019, which includes representation from the Company, to ensure that the potential risks and opportunities from climate change are identified and then managed in line with the standard risk management framework. In line with CBI guidance, a Climate change materiality assessment was undertaken in 2023 to assess the potential impacts of climate change on our operations and develop appropriate monitoring methodologies.

Effective 2020, AXIS Capital ceased underwriting risks for (and investing in the securities of) companies whose primary activity relates to thermal coal mining or power generation, or tar sands extraction, and in 2021, AXIS Capital announced a commitment to not underwrite new insurance or facultative reinsurance contracts, or provide investment support, for projects covering the exploration, production or transportation of oil and gas in the Arctic National Wildlife Refuge. Further, effective 2022, AXIS Capital committed to phasing out of the thermal coal business from its insurance, facultative reinsurance, and investment portfolios, ending all such activities no later than 2040. AXIS Capital has additionally committed to stop insuring any company developing a coal mine, or its dedicated infrastructure. Further details on Group wide energy and carbon reduction initiative has been documented in the Corporate Citizenship section of the AXIS Capital Holdings Annual Report.

Current Wars/Conflicts

We have some limited exposure to losses resulting from acts of terrorism, political unrest and geopolitical instability, including, but not limited to, events related to Russia's invasion of Ukraine and the Israel-Hamas war and in many regions of the world. Russia's invasion of Ukraine continues to have a profound impact on energy markets, particularly in Europe, which is impacting and may continue to impact economic conditions and investment returns. Some classes of business underwritten by the company, notably Aviation, Terrorism and Credit and Political risks may also be impacted beyond loss reserves already established for these events.

Reinsurance Purchasing

We purchase both internal and external reinsurance for our insurance and reinsurance operations in order to mitigate the volatility of losses on our financial results. From time to time, market conditions have limited, and in some cases have prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance that they consider adequate for their business needs. There is no guarantee that our desired amounts of reinsurance or retrocessional reinsurance will be available in the marketplace in the future.

Reinsurance Purchasing (continued)
In the current environment, our ability to renew our current reinsurance or retrocessional reinsurance arrangements or obtain desired amounts of new or replacement coverage on favourable terms may be substantially reduced as a result of the impact of inflation, industry catastrophic losses to reinsurer capital and the appetite for certain lines of business. In addition to capacity risk, the remaining capacity may not be on terms we deem appropriate or acceptable or with companies with whom we want to do business. If we are unable to renew our current reinsurance or retrocessional reinsurance or purchase new or replacement coverage on favourable terms or at all, the amount of business we are willing to write may be limited, our protection from losses due to large loss events may be materially reduced, or our regulatory capital requirements may significantly increase.

Pandemics or other outbreaks of contagious diseases
The spread of COVID-19 and mitigating measures caused unprecedented disruptions to the global economy and normal business operations across sectors and countries, including the sectors and countries in which we operate. A resurgence of the COVID-19 outbreak, including as a result of new variants, or future pandemics or other outbreaks of contagious diseases may result in similar or worse economic implications and business disruptions.

Emerging claim and coverage issues
As industry practices and legal, judicial, social, political, technological and other environmental conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the frequency and/ or severity of claims. The Company continues to be disciplined and vigilant in its management of this risk.

Cyber
Risks from cybersecurity threats are dynamic and fast evolving, and could be exacerbated by geopolitical tensions, including hostile actions taken by nation-states and terrorist organizations. There is a risk that increases in the frequency and severity of cybersecurity incidents affecting us, our clients, or our third-party service providers could materially adversely affect our results of operations, financial condition or liquidity. The losses incurred from these risks are also dependent on our clients' and our third-party service providers' cybersecurity practices and defences, as well as how policy terms and conditions interact with the evolving threat landscape. In addition, our exposure to cybersecurity incidents potentially includes exposure through "non-affirmative" coverages, meaning risks and potential losses associated with policies where cybersecurity risk is not explicitly included or excluded in the policy terms and conditions. As this is a relatively new risk, even in cases where losses from cybersecurity incidents are explicitly excluded, there can be no assurance that a court or arbitration panel will interpret policy language in line with the intention of the exclusion.

C.8 Any other information

Sensitivity testing
SII SCR Coverage sensitivity testing is performed on an annual basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios stressing the Company's material risks. A summary of the sensitivity testing results has been provided by risk category below. No future management actions are assumed in any of the scenarios. None of the tests performed resulted in the SCR coverage ratio falling below the Company's Own Solvency Needs.

Sensitivity	Description	Risk Category	SCR Impact (USD'm)	SCR post shock (USD'm)	SCR Coverage
Baseline	**Based on 2023 Annual SCR**				**150 %**
Higher growth than planned during 2024	Net Earned Premium increase by 10% across all lines	Insurance Risk	9	260	144 %
Reserve deterioration in long tail lines	20% increase Net Claims Provisions for long-tail lines	Insurance Risk	14	265	135 %
Credit spreads widening	Widening by 100bps for Investment Grade & 400bps for High Yield	Multiple Risks	5	256	138 %
Aged Debt increase	Increase proportion of > 90 days aged debt by 50%.	Counterparty Default Risk	6	257	146 %
Reinsurance counterparties downgrade	Largest RI counterparty credit quality step downgrade by 1 step and all other RI counterparties credit rating downgrade by 1 notch	Counterparty Default Risk	33	284	132 %
Yield curve movement	Yield curve movement up by 1%	Multiple Risks	(3)	248	151 %

In the event of a breach, the Company has a number of ways by which it can manage its solvency coverage and ensure that it returns within target. This includes changing gross exposures or external reinsurance arrangements, changing the internal reinsurance arrangements or other traditional forms of capital management (e.g. capital injections, cease dividend payments etc.). All material information regarding the Company's risk profile is disclosed in sections C.1 - C.8.

D. VALUATION FOR SOLVENCY PURPOSES

The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The Solvency II balance sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.1 Assets

	Solvency II 2023 USD'000	GAAP 2023 USD'000	Difference 2023 USD'000	Adjustment Type
Deferred acquisition costs	—	10,624	(10,624)	Valuation
Property, plant & equipment held for own use	41,934	24,220	17,714	Valuation
Government Bonds	274,680	271,960	2,720	Reclassification
Corporate Bonds	213,264	212,040	1,224	Reclassification
Collateralised securities	52,538	52,441	97	Reclassification
Collective Investments Undertakings	109,246	105,021	4,225	Reclassification
Other investments	6,884	6,878	6	Reclassification
Other loans and mortgages	5,253	—	5,253	Reclassification
Investments	703,799	683,184	20,615	
Insurance and intermediaries receivables	95,955	473,287	(377,332)	Valuation
Reinsurance receivables	104,706	104,706	—	
Derivatives	163	—	163	Reclassification
Cash and cash equivalents	23,862	32,399	(8,537)	Reclassification
Any other assets, not elsewhere shown	44,167	48,873	(4,706)	Reclassification
	1,014,586	**1,377,293**	**(362,707)**	

	Solvency II 2022 USD'000	GAAP 2022 USD'000	Difference 2022 USD'000	Adjustment Type
Deferred acquisition costs	—	8,258	(8,258)	Valuation
Net deferred tax asset	—	2,846	(2,846)	Valuation
Property, plant & equipment held for own use	52,970	33,245	19,725	Valuation
Government Bonds	185,415	179,259	6,156	Reclassification
Corporate Bonds	193,840	199,338	(5,498)	Reclassification
Collateralised securities	28,059	28,058	1	Reclassification
Collective Investments Undertakings	141,230	123,180	18,050	Reclassification
Other investments	5,542	12,945	(7,403)	Reclassification
Other loans and mortgages	9,429	—	9,429	Reclassification
Investments	563,515	542,779	20,735	
Insurance and intermediaries receivables	98,075	406,304	(308,229)	Valuation
Reinsurance receivables	59,350	59,350	—	
Derivatives	206	—	206	Reclassification
Cash and cash equivalents	20,903	32,367	(11,464)	Reclassification
Any other assets, not elsewhere shown	22,988	6,737	16,251	Reclassification
	818,007	**1,091,886**	**(273,880)**	

Reclassification for solvency purposes are differences in classifications of balances between GAAP and Solvency II balance sheet line items. Valuation adjustments are valuation differences between GAAP and Solvency II measurement methodologies.

D.1.1 Deferred acquisition costs

Acquisition costs vary with and are directly related to the acquisition of insurance contracts and consist primarily of fees and commissions paid to brokers and premium taxes.

Under Solvency II, cash flow projections used in the calculation of Solvency II technical provisions include acquisition costs associated with insurance contracts. Deferred acquisition costs are valued at nil in order to avoid double counting as acquisition costs are considered in the Solvency II Technical Provision calculations.

Under GAAP, acquisition costs are deferred over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi year contracts.

D.1.2 Net deferred tax

Certain GAAP assets and liabilities are restated in accordance with SII valuation rules. The restated assets and liabilities are analysed for permanent differences arising between SII restated accounts and tax accounts. All material differences are considered and deferred tax is provided on any temporary differences arising. Current tax legislation and rates are applied to calculate the deferred tax. Deferred tax assets and liabilities are presented net on the face of the SII Balance Sheet.

Under GAAP, deferred taxation is calculated on the differences between the Company's taxable profits and the results as stated in the financial statements. These differences arise as a result of timing differences on unrealised gains and losses on investments and capital allowances. Deferred tax assets and liabilities are offset when taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

D.1.3 Property, plant and equipment

Property, plant and equipment includes leasehold improvements, "right of use" lease assets, software, computer equipment and fixture & fittings.

Under Solvency II, the IAS 16 revaluation model is applied when valuing property, plant and equipment.

Under GAAP, property, plant and equipment is measured at cost less depreciation. The Company provides depreciation at cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets.

Leasehold improvements are valued cost less any depreciation and impairment loss and this is considered a reasonable approximation of market value of the bespoke nature of the improvements. Under Solvency II, this is an alternative valuation methodology.

Under Solvency II, operating leases are measured in accordance with IFRS 16 with a right of use asset and lease liability recognised in the Balance Sheet. Under GAAP, rent payable under operating leases is charged on a straight-line basis over the term of the lease. The "right of use" lease asset is included in Property, plant & equipment.

Software, computer equipment and fixture & fittings are valued at nil on the SII economic balance sheet as an active secondary market does not exist to provide appropriate fair value estimations.

D.1.4 Investments

The Company’s investments comprise debt, equity and other investments.

Under Solvency II, investments are measured in accordance with IAS 39 at fair value through profit & loss. Fair value measurement is consistent with GAAP except for the recognition of accrued interest. Under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised separately in 'Any other assets'.

Fair Value Measurement

Under GAAP, investments are measured in accordance with FRS 102 section 11 and section 12. The Company determines the classification of its investments at initial recognition and re-evaluates this at each reporting date. The Company classifies its investments on a portfolio by portfolio basis and has designated all investment portfolios as at fair value through profit and loss. These portfolios are managed and their performance evaluated on a fair value basis. Short-term investments comprise debt securities that, at purchase, have a maturity greater than three months but less than one year. Due to the short-term nature of these investments amortized cost is used to approximate fair value. All purchases and sales of investments are recorded on the trade date, which is the date that the Company commits to purchase or sell the assets. The fair values of listed investments are based on closing bid prices. For investments not traded on an active market, the Company establishes fair value based on quoted market prices of similar instruments or on other valuation techniques.

D.1.4 Investments (continued)
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. The fair value hierarchy used gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level A - The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted price is usually the current bid price.
- Level B - When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level C - If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal business considerations.

Classification
Under GAAP, classification of investments is in accordance with FRS 102 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. Under Solvency II, certain investments have been reclassified where necessary in order to conform to Solvency II asset categories.

D.1.5 Insurance and intermediaries receivables
Under Solvency II, premium and commission receivable balances past due are recognised at fair value. Balances past due greater than one year are discounted using the risk free interest rate curve. Under Solvency II, technical provisions are calculated on a cash-flow basis. Premiums and commission receivable balances not yet due are included in technical provision best estimate calculations and eliminated from the GAAP Insurance and intermediaries receivable balance. A balance is deemed not yet due at the balance sheet date, if the receivable is not aged (overdue) and will become due for payment by the client some time after the balance sheet date.

Under GAAP, premium and commission receivable balances arising under insurance contracts are recognised when due and measured at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.1.6 Reinsurance receivables
Under Solvency II, similar to Insurance and intermediaries receivables, balances deemed not yet due are included in best estimate calculation in technical provisions and removed from the GAAP reinsurance receivable balance.

Under GAAP, ceded premium advances and losses paid recoverable are recognised at cost with a provision for impairment if identified.

D.1.7 Cash and Cash Equivalents
Cash and cash equivalents are carried at face value and include fixed income securities that, at purchase have a maturity 3 months or less.

Under Solvency II, certain cash deposits have been reclassified to investments where necessary in order to conform to Solvency II asset categories. As noted in 'Investments' under Solvency II, accrued interest is included in the valuation of cash and cash equivalents. Under GAAP, accrued interest is recognised separately in 'Any Other Assets'.

D.1.8 Any other assets
Any other assets includes amounts such as amounts due from group companies, prepaid expenses, accrued interest and other taxes receivable in the GAAP balance sheet. The balances are measured at a value for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. As noted above, under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised in 'Any Other Assets.'

D.2 Technical provisions

The valuation methodology for technical provisions in accordance with Solvency II differs significantly from the valuation in the financial statements which are evaluated on a GAAP basis.

	Solvency II			GAAP
	2023	**2023**	**2023**	**2023**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Net technical provisions	**Best Estimate**	**Risk Margin**	**Total**	**Total**
Direct business and accepted proportional reinsurance				
Income Protection	2,613	799	**3,412**	**7,018**
Marine, aviation and transport	55,958	10,321	**66,279**	**88,724**
Fire and other damage to property	58,404	9,316	**67,720**	**98,126**
General liability	121,739	18,641	**140,380**	**153,257**
Credit and suretyship	(715)	633	**(82)**	**28,025**
Miscellaneous financial loss	—	—	**—**	**(24)**
Total Non-Life obligation	**237,999**	**39,710**	**277,709**	**375,162**

	Solvency II			GAAP
	2022	**2022**	**2022**	**2022**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Net technical provisions	**Best Estimate**	**Risk Margin**	**Total**	**Total**
Direct business and accepted proportional reinsurance				
Income Protection	3,649	857	**4,506**	**6,027**
Marine, aviation and transport	39,713	8,813	**48,526**	**69,321**
Fire and other damage to property	44,316	8,962	**53,278**	**77,898**
General liability	98,948	17,993	**116,941**	**131,507**
Credit and suretyship	(1,013)	483	**(530)**	**22,518**
Miscellaneous financial loss	(21)	—	**(21)**	**—**
Total Non-Life obligation	**185,592**	**37,108**	**222,700**	**307,271**

D.2.1 GAAP technical provisions

Claims reserves

Claims Reserves represent an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ('case reserves') and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

Reserves for losses and loss expenses are reviewed on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds and/or brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgements regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of standard actuarial methods are utilised in this process, including the Initial Expected Loss Ratio, Bornhuetter-Ferguson and Chain Ladder methods. The Company estimate is highly dependent on management's critical judgement as to which method(s) are most appropriate for a particular year and class of business.

Initial Expected Loss Ratio (“IELR”) Method: This indication of ultimate claim cost is based on applying an expected loss ratio for the period to an exposure measure, normally the earned or written premium. The expected loss ratio is normally calibrated based on the historical loss ratios of the class of business, adjusted for changes in the underwriting environment such as premium rates, claims trends and terms and conditions as well as qualitative information such as shifts in the mix of business. Where the history is not considered fully credible, a benchmark may also be given some weight Development Factor (“DF”) Method (also termed Chain Ladder Method): The indication of ultimate claim cost is based on grossing up the cumulative reported (or paid) claims according to a factor representing the expected percentage of claims assumed to have been reported (or paid) given the delay period that has elapsed since the start of the accident or underwriting period (‘percentage developed’). This ‘development profile’ is normally calibrated by considering the percentage of the ultimate claims cost that has emerged in older, more mature, periods at each delay period. Where the history is not considered fully credible, a benchmark may also be given some weight.

D.2.1 GAAP technical provisions (continued)

Bornhuetter-Ferguson ("BF") Method: The BF method is a weighted average of the IELR and DFM methods. It gives more weight to the IELR method in the earlier stages of a year's development before progressively weighting more towards experience indications (i.e., DFM) as the year matures.

Any adjustments to previous reserves for losses and loss expenses are recognised in the period they are determined. While management believes that reserves for losses and loss expenses are adequate, this estimate requires significant judgement and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the balance sheet.

The current reserving process is based on historical statistics which may or may not be borne out in the future. There is uncertainty around claims inflation which may be higher or lower in the future than seen in the historical data. Some classes of business assume a certain number of claims to be reported in the future which may turn out to be different in reality. The stability of the claims process can also affect reserving estimates. Should the claims process speed up through automation or slow down due to processing delays, even taking these into account, there will be increased uncertainty in the reserving estimates.

Unearned premium reserves

Premiums written are recorded in accordance with the terms of the underlying policies. Premiums are earned over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi-year contracts. Unearned premiums represent the portion of premiums written which are applicable to the unexpired risks under contracts in force.

D.2.2 Solvency II technical provisions

Technical provisions on a Solvency II basis combine the data and results from the GAAP based reserving process with additional information and calculations.

The calculation of the Solvency II technical provisions is split into three parts:

i. **Provisions relating to earned business ('Claims Provision')** which are the best estimate amount of future cashflows of earned, unpaid claims (i.e., reported outstanding claims and earned IBNR from the standard reserving process) and associated runoff expenses. Under Solvency II it is also necessary to ensure that the technical provisions include an allowance for 'Events not in Data' ("ENIDs"). The best estimate of ultimate claims under the traditional GAAP basis generally only reflects actual historical losses and development patterns. The technical provisions for Solvency II require that allowance is also made for events or circumstances that are not reasonably foreseeable (i.e., have low probabilities) and are at levels not contained in the historical data (i.e., have potentially large severities). This additional reserve amount is referred to as 'Events not in Data'.

ii. **Provisions relating to unearned business ('Premium Provision')** which are the best estimate of future cashflows for unearned business comprising of unearned business already incepted, as well as business that is not yet incepted but has been already been bound before the valuation date. As with the earned provision, the claim amount is also loaded for ENIDs that could impact unearned business, includes associated run-off expenses and is offset by future premiums to be received.

iii. **Risk Margin** is a margin which reflects the premium that would be required by a third party assuming the business was transferred at the valuation date. A cost of capital approach is used to determine this premium.

Both the earned and unearned provisions take account of the expected reinsurance recoveries to be received in respect of this business, reduced for reinsurance bad debt.

All elements of the provisions take account of the assumed cash flow pattern on a best estimate basis (i.e., excluding margins for prudence) and are discounted at the EIOPA provided risk free discount rates. It is intended that the Best Estimate captures a probability-weighted average of all future outcomes, including the possibility of claim events that have not been seen in the Company's history.

D.2.3 Differences between Solvency II and GAAP valuation bases

The main differences between the Solvency II technical provision methodology and the methodology used to derive the technical provisions on a GAAP basis are as follows, for the Solvency II technical provision:

i. Standard Solvency II classes of business are used for reporting and also at the original currency level, with all minor currencies being grouped into an 'Other' category.
ii. The reserves held for future reporting and development of claims are calculated on a best-estimate basis with an explicit risk margin added onto this best estimate. This is different from the GAAP basis where booked reserves may include some margin for uncertainty.
iii. The technical provisions also contain an allowance for ENIDs representing low frequency/high severity events.
iv. Future premium income and claims outgoing are all discounted for the time value of money using the relevant EIOPA risk free interest rates.

D.2.3 Differences between Solvency II and GAAP valuation bases (continued)

v. Bound unincepted business is included in the analysis, with the expected claims offset by the future premium income for this business.
vi. Claims associated with unearned premium are estimated rather than the full unearned premium reserve being held.
vii. The expected cost of future claims is offset by the future premium income.
viii. All calculations are based on a cash flow basis.
ix. Additional allowance for expenses is made on the basis that the provision includes the expected expense amount needed to service all existing policies throughout their lifetime.

D.2.4 Level of uncertainty

The level of the technical provisions on both a GAAP and on a Solvency II basis is heavily dependent on the reliability and accuracy of the underlying reserving process. In particular, future claims development is inherently uncertain and subject to future events that cannot be known accurately at the present time. The best estimate of ultimate claims, while considered to have been derived using a reasonable methodology and set of assumptions, may still differ, potentially significantly, from the eventual cost of ultimate claims.

D.2.5 Recoverables from reinsurance contracts

The Company purchases reinsurance to reduce the risk of exposure to loss. Four types of reinsurance cover are purchased; facultative, excess of loss, quota share and stop loss. Facultative covers are typically individual risk purchases. Excess of loss covers provide a contractually set amount of cover after an excess point has been reached. This excess point can be based on the size of an industry loss or a fixed monetary amount on either a per loss or aggregate basis. Generally these covers are purchased on a package policy basis, and they may provide cover for a number of lines of business within one contract. Quota share covers provide a proportional amount of coverage from the first dollar of loss and stop loss cover protects the Company's net ultimate loss ratio.

All of these reinsurance covers provide for recovery of a portion of losses paid and loss reserves from reinsurers. Under its reinsurance security policy, the Company predominantly cedes business with reinsurers rated A- or better by Standard & Poors and/or AM Best Company. Where business is ceded to reinsurers that are unrated, associated credit risk is mitigated by collateral held in trust. The Company remains liable to the extent that reinsurers do not meet their obligations under these agreements either due to solvency issues, contractual disputes or some other reason. Included within the Company's GAAP reinsurance recoverable as at 31 December 2023 were amounts of USD 721.3 million (2022: USD 560.8 million) recoverable from the group company.

D.2.6 Any other information

The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure of the transitional deduction in calculating Solvency II technical provisions.

D.3 Other Liabilities

	Solvency II	GAAP	Difference	
	2023	2023	2023	
	USD'000	USD'000	USD'000	Adjustment Type
Net deferred tax liabilities	3,809	1,705	2,104	Valuation
Derivatives	178	15	163	Reclassification
Insurance & intermediaries payables	—	33,280	(33,280)	Valuation
Reinsurance payables	207,568	484,135	(276,567)	Valuation
Deposits from Reinsurers	559	559	—	Valuation
Debts owed to credit institutions	281	—	281	Reclassification
Any other liabilities, not elsewhere shown	105,289	54,646	50,643	Valuation
	317,684	**574,340**	**(256,656)**	

D.3 Other Liabilities (continued)

	Solvency II 2022 USD'000	GAAP 2022 USD'000	Difference 2022 USD'000	Adjustment Type
Net deferred tax liabilities	1,416	—	1,416	Valuation
Derivatives	497	291	206	Reclassification
Insurance & intermediaries payables	—	17,598	(17,598)	Valuation
Reinsurance payables	126,768	366,969	(240,201)	Valuation
Deposits from Reinsurers	595	595	—	Valuation
Debts owed to credit institutions	9,696	—	9,696	Reclassification
Any other liabilities, not elsewhere shown	89,337	33,987	55,350	Valuation
	228,309	**419,440**	**(191,131)**	

D.3.1 Insurance & intermediaries payable
Under Solvency II, similar to insurance and intermediaries receivable, balances not yet due for payment are recognised in technical provisions and removed from insurance and intermediaries payable. A balance is deemed not yet due at the balance sheet date, if payment will become due after the balance sheet date.

Under GAAP, amounts payable to policyholders, insurers and other business linked to insurance such as commissions due to intermediaries but not yet paid are recognised at cost.

D.3.2 Reinsurance payables
Similar to 'Insurance and intermediaries payable', under Solvency II, balances not yet due for payment are removed and recognised in technical provisions.

Under GAAP, premium payables are recognised at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.3.3 Deposits from Reinsurers
Deposits from reinsurers included amounts received from reinsurers or deducted by the reinsurer according to the reinsurance contract.

Balances are calculated each quarter in line with the terms and conditions of the agreements and are therefore are deemed to be at fair value at each reporting period end.

D.3.4 Any Other Liabilities
Under Solvency II, any other liabilities are recognised at fair value. Cost is considered to approximate fair value on the basis that duration is less than one year and no discounting is required.

Under Solvency II, operating leases are measured in accordance with IFRS 16 with a right of use asset and lease liability recognised in the Balance Sheet. Under GAAP, rent payable under operating leases is charged on a straight-line basis over the term of the lease. The lease liability is included in "Any Other Liabilities.

Under Solvency II, approved dividends not yet paid in the period up to submission are included in "Any Other Liabilities". Under GAAP, dividends payable are recognised as a liability in the period during which the dividends are approved by the Board of the Company.

Under GAAP, ‘Amounts payable to group companies’, ‘Net payable for investments purchased’, ‘Other taxes payable’ and ‘Accrued expenses’ and are recognised at cost and payable in less than one year.

D.4 Any other information
All material information regarding valuation is disclosed in sections D.1 - D.3.

E. CAPITAL MANAGEMENT

Capital management is a business process that links risk and return preferences with strategy setting and business planning. It requires cross functional collaboration, and involves a significant commitment from business segments, corporate functions, risk management and the Board of Directors.

The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements. A business plan is prepared annually to support the capital management objective and includes a three year projection of expected performance.

Business strategy, capital and risk are closely integrated within decision making, and embedded through the ORSA process which assess that the prospective risk profile is in line with the Company’s risk appetite framework. The SCR calculation is performed as part of the ORSA process to provide input into the Company's capital management strategy.

E.1 Own Funds

Eligible Own funds

For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 100% (2022: 100.0%) of the Company's own funds are classified as Tier 1.

	2023 USD'000 Total	2023 USD'000 Tier 1	2023 USD'000 Tier 2	2023 USD'000 Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	366,022	366,022	—	
Eligible own funds	**376,132**	**376,132**	**—**	**—**

	2022 USD'000 Total	2022 USD'000 Tier 1	2022 USD'000 Tier 2	2022 USD'000 Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	357,802	357,802	—	—
Net deferred tax asset	—	—	—	—
Eligible own funds	**367,912**	**367,912**	**—**	**—**

The reconciliation reserve includes the following:

- shareholders' equity on a GAAP basis as per the financial statements,
- revaluation reserve (adjustments from GAAP to Solvency II economic valuation basis); and
- deduction for restricted own fund items.

A reconciliation of shareholders' equity to eligible own funds is as follows:

	2023 USD'000	2022 USD'000
Shareholders' equity	392,946	365,175
Revaluation reserve	(15,689)	4,537
Less restricted own fund items		
Restricted asset	(1,125)	(1,800)
Eligible own funds	**376,132**	**367,912**

E.1 Own Funds
The revaluation reserve, which is a component of the eligible own funds, is comprised of the differences between GAAP and the Solvency II valuation. Section D provides description of valuation differences between GAAP and Solvency II.

	2023	**2022**
	USD'000	**USD'000**
Adjustments for Solvency II technical provisions	69,678	71,248
Adjustments for Solvency II risk margin	(39,710)	(37,108)
Adjustment for deferred acquisition costs	(10,624)	(8,258)
Adjustments for property, plant and equipment (including leases)	(19,930)	(17,083)
Deferred tax adjustment	(2,103)	(4,262)
Adjustment for approved dividend	(13,000)	—
Revaluation reserve	**(15,689)**	**4,537**

The Revaluation reserve is made up of:
- adjustments for Solvency II technical provisions, excluding risk margin. These adjustments have decreased over the period, driven by an increase in the future premium accounted under Solvency II technical provisions compared to the GAAP basis.
- adjustment for the risk margin is a function of the main SCR risks and the run off of these risks. The movement in adjustment results from an increase in the risk margin which is in line with the increase in the business and related risks.
- adjustment for deferred acquisition costs in line with Solvency II valuation rules.
- adjustment for property, plant and equipment recognises the revaluation of property, plant and equipment and capitalisation of operating leases on the Solvency II balance sheet.
- adjustment to recognise approved dividends in the period up to the submission of the return.

Restricted own fund items relate to USD 1.1 million restricted cash balances (2022: USD 1.8 million) held by the Company.

E.2 Solvency capital requirement and Minimum capital requirement
The 2023 and 2022 results presented are based on the 2023 and 2022 Annual Solvency II returns submitted to the Central Bank respectively.

The SCR has been calculated using the Standard Formula methodology.

Solvency Capital Requirement	**2023**	**2022**
	USD'000	**USD'000**
Market risk	48,228	57,079
Counterparty default risk	94,566	89,429
Health underwriting risk	4,608	4,721
Non-life underwriting risk	134,887	127,747
Diversification	(62,967)	(65,516)
Basic solvency capital requirement	**219,322**	**213,460**
Operational risk	47,540	38,771
Loss-absorbing capacity of deferred taxes ("LACDT")	(15,747)	(11,655)
Solvency capital requirement	**251,115**	**240,576**
Eligible own funds	**376,132**	**367,912**
Ratio of eligible own funds to SCR	**149.8 %**	**152.9 %**

E.2 Solvency capital requirement and Minimum capital requirement (continued)

The increase in SCR over prior year is driven by higher non-life and life underwriting risk and market risk.

- Non-life underwriting risk charge has increased largely due to increased exposure increasing the premium volumes and claims provisions driving the premium and reserve risk charge.
- Counterparty default risk charge has increased due to higher reinsurance recoverables and higher premium receivables due balances.
- Operational risk has increased in line with the increase in gross technical provisions.
- Market risk has decreased due to decreases in currency risk as a result of an improved matched position on EUR and GBP assets and liabilities.

Use of simplifications and undertaking specific parameters

Simplified calculation of the risk mitigating effect for reinsurance arrangements

The Company applies a simplified calculation of the risk-mitigating effect for reinsurance. The risk mitigating effect on underwriting risk of the reinsurance arrangements for all counterparties is determined as the difference between the following capital requirements:

- The hypothetical capital requirement for the underwriting risk of the Company if none of the reinsurance arrangements exist; and
- The capital requirements for underwriting risk of the Company.

The risk mitigating effect on underwriting risk of a particular reinsurance arrangement is then calculated based on its share of the total best estimate amount recoverable from all counterparties.

Lapse risk

The Company applies a simplification approach on the calculation of lapse risk charge whereby the risk charge is calculated on a basis of groups of policies, rather than on a policy level. This simplification approach is based on Delegated Regulation Articles 90a and 96a.

Share of Reinsurer’s assets subject to collateral arrangements

The Company uses the simplification as per Article 112a of the Delegated Regulation which assumes more than 60% of the counterparty's assets are subject to collateral arrangements in situations where this information is not available to the Company.

Collateral

The Company’s counterparty default risk charge includes an allowance for a collateral arrangement. The simplification based on Article 112 of the Delegated Regulation is applied for the calculation of the risk adjusted value of collateral to take into account the economic effect of the collateral.

Undertaking specific parameters

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

MCR

The MCR is calculated in accordance with Solvency II requirements using a factor-based formula calibrated using a Value-at-Risk measure with an 85% confidence level over a one-year period. The Company is required to maintain the higher of the minimum required capital (imposed by the regulations) of EUR 3.7 million or the MCR at all times during the year.

	2023 Total USD'000	2023 Tier 1 USD'000	2023 Tier 2 USD'000
Eligible own funds to meet the MCR	376,132	376,132	—
MCR	**62,779**		
Ratio of eligible own funds to MCR	**599.1 %**		

MCR (continued)

	2022 Total USD'000	2022 Tier 1 USD'000	2022 Tier 2 USD'000
Eligible own funds to meet the MCR	367,912	367,912	—
MCR	**60,144**		
Ratio of eligible own funds to MCR	**611.7 %**		

The inputs used to calculate the MCR of the Company are as follows:

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole 2023 USD'000	Net (of reinsurance) written premiums in the last 12 months 2023 USD'000
Direct business and accepted proportional reinsurance		
Income protection	2,613	8,136
Marine, aviation and transport	55,958	45,294
Fire and other damage to property	58,404	76,224
General liability	121,739	59,151
Credit and suretyship	—	10,345

E.3 Use of duration based equity risk sub module in the calculation of SCR
Duration based equity risk sub module was not used in the calculation of the SCR.

E.4 Differences between standard formula and any internal model used
No internal or partial internal model was used for the calculation of the SCR.

E.5 Non Compliance with SCR and MCR
The Company has maintained capital sufficient to meet its SCR and MCR over the reporting period.

The final SCR and MCR amounts remain subject to supervisory assessment.

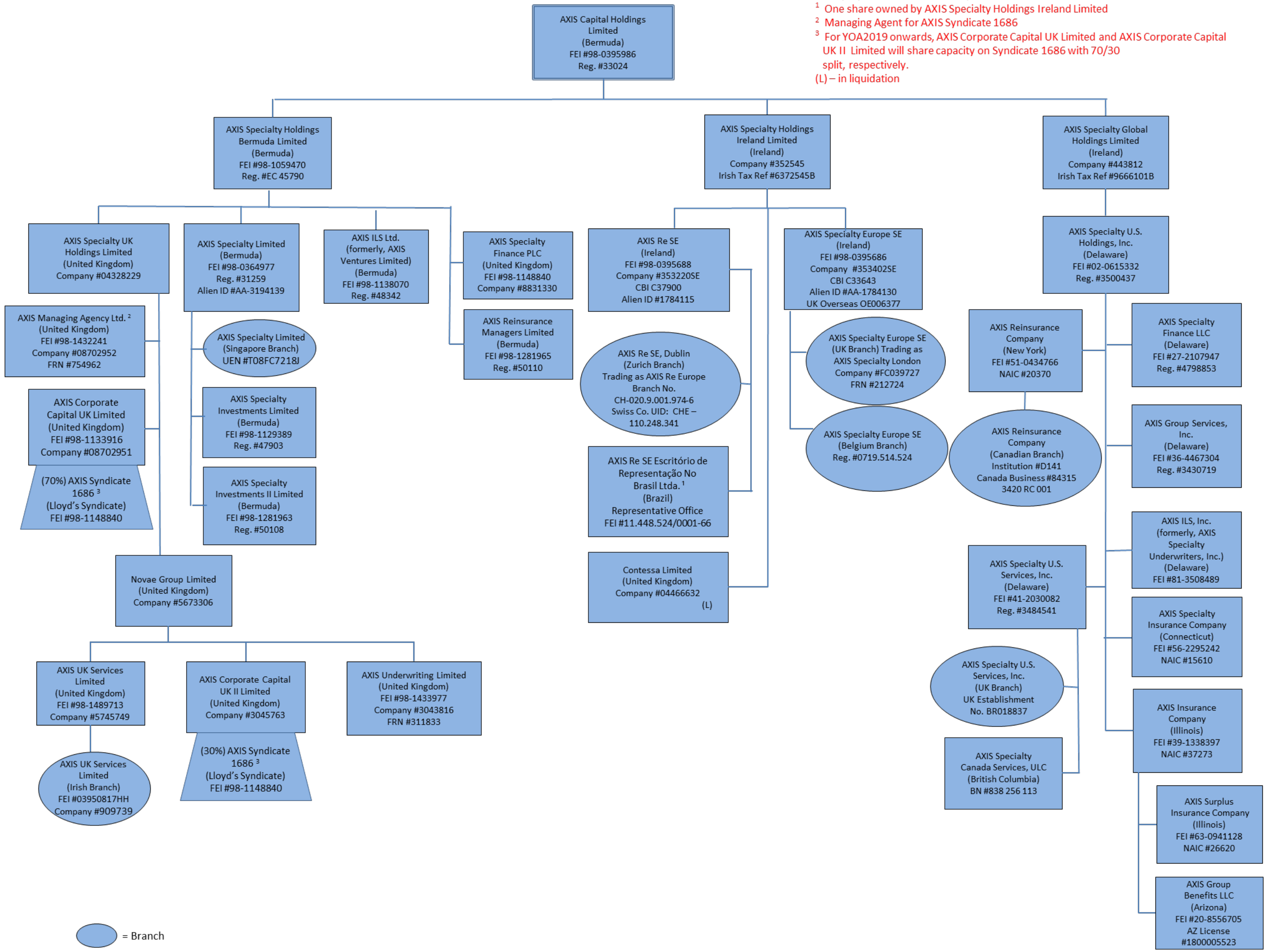
E.6 Any other information
All material information regarding capital management has been disclosed in Sections E.1 - E.5 above.

APPENDIX I - GROUP STRUCTURE

AXIS CAPITAL HOLDINGS LIMITED

- All Subsidiaries are wholly owned unless otherwise noted
- Equity investment ownership interests excluded

[1] One share owned by AXIS Specialty Holdings Ireland Limited
[2] Managing Agent for AXIS Syndicate 1686
[3] For YOA2019 onwards, AXIS Corporate Capital UK Limited and AXIS Corporate Capital UK II Limited will share capacity on Syndicate 1686 with 70/30 split, respectively.
(L) – in liquidation



S.02.01.02 Balance Sheet (USD '000s)

		USD'000s
		Solvency II value
Assets		C0010
Goodwill	R0010	—
Deferred acquisition costs	R0020	—
Intangible assets	R0030	—
Deferred tax assets	R0040	—
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	41,934
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	656,774
Property (other than for own use)	R0080	—
Holdings in related undertakings, including participations	R0090	—
Equities	R0100	—
Equities - listed	R0110	—
Equities - unlisted	R0120	—
Bonds	R0130	540,482
Government Bonds	R0140	274,680
Corporate Bonds	R0150	213,264
Structured notes	R0160	—
Collateralised securities	R0170	52,538
Collective Investments Undertakings	R0180	109,246
Derivatives	R0190	163
Deposits other than cash equivalents	R0200	—
Other investments	R0210	6,884
Assets held for index-linked and unit-linked contracts	R0220	—
Loans and mortgages	R0230	5,253
Loans on policies	R0240	—
Loans and mortgages to individuals	R0250	—
Other loans and mortgages	R0260	5,253
Reinsurance recoverables from:	R0270	1,346,678
Non-life and health similar to non-life	R0280	1,346,678
Non-life excluding health	R0290	1,337,903
Health similar to non-life	R0300	8,774
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	—
Health similar to life	R0320	—
Life excluding health and index-linked and unit-linked	R0330	—
Life index-linked and unit-linked	R0340	—
Deposits to cedants	R0350	—
Insurance and intermediaries receivables	R0360	95,955
Reinsurance receivables	R0370	104,706
Receivables (trade, not insurance)	R0380	—
Own shares (held directly)	R0390	—
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	—
Cash and cash equivalents	R0410	23,862
Any other assets, not elsewhere shown	R0420	44,167
Total assets	R0500	**2,319,329**

Liabilities		C0010
Technical provisions – non-life	R0510	1,624,388
Technical provisions – non-life (excluding health)	R0520	1,612,201
Technical Provisions calculated as a whole	R0530	—
Best Estimate	R0540	1,573,290
Risk margin	R0550	38,911
Technical provisions - health (similar to non-life)	R0560	12,187
Technical Provisions calculated as a whole	R0570	—
Best Estimate	R0580	11,387
Risk margin	R0590	799
Technical provisions - life (excluding index-linked and unit-linked)	R0600	—
Technical provisions - health (similar to life)	R0610	—
Technical Provisions calculated as a whole	R0620	—
Best Estimate	R0630	—
Risk margin	R0640	—
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	—
Technical Provisions calculated as a whole	R0660	—
Best Estimate	R0670	—
Risk margin	R0680	—
Technical provisions – index-linked and unit-linked	R0690	—
Technical Provisions calculated as a whole	R0700	—
Best Estimate	R0710	—
Risk margin	R0720	—
Other technical provisions	R0730	
Contingent liabilities	R0740	—
Provisions other than technical provisions	R0750	—
Pension benefit obligations	R0760	—
Deposits from reinsurers	R0770	559
Deferred tax liabilities	R0780	3,809
Derivatives	R0790	178
Debts owed to credit institutions	R0800	281
Financial liabilities other than debts owed to credit institutions	R0810	—
Insurance & intermediaries payables	R0820	—
Reinsurance payables	R0830	207,568
Payables (trade, not insurance)	R0840	—
Subordinated Liabilities	R0850	—
Subordinated liabilities not in Basic Own Funds	R0860	—
Subordinated liabilities in Basic Own Funds	R0870	—
Any other liabilities, not elsewhere shown	R0880	105,289
Total liabilities	R0900	**1,942,071**
Excess of assets over liabilities	R1000	**377,257**

S.05.01.02 - Premiums, claims and expenses by line of business (USD '000s)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of business for: accepted non-proportional reinsurance		
		Income protection insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Health	Casualty	Total
		C0020	C0060	C0070	C0080	C0090	C0120	C0130	C0140	C0200
Premiums written										
Gross - Direct Business	R0110	34,053	229,028	466,352	368,490	60,926	6	—	—	1,158,855
Gross - Proportional reinsurance accepted	R0120	—	—	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	—	—	—	—	—	—
Reinsurers' share	R0140	25,917	183,735	389,959	309,339	50,581	4	—	—	959,534
Net	R0200	8,136	45,294	76,393	59,151	10,345	1	—	—	199,320
Premiums earned										
Gross - Direct Business	R0210	32,555	220,986	418,975	375,288	48,574	6	—	—	1,096,383
Gross - Proportional reinsurance accepted	R0220	—	—	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0230	—	—	—	—	—	—	—	—	—
Reinsurers' share	R0240	24,771	177,452	350,135	315,616	40,814	4	—	—	908,792
Net	R0300	7,784	43,534	68,840	59,672	7,760	1	—	—	187,590
Claims incurred										—
Gross - Direct Business	R0310	19,609	169,423	238,465	207,118	19,528	(126)	—	—	654,015
Gross - Proportional reinsurance accepted	R0320	(1)	—	—	—	—	—	—	—	(1)
Gross - Non-proportional reinsurance accepted	R0330	—	—	—	—	—	—	144	—	144
Reinsurers' share	R0340	15,096	140,567	202,855	177,247	16,110	(102)	108	—	551,881
Net	R0400	4,511	28,856	35,609	29,871	3,418	(24)	36	—	102,277
Expenses incurred	R0550	3,265	12,168	25,113	14,563	786	—	2	—	55,897
Other expenses	R1200	—	—	—	—	—	—	—	—	(1,670)
Total expenses	R1300									54,226

S.04.05.21 - Premiums, claims and expenses by country (USD'000s)

			Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		Home country	UNITED KINGDOM	UNITED STATES	NETHERLANDS	FRANCE	GERMANY	
		C0010	C0020	C0020	C0020	C0020	C0020	
Premiums written (gross)								
Gross Written Premium (direct)	R0020	25,122	477,185	210,653	47,872	30,532	27,688	819,052
Gross Written Premium (proportional reinsurance)	R0021	—	—	—	—	—	—	—
Gross Written Premium (non-proportional reinsurance)	R0022	—	—	—	—	—	—	—
Premiums earned (gross)								
Gross Earned Premium (direct)	R0030	24,595	468,523	189,730	51,091	26,503	28,009	788,452
Gross Earned Premium (proportional reinsurance)	R0031	—	—	—	—	—	—	—
Gross Earned Premium (non-proportional reinsurance)	R0032	—	—	—	—	—	—	—
Claims incurred (gross)								
Claims incurred (direct)	R0040	10,316	267,946	99,447	28,651	9,050	14,544	429,955
Claims incurred (proportional reinsurance)	R0041	—			—	—	—	—
Claims incurred (non-proportional reinsurance)	R0042	—	—	—	—	—	—	—
Expenses incurred (gross)								
Gross Expenses Incurred (direct)	R0050	8,126	167,298	50,326	18,607	7,213	5,694	257,263
Gross Expenses Incurred (proportional reinsurance)	R0051	—	—	—	—	—	—	—
Gross Expenses Incurred (non-proportional reinsurance)	R0052	—	—	—	—	—	—	—

S.17.01.02 Non-life Technical Provisions (USD'000s)

		Direct business and accepted proportional reinsurance					Total Non-Life obligation
		Income Protection Insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
		C0030	C0070	C0080	C0090	C0100	C0180
Technical provisions calculated as a whole	R0010	—	—	—	—	—	—
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	R0050	—	—	—	—	—	—
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	R0060	(8,683)	(22,090)	18,423	54,143	(30,334)	11,458
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(6,616)	(17,607)	14,571	41,565	(28,198)	3,716
Net Best Estimate of Premium Provisions	R0150	(2,067)	(4,483)	3,851	12,578	(2,136)	7,743
Claims provisions							
Gross - Total	R0160	20,071	315,236	360,533	885,176	(7,797)	1,573,219
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	15,390	254,795	305,980	776,015	(9,218)	1,342,962
Net Best Estimate of Claims Provisions	R0250	4,681	60,441	54,553	109,161	1,421	230,257
Total Best estimate - gross	R0260	11,387	293,146	378,955	939,319	(38,131)	1,584,677
Total Best estimate - net	R0270	2,613	55,958	58,404	121,739	(715)	238,000
Risk margin	R0280	799	10,321	9,316	18,641	633	39,710
Amount of the transitional on Technical Provisions							
Technical provisions - total							
Technical provisions - total	R0320	12,187	303,467	388,271	957,960	(37,498)	1,624,388
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	8,774	237,188	320,551	817,580	(37,416)	1,346,678
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re- total	R0340	3,413	66,279	67,720	140,380	(82)	277,710

S.19.01.21 Non-life insurance claims (USD'000s)

Accident year/ Underwriting year	Z0010	Accident Year													
Gross Claims Paid (non-cumulative)															
(absolute amount)		Development Year													
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100	—	—	—	—	—	—	—	—	—	—	25,844	R0100	25,844	25,844
N-9	R0160	39,622	88,975	37,924	7,782	15,465	12,374	3,629	4,193	2,841	10,609	—	R0160	10,609	223,414
N-8	R0170	70,025	82,338	70,760	43,494	16,889	15,399	12,141	8,514	8,205	—	—	R0170	8,205	327,766
N-7	R0180	56,739	88,015	65,083	24,398	30,519	18,673	27,886	7,789	—	—	—	R0180	7,789	319,103
N-6	R0190	38,344	100,728	47,259	34,651	21,121	30,208	23,511	—	—	—	—	R0190	23,511	295,822
N-5	R0200	42,028	107,688	55,683	27,816	27,375	39,371	—	—	—	—	—	R0200	39,371	299,960
N-4	R0210	46,927	75,964	40,580	44,485	32,552	—	—	—	—	—	—	R0210	32,552	240,509
N-3	R0220	106,433	230,814	(21,931)	21,428	—	—	—	—	—	—	—	R0220	21,428	336,744
N-2	R0230	42,240	62,480	65,566	—	—	—	—	—	—	—	—	R0230	65,566	170,285
N-1	R0240	54,214	139,365	—	—	—	—	—	—	—	—	—	R0240	139,365	193,579
N	R0250	60,938	—	—	—	—	—	—	—	—	—	—	R0250	60,938	60,938
													R0260	435,178	2,493,964

Gross undiscounted Best Estimate Claims Provisions													
(absolute amount)													
		Development Year											
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100	—	—	—	—	—	—	—	—	—	—	42,715	R0100	40,427
N-9	R0160	—	—	120,727	67,530	55,412	43,279	42,381	29,360	28,879	17,261	—	R0160	15,760
N-8	R0170	—	203,834	112,794	75,219	69,873	51,795	39,803	29,012	20,750	—	—	R0170	19,179
N-7	R0180	236,720	146,985	87,010	105,100	97,351	95,352	66,893	75,274	—	—	—	R0180	65,843
N-6	R0190	269,322	194,463	174,566	159,016	156,196	107,015	82,044	—	—	—	—	R0190	75,036
N-5	R0200	227,880	180,463	160,869	143,881	114,931	79,632	—	—	—	—	—	R0200	72,187
N-4	R0210	274,882	182,225	145,637	107,114	103,587	—	—	—	—	—	—	R0210	94,728
N-3	R0220	397,212	123,290	124,519	84,402	—	—	—	—	—	—	—	R0220	74,922
N-2	R0230	402,396	307,503	257,251	—	—	—	—	—	—	—	—	R0230	234,355
N-1	R0240	503,043	384,227	—	—	—	—	—	—	—	—	—	R0240	350,613
N	R0250	583,037	—	—	—	—	—	—	—	—	—	—	R0250	530,170
													R0260	1,573,220

S.23.01.01 Own Funds (USD'000s)

		Total	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	10,110	10,110		—	—
Share premium account related to ordinary share capital	R0030	—	—		—	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—	—		—	
Subordinated mutual member accounts	R0050	—		—	—	—
Surplus funds	R0070	—	—			
Preference shares	R0090	—		—	—	—
Share premium account related to preference shares	R0110	—		—	—	—
Reconciliation reserve	R0130	366,022	366,022		—	
Subordinated liabilities	R0140	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	—				—
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
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						
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	R0220	—				
Deductions						
Deductions for participations in financial and credit institutions	R0230	—	—	—	—	—
Total basic own funds after deductions	R0290	376,132	376,132	—	—	—
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—			—	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—			—	
Unpaid and uncalled preference shares callable on demand	R0320	—			—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—			—	—
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—			—	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—			—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—			—	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—			—	—
Other ancillary own funds	R0390	—			—	—

Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	376,132	376,132	—	—	—
Total available own funds to meet the MCR	R0510	376,132	376,132	—	—	
Total eligible own funds to meet the SCR	R0540	376,132	376,132	—	—	—
Total eligible own funds to meet the MCR	R0550	376,132	376,132	—	—	
SCR	R0580	251,116				
MCR	R0600	62,779				
Ratio of Eligible own funds to SCR	R0620	149.78 %				
Ratio of Eligible own funds to MCR	R0640	599.14 %				
Reconciliation reserve						
Excess of assets over liabilities	R0700	377,257				
Own shares (held directly and indirectly)	R0710	—				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	10,110				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	1,125				
Reconciliation reserve	R0760	366,022				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	—				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	142,992				
Total Expected profits included in future premiums (EPIFP)	R0790	142,992				

S.25.01.21 Solvency Capital Requirement for undertakings on Standard Formula (USD'000s)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	48,228		—
Counterparty default risk	R0020	94,566		
Life underwriting risk	R0030	—	—	—
Health underwriting risk	R0040	4,608	—	—
Non-life underwriting risk	R0050	134,887	—	—
Diversification	R0060	(62,967)		
Intangible asset risk	R0070	—		
Basic Solvency Capital Requirement	R0100	219,322		
Calculation of Solvency Capital Requirement		**C0100**		
Operational risk	R0130	47,540		
Loss-absorbing capacity of technical provisions	R0140	—		
Loss-absorbing capacity of deferred taxes	R0150	(15,747)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency Capital Requirement excluding capital add-on	R0200	251,116		
Capital add-on already set	R0210	0		
of which, capital add-ons already set - Article 37 (1) Type a	R0211	0		
of which, capital add-ons already set - Article 37 (1) Type b	R0212	0		
of which, capital add-ons already set - Article 37 (1) Type c	R0213	0		
of which, capital add-ons already set - Article 37 (1) Type d	R0214	0		
Solvency capital requirement	R0220	251,116		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400	—		
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	—		
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	—		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	—		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—		
Approach to tax rate		**C0109**		
Approach based on average tax rate	R0590	Approach based on average tax rate		
Calculation of loss absorbing capacity of deferred taxes				
		Before the shock		
		C0110		
DTL	R0630	3,809		
		LAC DT		
		C0130		
LAC DT	R0640	(15,747)		
LAC DT justified by reversion of deferred tax liabilities	R0650	—		
LAC DT justified by reference to probable future taxable economic profit	R0660	(3,809)		
LAC DT justified by carry back, current year	R0670	(11,938)		
LAC DT justified by carry back, future years	R0680	—		
Maximum LAC DT	R0690	15,747		

S.28.01.01 Minimum Capital Requirement - Only life or non-life insurance or reinsurance activity (USD'000s)

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
MCR_{NL} Result	R0010	45,739	
		Non-life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	—	—
Income protection insurance and proportional reinsurance	R0030	2,613	8,136
Workers' compensation insurance and proportional reinsurance	R0040	—	—
Motor vehicle liability insurance and proportional reinsurance	R0050	—	—
Other motor insurance and proportional reinsurance	R0060	—	—
Marine, aviation and transport insurance and proportional reinsurance	R0070	55,958	45,294
Fire and other damage to property insurance and proportional reinsurance	R0080	58,404	76,224
General liability insurance and proportional reinsurance	R0090	121,739	58,664
Credit and suretyship insurance and proportional reinsurance	R0100	—	10,345
Legal expenses insurance and proportional reinsurance	R0110	—	—
Assistance and proportional reinsurance	R0120	—	—
Miscellaneous financial loss insurance and proportional reinsurance	R0130	—	1
Non-proportional health reinsurance	R0140	—	—
Non-proportional casualty reinsurance	R0150	—	—
Non-proportional marine, aviation and transport reinsurance	R0160	—	—
Non-proportional property reinsurance	R0170	—	—

Linear formula for life insurance and reinsurance obligations

		C0040	
MCR_L Result	R0200	—	
Total capital at risk for all life (re)insurance obligations		**Net (of reinsurance/SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	—	
Obligations with profit participation - future discretionary benefits	R0220	—	
Index-linked and unit-linked insurance obligations	R0230	—	
Other life (re)insurance and health (re)insurance obligations	R0240	—	
Total capital at risk for all life (re)insurance obligations	R0250		—
Overall MCR calculation			
		C0070	
Linear MCR	R0300	45,739	
SCR	R0310	251,116	
MCR cap	R0320	113,002	
MCR floor	R0330	62,779	
Combined MCR	R0340	62,779	
Absolute floor of the MCR	R0350	4,426	
		C0070	
Minimum Capital Requirement	R0400	62,779	