AXIS Specialty Europe SE

Solvency and Financial Condition Report
Year Ended 31 December 2021

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.

On 4 November 2015, Ireland transposed the Solvency II Directive (Directive 2009/138/EC) as amended by the Omnibus II Directive (2014/51/EC) (together "the Solvency II Directive") 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 Solvency and Financial Condition Report ("SFCR") for AXIS Specialty Europe SE is for year ended 31 December 2021.

The SFCR is produced as part of our compliance with the reporting requirements under Solvency II. It covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Business and Performance

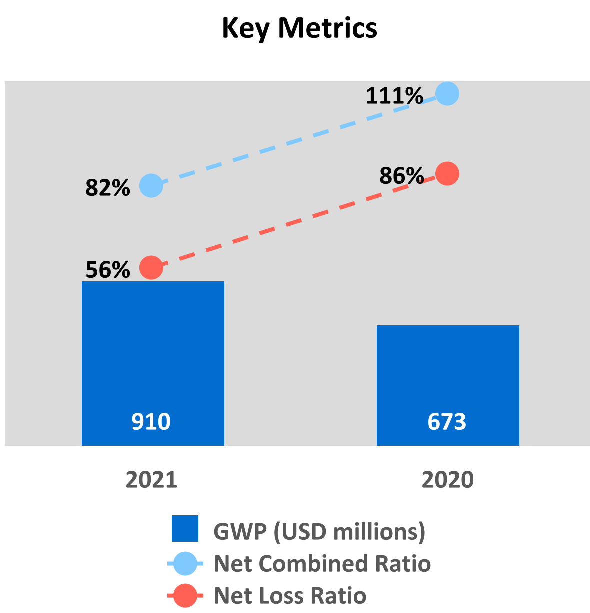
The Company operates from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2. The Company has underwriting branches in the United Kingdom and Belgium. A further underwriting branch in the Netherlands closed with effect from 31 December 2021.

The Company is a part of the AXIS Capital Holdings Limited ("AXIS Capital") group. AXIS Capital is a Bermuda-based holding company. At 31 December 2021, it had common shareholders' equity of USD 4.9 billion, total capital of USD 6.7 billion and total assets of USD 27.4 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. The Company is engaging with the PRA regarding the review and updating of its application. In the meantime, the Company has been entered into the PRA's Temporary Permissions Regime (TPR), whereby the Company has deemed authorisation for its third country branch, ensuring the Company can continue to operate in the U.K..

In 2021, the Company reported a profit of USD 16.2 million compared to a USD 11.0 million profit in 2020. Gross premium written in 2021 increased by USD 236.4 million to USD 909.6 million, representing an increase of 35.1% on prior year. This was driven by both new business and continued favourable rate changes building on positive rate changes delivered in prior years across most lines of business. In 2021, the Company continued to focus on pro-active portfolio management, achievement of rate adequacy and target return on capital.



The net combined ratio, which relates net losses and other expenses incurred to net premium earned, is the primary indicator of underwriting and therefore, company performance. The Company's net combined ratio was 82.6% (2020: 110.7%). The favourable result over prior year was driven by the absence of significant catastrophe and weather events in the year and favourable loss experience in a number of lines of business in both current and prior year accident years. The Company's net loss ratio was 56.3% (2020: 86.2%) with current year catastrophe and weather events contributing 4.6% compared to 26.6% in 2020. In 2020, 19.6% of the current accident year catastrophe and weather-related net loss ratio was attributable to COVID-19 pandemic losses.

In 2022, the Company expects the market to remain competitive with growth opportunities available in most lines of business. The Company will continue to pursue diversification and also opportunities to expand those lines of business which provide the best return on capital, while remaining committed to taking the underwriting actions necessary to achieve a stable return. A prudent underwriting approach together with protection from its reinsurance program enables the Company to continue to maintain its current financial strength.

The Company's investment portfolio generated returns from investments of USD 2.7 million in 2021 (2020: USD 27.6 million). This translated to a total return on average cash and investment (pre-tax) of 0.4 % in 2021 (2020: 5.2%).

Business and Performance (continued)
Refer to Section A for further detail relating to business and performance.

System of Governance
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 the diligent oversight of policies, processes and decision making. The Board of Directors are ultimately responsible for the good governance, performance and strategy of the Company.

Risk governance is executed through our three lines of defence model, as described below:

First Line of Defence Business Units	Second Line of Defence Risk Management	Third Line of Defence Internal Audit
•Management is responsible for the design and implementation of risk policies, processes and controls to manage risk	•Provide oversight and assurance of the management of risk across the business by supporting and challenging risk owners in their identification, assessment, and mitigation and reporting of risk.	•Perform risk audits of execution against the risk standards, practices, processes and controls.

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, strategic 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.

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

At present, the Company has low and containable exposure to potential losses resulting from war, acts of terrorism, political unrest and geopolitical instability in many regions of the world, including but not limited to, events related to the recent Russian invasion of Ukraine. We are closely monitoring the situation and complying with the requirements of the various sanction regimes which range from prohibiting the provision of insurance and reinsurance coverage or services to the freezing of assets of various insureds and cedants. For the foreseeable future, we are generally looking to minimize exposure to Russian business or insureds with material Russian interests.

Risk Profile (continued)
COVID-19, and its related impacts, are an evolving risk to which the Company is exposed from an underwriting, investments, capital and liquidity, operations and employee welfare perspective. The threat and outcome are better understood now than in the earlier stages, but the ultimate scale and scope and longer term societal and economic impact remains uncertain.

The Company continues to monitor the situation closely, including stress and scenario testing on existing underwriting and investment exposures, taking into consideration among other assumptions, the possible severity and duration of the outbreak. Our underwriters have reassessed risk appetite in light of the COVID-19 pandemic, in particular as it relates to exposure to communicable diseases, viruses, pathogens and other similar risks. The Company has taken appropriate steps to mitigate exposure to these types of risks, including adding policy terms and conditions, including exclusions.

In response to the ongoing COVID-19 pandemic, the Company introduced a remote work model. The Company has not observed any material adverse operational impact due to COVID-19. Employees are working remotely to service our clients and fulfil our regulatory obligations. The robust nature of our remote working tools, and the positive engagement of all stakeholders has allowed us to continue to trade effectively in all relevant markets. The Company in line with the easing of restrictions by governments commenced return to office and hybrid working models.

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; and
- deferred tax calculated on the expected tax impact once the valuation adjustments from GAAP to Solvency II unwind.

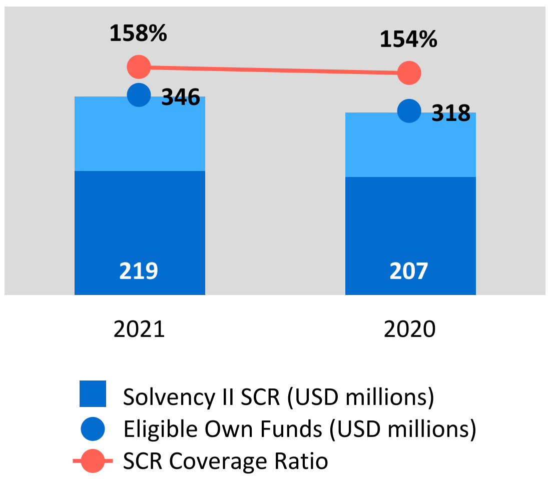
Refer to Section D for further detail on valuation for Solvency purposes.

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.

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. 97.5% (2020: 96.9%) of the Company's own funds are classified as Tier 1.

Capital Management (continued)

Solvency II SCR Coverage



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

The SCR at 31 December 2021 was USD 219.4 million (2020: USD 207.1 million) with a coverage ratio of 157.7% (2020: 153.7%).

The increase in SCR over prior year is driven by higher counterparty default risk and non-life underwriting risk charges associated with the growth in business.

The Minimum Capital Requirement ("MCR") at 31 December 2021 was USD 54.9 million (2020: USD 51.8 million) with a coverage ratio of 614.9% (2020: 595.9%).

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

Refer to Section E for further detail on Capital Management.

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.

The Company is 100% owned by AXIS Speciality 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.

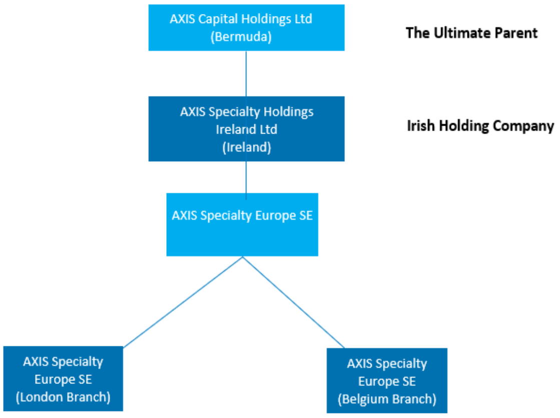
At 31 December 2021, AXIS Capital had common shareholders' equity of USD 4.9 billion, total capital of USD 6.7 billion and total assets of USD 27.4 billion.

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..

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.

The Company had an underwriting branch in the Netherlands, which was set up on 1 January 2019, which had been regulated by the Central Bank of Ireland and the Dutch National Bank. This branch was closed with effect from 31 December 2021. The activities of the Dutch branch were incorporated into the Belgium branch from 1st January 2022.

Simplified Group Structure



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

As a result of Brexit, the Company has been entered into the Prudential Regulation Authority ("PRA")'s Temporary Permissions Regime (TPR) and continues to operate in the U.K. While in the TPR, the Company is subject to Solvency II reporting requirements for third country branches, subject to certain reliefs. The Company will remain in the TPR for a period of three years or until our third-party branch application has been fully assessed and decided upon by the PRA, whichever occurs first.

In addition to submitting its third country branch application to the PRA, the Company has put in place a new operating model for EEA risks, covering the regulated activities of underwriting, claims handling, and complaints handling. This new model ensures that applicable activities are undertaken in the correct jurisdiction, while ensuring the Company can retain effective oversight of its activities.

Shared Services within the AXIS Group

The AXIS Group ("Group") operates a global business providing a range of specialty (re)insurance products and services. Business segments and legal entities within the Group rely on the breadth of support functions offered by the Group. The Group is structured such that the business segments have access to many of their own vital support functions, such as Finance, Actuarial, Human Resources ("HR") and Business Technology Solutions ("BTS"), and these are overlaid with further functions and support at Group level, such as Corporate Finance, 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 of Ireland ("CBI"), New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3.

AXIS Specialty London is regulated by the CBI and regulated by the PRA and 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 Company's external auditor is Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, whose address is 29 Earlsfort Terrace, Dublin 2, Ireland.

Performance

On a GAAP basis, the profit for the year ended 31 December 2021 was USD 16.2 million (2020 : USD 11.0 million).

	2021	**2020**
	USD'000	**USD'000**
Gross written premium	909,627	673,189
Technical results	21,589	(9,676)
Net investment income	2,699	27,631
Foreign exchange losses	(1,194)	(4,710)
Profit on ordinary activities before taxation	23,094	13,245
Taxation on profit on ordinary activities	(6,866)	(2,224)
Profit on ordinary activities after taxation	**16,228**	**11,021**

Gross premium written in 2021 increased by USD 236.4 million to USD 909.6 million, representing an increase of 35.1% on prior year. This was driven by both new business and continued positive rate changes building on improved rates delivered in prior years across most lines of business. The favourable technical result over prior year was driven by absence of large catastrophe and weather events and overall benign loss activity in the year.

The Company's investment portfolio generated returns from investments of USD 2.7 million in 2021 (2020: USD 27.6 million). This translated to a total return on average cash and investment (pre-tax) of 0.4% in 2021 (2020: 5.2%). Investment performance was adversely impacted by the increase in sovereign interest rates, widening in credit spreads partially offset by a rally in equity markets.

In 2022, the Company expects the market to remain competitive with growth opportunities available in most lines of business. The Company will continue to pursue diversification and also opportunities to expand those lines of business which provide the best return on capital, while remaining committed to taking the underwriting actions necessary to achieve a stable return. A prudent underwriting approach together with protection from its reinsurance program enables the Company to continue to maintain its current financial strength.

A.2 Performance from Underwriting

	2021 USD'000	2020 USD'000
Gross written premium	909,627	673,189
Net premiums written	142,994	100,723
Gross premiums earned	793,373	606,820
Net premiums earned	121,643	90,852
Other technical income (net)	369	272
Net losses and loss expenses	(68,455)	(78,303)
Net operating expenses	(31,968)	(22,500)
Technical result	**21,589**	**(9,676)**
Net combined ratio	**82.6 %**	**110.7 %**

Gross premium written in 2021 increased to USD 909.6 million, representing an increase of 35.1 % on prior year. In 2021, the Company continued to focus on pro-active portfolio management, achievement of rate adequacy and target return on capital.

The net combined ratio, which relates net losses and other expenses incurred to net premium earned, is the primary indicator of underwriting and therefore, company performance. The Company's net combined ratio was 82.6% (2020: 110.7%). The favourable result over prior year was driven by the absence of significant catastrophe and weather events in the year and favourable loss experience in a number of lines of business. The Company's net loss ratio was 56.3% (2020: 86.2%) with current year catastrophe and weather events contributing 4.6%. In 2020, current accident year catastrophe and weather-related events contributed 26.6%, of which 19.6% was attributable to COVID-19 pandemic losses.

Premiums

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

Direct business and accepted proportional reinsurance	**Gross premiums written 2021 USD'000**	**Gross premiums written 2020 USD'000**	**Net premiums earned 2021 USD'000**	**Net premiums earned 2020 USD'000**
Income Protection	27,372	19,317	5,654	2,894
Marine, aviation and transport	192,449	173,824	37,490	30,336
Fire and other damage to property	319,630	234,396	38,515	25,156
General liability	325,003	202,624	34,499	26,475
Credit and suretyship	44,898	43,004	5,421	5,985
Assistance	—	32	—	7
Miscellaneous financial loss	275	(8)	64	(1)
Total	**909,627**	**673,189**	**121,643**	**90,852**

Analysis of gross premiums written by geographic location of insured

	2021 USD'000	2020 USD'000
Europe	233,643	191,856
UK	341,319	199,580
North America	193,211	161,289
Asia	65,120	47,541
Oceania	35,682	28,767
Central & South America	27,723	22,743
Africa	12,929	21,414
	909,627	**673,189**

Refer to Appendix II S.05.02.01 for further detail on the top five countries by gross premiums written.

Premiums (continued)
In 2021, gross written premiums were USD 236.4 million higher than prior year with increases seen across most of lines of business. This was driven by both new business and continued favourable rate changes building on positive rate changes delivered in prior years across most lines of business.

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. There has been no change to the risk mitigation strategy during 2021.

Ceded premiums written increased from USD 572.5 million in prior year to USD 766.6 million in 2021 in line with the increase in gross written premium.

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 2021, USD 1.5 million (2020: USD 1.1 million) was receivable for the performance of those administrative services. Other technical income net of reinsurance recognised in 2021 was USD 0.4 million (2020: USD 0.3 million).

Net losses and loss expenses

Direct business and accepted proportional reinsurance	Net losses and loss expenses 2021 USD'000	Net loss ratio 2021 %	Net losses and loss expenses 2020 USD'000	Net loss ratio 2020 %
Income protection	3,557	62.9 %	1,572	54.3 %
Marine, aviation and transport	17,486	46.6 %	17,156	56.6 %
Fire and other damage to property	15,250	39.6 %	31,281	124.3 %
General liability	31,790	92.1 %	23,687	89.5 %
Credit and suretyship	574	10.6 %	4,537	75.8 %
Miscellaneous financial loss	(202)	nm	71	nm
Total	**68,455**	**56.3 %**	**78,303**	**86.2 %**

The net loss ratio has decreased from 86.2% in 2020 to 56.3% in 2021. The Company's net loss ratio was 56.3% (2020: 86.2%) with current year catastrophe and weather events contributed 4.6% in 2021 compared to 26.6% in 2020. In 2020, 19.6% of the current accident year catastrophe and weather-related net loss ratio was attributable to COVID-19 pandemic losses mainly on property lines of business. In 2021, the Company recognised USD 2.4 million of net prior year reserve releases (2020: USD 2.7 million) mainly attributable to favourable prior year loss emergence on property, marine, aviation and credit and suretyship partially offset by strengthening on professional lines.

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 2021 USD'000	Net operating expenses 2020 USD'000
Income protection	2,120	1,685
Marine, aviation and transport	10,344	9,583
Fire and other damage to property	12,952	5,381
General liability	6,348	4,041
Credit and Suretyship	358	1,810
Assistance	—	4
Miscellaneous financial loss	(154)	(4)
Total	**31,968**	**22,500**

	2021	2020
Net operating expense ratio	**26.3 %**	**26.7 %**

The increase in net operating expenses is driven by commissions attributable to higher costs associated with increased volumes of delegated business along with increased personnel costs associated with higher headcount

A. 3 Performance from investment activities

	Dividends 2021 USD'000	Interest 2021 USD'000	Realised gains/(losses) 2021 USD'000	Unrealised gains/(losses) 2021 USD'000	Total 2021 USD'000
Government Bonds	—	1,026	706	(3,691)	(1,959)
Corporate Bonds	—	5,971	2,505	(10,181)	(1,705)
Equity instruments	628	—	—	6,187	6,815
Collateralised securities	—	565	18	(1,251)	(668)
Cash and deposits	—	(72)	—	—	(72)
Other investments	—	—	—	1,180	1,180
FX Forward	—	—	217	—	217
	628	**7,490**	**3,446**	**(7,756)**	**3,808**

	Dividends 2020 USD'000	Interest 2020 USD'000	Realised gains/(losses) 2020 USD'000	Unrealised gains/(losses) 2020 USD'000	Total 2020 USD'000
Government Bonds	—	1,643	3,141	2,247	7,031
Corporate Bonds	—	5,951	(205)	8,347	14,093
Equity instruments	396	—	(303)	3,027	3,120
Collateralised securities	—	979	637	1,073	2,689
Cash and deposits	—	232	—	—	232
Collective investments undertakings	197	—	—	—	197
Other investments	—	—		1,544	1,544
FX Forward	—	—	(243)	—	(243)
	593	**8,805**	**3,027**	**16,238**	**28,663**

Investment Performance (continued)

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 5.0 million (2020: USD 6.5 million). Investment performance was adversely impacted by the increase in sovereign interest rates, widening in credit spreads partially offset by a rally in equity markets.

The Company's investment portfolio generated returns from investments of USD 2.7 million in 2021 (2020: USD 27.6 million). This translated to a total return on average cash and investment (pre-tax) of 0.4% in 2021 (2020: 5.2%).

	2021 USD'000	2020 USD'000
Investment expenses and charges	1,109	891

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.

Lease arrangements

The Company leases three floors in the Scalpel, 52 Lime Street. This lease was effective September 2018 and expires May 2036, with no option to terminate during the lease term. In September 2019 a new lease was entered into in Brussels for the Company’s Belgium branch. This lease is for 9 years with no lease break option. Charges relating to lease obligations of USD 2.4 million (2020: USD 0.3 million) are included in net operating expenses.

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

	USD '000
Lease commitments payable:	
Within 1 year	5,152
Within 2 to 5 years	20,610
After 5 years	46,032
	71,794

The Company is not party to any finance leases as at 31 December 2021.

A.5 Any other information

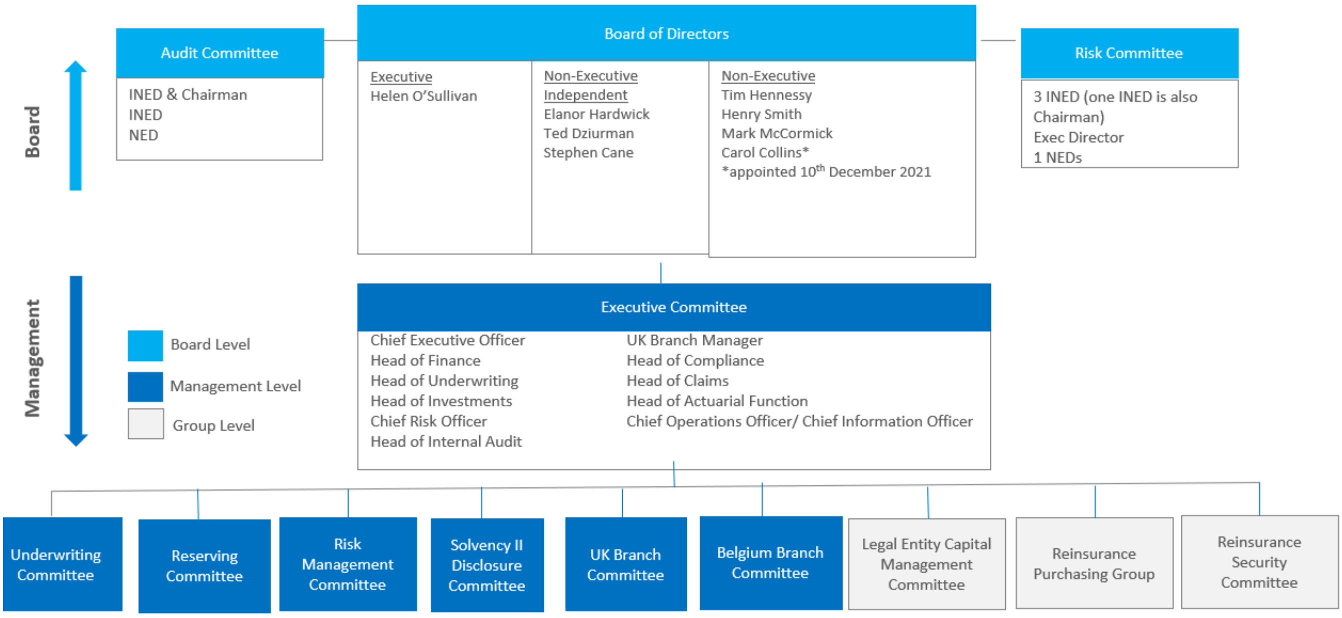
In response to the ongoing COVID-19 pandemic, the Company introduced a remote work model. The Company did not observe any material adverse operational impact due to COVID-19. Employees worked remotely to service our clients and fulfil our regulatory obligations. The robust nature of our remote working tools, and the positive engagement of all stakeholders allowed us to continue to trade effectively in all relevant markets.

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

AXIS Specialty Europe SE 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. There were no changes in the system of governance over the reporting period.



Board of Directors

The Company has established a Board of Directors comprising a minimum of five directors including at least two non-executive directors.

The Board of Directors is responsible for the following:

- monitoring and oversight of the business activities of the Company,
- setting the strategy of the Company, and overseeing its execution,
- corporate, regulatory and compliance governance,
- compliance with all legal and regulatory requirements,
- effective, prudent and ethical oversight of the Company,
- oversight of Board of Directors Committees,
- 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,
- defining and documenting the responsibilities of Directors, Board of Directors Committees and senior management to ensure that no single person has unfettered control of the business,
- succession planning for the Board of Directors and senior management; and
- monitoring the performance of outsourced providers.

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 four 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 of Directors has established 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.

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 CBI 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 Chairman of the Board nor the Chief Executive Officer are members.

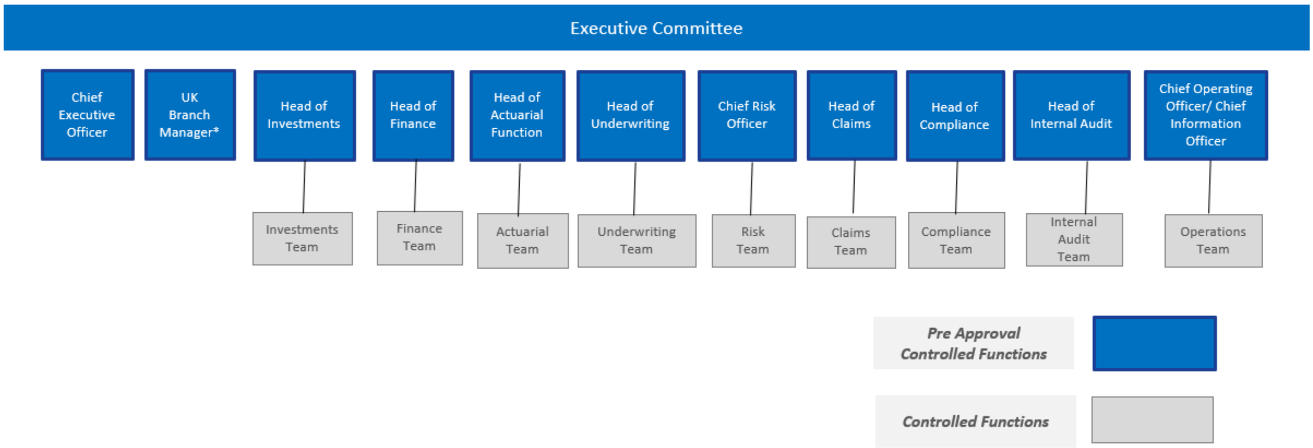
The Committee consists of no fewer than three directors, as determined by the Board of Directors. Committee members shall be appointed annually by a majority vote of the Board of Directors. The Committee chairman is an independent non-executive director appointed by a majority vote of the Board of Directors.

Risk Management Committee
The purpose of the Risk Management 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 Strategic Solvency Target 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 Strategic Solvency Target 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 Strategic Solvency Target and Company Risk Limits.

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

Executive Committee ("ExCo")
The ExCo includes the Company executive's holding Pre-approval controlled function ("PCF") positions:



*UK branch is no longer an EEA Branch, therefore the UK Branch Manager is technically no longer a PCF role, however it is a Senior Management Function (SMF) role instead, which is the UK equivalent.

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 KPIs and 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 Reserving Committee is to determine Management's Best Estimate ("MBE") of the Reserves for Loss and Loss Expenses to be recorded in the financial statements.

Core responsibilities of the Reserving Committee include:
- determining MBE for Reserves for Loss and Loss Expenses to be recorded in the Company financial statements in line with reserving policy as approved by the Company's Board of Directors,
- review of the MBE recommendations of the Company's Head of Actuarial Function,
- discuss the process and methods used by the internal and external actuaries, including how the reserve calculations changed quarter over quarter,
- review the catastrophic loss events to determine an appropriate reserve for events,
- review the risks around the claim reserves proposed and make final decisions for the reserve estimates; and
- approval of the Solvency II technical provisions.

The Reserving Committee includes the Head of Actuarial Function, Chief Executive Officer, Head of Finance, Chief Risk Officer and Head of Claims.

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 of Directors 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.

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 ASE Board of Directors, is implemented in the UK branch,
- ensuring effective implementation of the Company's policies and procedures, in the UK branch, as approved by the ASE ExCo and/or the ASE 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 ASE ExCo, and 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 of Directors,
- 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.

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 of Directors 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 prohibited 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.

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 by the company to the Board of Directors. Fees paid by the Company to non-executive Directors are included in 'Aggregate emoluments in respect of qualifying services'.

B.1.3 Material transactions with shareholders and the Board of Directors (continued)

	2021 USD'000	2020 USD'000
Aggregate emoluments in respect of qualifying services	740	628
Aggregate emoluments receivable under long-term incentive schemes	447	204
Company contributions in respect of qualifying services to Pension Scheme Fund, a defined contribution retirement benefit scheme	153	48
	1,340	**880**

B.2 Fit and proper requirements
The Company is subject to the CBI's Fitness and Probity Regime, which is set out under Part 3 of the Central Bank Act, 2010, and subsequent Statutory Instruments. This regime requires the Company to have in place certain control functions ("CF") and pre-approval control functions ("PCFs"). 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 us 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 Fitness & Probity 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.

CFs and PCFs are requested annually to attest to continuing compliance with F&P Standards, and SMFs and CPs are requested annually to attest to continuing compliance with SMCR.

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.

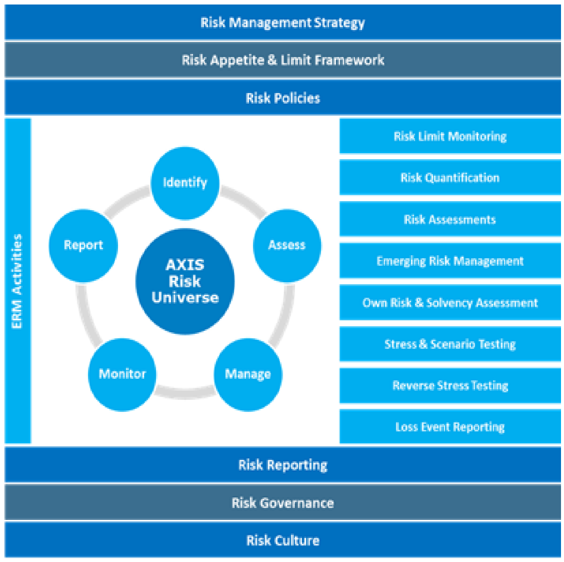
The ERM framework is an evolving framework which develops in response to changes in the Company's internal and external environment in order to remain relevant to the business and enhance value creation. The implementation and oversight of the framework is the responsibility of the Risk Function, which 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.

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

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 policies and procedures and satisfies itself that 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's risk strategy is developed by the Risk Function and is expressed through the Risk Appetite Statement ("RAS") which articulates where and how much risk the Company is willing to take. The risk appetite 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.

Risk Management Cycle (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.

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 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 Internal Model and 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 Strategic Solvency Target 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

Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels.

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 of Directors 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. 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 Risk Management Committee 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, reconciliations, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.
- Information and Communication: In terms of communication, AXIS 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 AXIS Whistle-blower Policy also provides various 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 Group Risk and Legal/ Compliance.

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

Internal Compliance Function

The Company has a Compliance Function which is part of the Group Legal Department, predominantly staffed by lawyers and compliance experts. The Head of Compliance reports functionally directly to the Board of Directors.

The Board has appointed a Head of Compliance 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 CBI and other Regulatory Authorities as applicable. In line with Article 270 of the Delegated Regulation, the Board reviews the Company Compliance Policy 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,
- monitoring the implementation of compliance and reporting periodically, through the Compliance Function to the CEO and the Audit Committee,
- reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and taking the necessary steps to ensure compliance; and
- reviewing staff training processes to ensure appropriate compliance capabilities.

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

In line with Article 279 of the Delegated Regulation and Article 46 of the Solvency II Directive, the Compliance Function maintains a Compliance Manual and Policy to track applicable law, regulation 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, 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 organisation's governance, risk management and internal control.

The internal audit activity is established by the Audit Committee of the Board of Directors. 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-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,

B.6 Actuarial function (continued)

- 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 Group 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 Bank of Ireland Guidelines on Preparing for Solvency II – System of Governance.

The Company determines whether an outsourced function or activity is 'critical or important', giving primary consideration to the protection of policyholders. Where policyholders are sufficiently removed from an outsourced function so as not to be affected should a breakdown in the process occur, the function or activity is not classified as one of critical importance.

The Board of Directors 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 a 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 outsourcing policy.

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 table below outlines outsourced 'critical or important' activities and the jurisdiction of where the service provider is located:

Function	Description of Service Provided	Jurisdiction
Internal		
Cross function	The Company benefits from the support services offered by the AXIS group. Group shared services provide access to necessary skills and resources enabling the Company to operate effectively to meet regulatory and business requirements. Shared services include Underwriting management, Reinsurance, Claims, Exposure management, Risk management, Actuarial, Compliance & legal, Internal Audit, Finance, Human Resources, Investment management, Operations & BTS (Business Technology Solutions).	Multi-jurisdictional
External		
Finance	Finance Outsourcing includes provision of accounting and reconciliation services	Multi-jurisdictional
Actuarial	Actuarial outsourcing includes provision of annual actuarial opinions and reports	Multi-jurisdictional
Investments	Investment services outsourcing includes investment management of assets, accounting and risk solutions.	Multi-jurisdictional
BTS	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 of Directors 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 of Directors. 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 of Directors, 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 of Directors are 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 Mount Herbert Court, 34 Upper Mount 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").

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 July 2018, AXIS sponsored a catastrophe bond, Northshore Re II Limited, Series 2018-1 which provides the Group with multi-year annual aggregate cover capacity of USD 200 million for U.S. named storms (incl. Puerto Rico & U.S. Virgin Islands), U.S. and Canada earthquake, and European windstorm events. The risk period is from July 7, 2018 to June 30, 2022.

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 windstorm events. The risk period is from June 27, 2019 to June 30, 2023.

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 (incl. Puerto Rico & U.S. Virgin Islands), U.S. and Canada earthquake and European windstorm events. The risk period is from January 1, 2021 to December 31, 2023.

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 collateralisation of the covers throughout the risk period.

On January 1, 2019, AXIS launched a fully collateralised sidecar vehicle, Alturas Re Ltd. The Alturas Re Ltd collateralised sidecar vehicle which provided reinsurance support for AXIS Insurance's property portfolio was not renewed at January 1, 2021.

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. New information, events or circumstances, unknown at the original estimation date, may lead to future developments in the Company's ultimate losses being significantly greater (or less) than the reserves currently provided. 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 2021 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.

C.2 Credit Risk (continued)

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 439.4 million or 16.9% of the Company's total assets (2020: USD 423.2 million or 17.8% of its total assets). The credit ratings of fixed term maturities are shown below at 31 December 2021 and 31 December 2020. 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.

	2021	2020
	USD '000	USD '000
Rating		
AAA	204,063	192,713
AA	18,728	21,935
A	89,767	93,147
BBB	85,475	87,222
Below BBB	41,400	28,171
	439,433	**423,188**

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.

The table below provides a breakdown of the Company's cash and cash equivalents by credit rating at 31 December 2021 and 31 December 2020:

		2021	2020
Rating	**Rating Agency**	**USD '000**	**USD '000**
AAAm	S&P	71,544	63,101
P-1	Moody's	19,742	14,448
P-2	Moody's	205	206
		91,491	**77,755**

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.

Reinsurance recoverable assets (continued)
The table below provides a breakdown of the Company's reinsurance recoverable and prepaid reinsurance premiums balances by credit rating at 31 December 2021 and 31 December 2020:

	2021	**2020**
Rating	**USD '000**	**USD '000**
A++	28,450	20,124
A+	409,727	383,282
A	972,240	915,576
A-	23,412	14,778
B++	1,576	491
Not rated	30,174	21,508
	1,465,579	**1,355,759**

The A balance includes USD 867.8 million (2020: USD 827.5 million) recoverable from ASL, a related party.

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 2021 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 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. The management of asset classes is centralised to control aggregation of risk and provide a consistent approach to constructing portfolios as well as the selection process of external asset managers. As part of the annual Strategic Asset Allocation process, different asset strategies are simulated and stressed in order to evaluate the 'optimal' portfolio (given return objectives and risk constraints). The management of asset classes is centralised 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 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.

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

Risk Mitigation (continued)

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 2021. 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 FX exposures and associated currency risk charges under Solvency II.

The table below provides a breakdown of the Company's exposure to foreign currencies on a GAAP basis at 31 December 2021 and 31 December 2020:

As at 31 December 2021	**GBP**	**DKK**	**CAD**	**CHF**	**EUR**	**SEK**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	16,975	1,790	2,039	1,190	55,459	1,153	4,298	82,904
Other net assets/(liabilities)	(87,148)	(5,216)	337	181	(19,334)	81	(2,964)	(114,062)
Total Foreign Currency Exposure	**(70,172)**	**(3,426)**	**2,376**	**1,371**	**36,125**	**1,234**	**1,334**	**(31,158)**
Foreign Currency Derivatives Net	71,129	4,572	—	—	(14,735)	—	10,541	71,507
Total Net Foreign Currency Exposure	**957**	**1,146**	**2,376**	**1,371**	**21,390**	**1,234**	**11,875**	**40,349**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	**96**	**115**	**238**	**137**	**2,139**	**123**	**1,188**	**4,035**

As at 31 December 2020	**GBP**	**DKK**	**CAD**	**CHF**	**EUR**	**SEK**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	12,362	2,221	1,120	327	50,695	1,095	8,324	76,144
Other net assets/(liabilities)	(84,012)	(161)	26	(201)	(26,200)	(199)	(3,216)	(113,963)
Total Foreign Currency Exposure	**(71,650)**	**2,060**	**1,146**	**126**	**24,495**	**896**	**5,108**	**(37,819)**
Foreign Currency Derivatives Net	0	0	0	0	(9,786)	0	6,073	(3,713)
Total Net Foreign Currency Exposure	**(71,650)**	**2,060**	**1,146**	**126**	**14,709**	**896**	**11,181**	**(41,531)**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	**(7,165)**	**206**	**115**	**13**	**1,471**	**90**	**1,118**	**(4,153)**

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 2021 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 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 2021, the expected profit in future premiums is USD 11.4 million (2020: USD 2.3 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.

Risk Mitigation

The Company manages operational risk through sound corporate and risk governance, including the application of process controls throughout our business which are reviewed on a regular basis. In testing these controls, the Company supplements the work of the internal audit team with regular underwriting and claim peer audits. A risk register, capturing all operational risks faced by the Company and the associated risk assessments are periodically reviewed by the Risk Committee of the Board. The Group Risk Function is responsible for coordinating and overseeing a Group-wide framework for operational risk management, which includes:

- clearly defined ownership of all operational risks with a regular risk and control assessment process for assessing each risk;

C.6 Operational Risk (continued)

Risk Mitigation (continued)

- clearly defined ownership of Key Controls, with a quarterly self-assessment (certification) process where the effectiveness is assessed;
- an internal control framework consistent with the principles of the COSO framework, including the maintenance of appropriate process and control documentation;
- a risk event process which helps to identify and escalate operational risk events, identify any trends, and, where necessary, put in place improvement actions to avoid occurrence or recurrence of operational loss events;
- key risk indicators and other metrics to help monitor the Company's operational risk profile; and
- appropriate governance and monitoring with respect to any operational risk associated with major new or change initiatives within the Company.

We have specific processes and systems in place to focus on high priority operational matters such as information and cyber security, managing business continuity, and third-party vendor risk:

- major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, represent a significant operational risk to the Company. The Business Continuity Management framework strives to protect critical business services and the functions which support these from these effects to enable them to carry out their core tasks in time and at the quality required. Each year, Business Continuity Planning procedures are reviewed through cyclical planned tests.
- the Company may be the target of attempted cyber and other security threats and continuously monitors and develops information technology networks and infrastructure to prevent, detect, address and mitigate the risk of threats to our data and systems as well as having a dedicated cyber security team.
- the use of third-party vendors exposes the Company 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. Material third party vendor risk is managed, 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 continuity planning.

C.7 Other material risks

COVID-19

COVID-19, and its related impacts, are an evolving risk to which the Company is exposed from an underwriting, investments, capital and liquidity, operations and employee welfare perspective. The threat and outcome are better understood now than in the earlier stages, but the ultimate scale and scope and longer term societal and economic impact remains uncertain.

The Company continues to monitor the situation closely, including stress and scenario testing on existing underwriting and investment exposures, taking into consideration among other assumptions, the possible severity and duration of the outbreak. Our underwriters have reassessed risk appetite in light of the COVID-19 pandemic, in particular as it relates to exposure to communicable diseases, viruses, pathogens and other similar risks. The Company has taken appropriate steps to mitigate exposure to these types of risks, including adding policy terms and conditions, including exclusions.

In response to the ongoing COVID-19 pandemic, the Company introduced a remote work model. The Company has not observed any material adverse operational impact due to COVID-19. Employees are working remotely to service our clients and fulfil our regulatory obligations. The robust nature of our remote working tools, and the positive engagement of all stakeholders has allowed us to continue to trade effectively in all relevant markets. The Company in line with the easing of restrictions by governments commenced return to office and hybrid working models.

The exit of the U.K. from the European Union ("Brexit")

As a result of Brexit, the Company has been entered into the PRA's Temporary Permissions Regime (TPR) and continues to operate in the U.K.. While in the TPR, the Company will have to complete a full suite of Solvency II reporting, subject to certain reliefs. The Company will remain in the TPR for a period of three years or until our third party branch application has been fully assessed and decided upon by the PRA, whichever occurs first.

In addition to submitting its third country branch application to the PRA, the Company has put in place a new operating model for EEA risks, covering the regulated activities of underwriting, claims handling, and complaints handling. This new model ensures that applicable activities are undertaken in the correct jurisdiction, while ensuring the Company can retain effective oversight of its activities. Brexit could also lead to legal and regulatory uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate and the E.U. determines access rights and limitations

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company value arising from the adverse effect of management decisions regarding business strategies and their implementation. This includes the risk that business strategy is not adapted to changes in the internal and external environment.

Strategic risk (continued)
To ensure proper implementation of strategic goals in the current business plan, management monitors market and competitive conditions, regulatory conditions, etc. to decide whether to make strategic adjustments.

Group contagion risk
Group contagion risk is the risk of financial or non-financial loss in the Company due to linkages or interdependencies with other parts of the AXIS Group. Group contagion risk is primarily managed through AXIS' Group wide Risk Management Framework which ensures that each entity operates within its defined solvency standards and risk limits, thus limiting their exposure to the above risks.

Reputational risk
Reputational risk is the risk of a loss resulting from damage to the Company's public image. The Company is potentially exposed to reputational risk stemming from an act or omission by the Company or an employee, or from an event from within the broader AXIS Group. Any damage to the Company's reputation may result in a loss of trust among its clients and stakeholders.

Every risk type has potential consequences on the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to reputation. The Company's risk assessment process covering all risks in the risk register considers reputational impacts to the Company. Additionally, the Company endeavours to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles in the AXIS Code of Conduct, which includes integrity and good business practices. Mitigation of legal or regulatory breach is undertaken by the skilled and qualified compliance team, by ongoing monitoring of the regulatory landscape, through business conduct standards and policies, implementation of background and compliance checks and staff training. Effectiveness of the processes and governance to mitigate legal and compliance risk is monitored through the Company risk register. The AXIS Group centrally manages certain aspects of reputation risk, for example, communications, through dedicated functions with appropriate expertise.

Conduct Risk
Conduct risk management refers to seeking to ensure good customer outcomes through treating all customers fairly and minimising the risk of any actions that may result in customer detriment across the product lifecycle. The Company has a conduct risk framework in place which is reviewed and updated on a regular basis and is supported by the operation of the Conduct Oversight Group.

Emerging Risks
AXIS has in place a process for scanning the external environment to identify risks that present an emerging threat to the business environment, industry or company and any opportunities. An Emerging Risk framework is in place to ensure that emerging risks and opportunities are identified, assessed and managed in an appropriate and timely manner. The scope of the Emerging Risk framework considers upside, as well as downside risks, to ensure that any potential commercial opportunities are explored and pursued. The Emerging Risk Working Group (ERWG) is responsible for the oversight of the framework and acts as a focal point for coordinating the Company's response. These emerging risks and opportunities are captured by the Company's emerging risk radar and reviewed by the Company's Board Risk Committee on a regular basis. The risk radar categorizes emerging risks according to their potential impact and the time horizon to first material impact and facilitates ongoing monitoring. More detailed assessments are carried out on "priority" risks identified to understand the threat or opportunity of these risks and early action is taken where appropriate to mitigate future impact. An example of a key emerging risk the Company is currently focusing on is Climate Change (see below).

Climate risks
The Company is potentially exposed to different aspects of climate risk, specifically, physical, liability and transition risks, 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 insureds 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.

Climate risks (continued)

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, governments and regulators putting into place measures to encourage and support this transition, and society as a whole adapting to a lower-carbon economy. There remains a risk that our financial condition or operating performance may be impacted by changes in our business model arising from climate change transition, and by the performance of strategies we put in place to manage this transition.

Environmental, Social and Governance (ESG) and sustainability have become major topics that encompass a wide range of issues, including climate change and other environmental risks. AXIS has initiated a Climate Change Working Group, 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. The Company has additionally developed a plan to ensure that the any exposures are systematically assessed and well monitored as appropriate.

AXIS Capital’s Fossil Fuel policy limiting thermal coal and oil sands underwriting and investment went into effect on 1 January 2020. 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.

Russia/Ukraine Conflict

At present, the Company has low and containable exposure to potential losses resulting from war, acts of terrorism, political unrest and geopolitical instability in many regions of the world, including but not limited to, events related to the recent Russian invasion of Ukraine. We are closely monitoring the situation and complying with the requirements of the various sanction regimes which range from prohibiting the provision of insurance and reinsurance coverage or services to the freezing of assets of various insureds and cedants. For the foreseeable future, we are generally looking to minimize exposure to Russian business or insureds with material Russian interests.

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.

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. One out of the nine tests performed resulted in the SCR coverage ratio falling below the Company’s Strategic Solvency Target.

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.).

Sensitivity testing (continued)

Scenario	Scenario Description	Risk Category	Risk Category SCR Impact (USD'm)	SCR post shock (USD'm)	SCR Coverage
Baseline	**Based on 2021 Annual SCR**				**158 %**
Net Earned Premium increase by 30% across all lines	Higher growth than planned during 2022 (Net Earned Premium increase by 30% across all lines)	Insurance Risk	23	242	142 %
30% increase in Nat Cat Gross Earned Premium	Nat Cat exposure growth (30% increase in Nat Cat Gross Earned Premium)	Insurance Risk	11	230	150 %
30% increase in Man Made exposure	Man-made Cat exposure growth during 2022 (30% increase in Man Made exposure)	Insurance Risk	2	221	156 %
20% increase Net Technical Provisions for long-tail lines	Reserve deterioration (20% increase Net Technical Provisions for long-tail lines)	Insurance Risk	18	237	133 %
Increase Net Technical Provisions for Property = highest 100YR Nat Cat PML	Shock loss (increase Net Technical Provisions for Property = highest 100YR Nat Cat PML)	Insurance Risk	7	226	148 %
Equity investments value decrease in value by 40%	Equity investments value decrease (decrease in value by 40%)	Market Risk	(5)	214	154 %
Credit spreads widening by 400 bps for Investment Grade & 1600 bps for High Yield	Credit spreads widening (widening by 400bps for Investment Grade & 1600bps for High Yield)	Market Risk	(1)	218	143 %
All RI counterparties credit rating down by 1 notch	Reinsurance counterparties downgrade (all RI counterparties credit rating down by 1 notch)	Credit Risk	6	225	151 %
COVID-19	COVID-19 stress	Multiple Risk	17	236	119 %

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.1 Assets

	Solvency II 2021 USD'000	GAAP 2021 USD'000	Difference 2021 USD'000	Adjustment Type
Deferred acquisition costs	—	6,712	(6,712)	Valuation
Net deferred tax asset	8,629	2,683	5,946	Valuation
Property, plant & equipment held for own use	57,555	30,572	26,983	Valuation
Government Bonds	185,323	183,761	1,562	Reclassification
Corporate Bonds	226,109	224,877	1,232	Reclassification
Collateralised securities	30,868	30,794	74	Reclassification
Collective Investments Undertakings	113,731	108,921	4,810	Reclassification
Other investments	18,366	16,224	2,142	Reclassification
Other loans and mortgages	574	—	574	Reclassification
Investments	574,971	564,578	10,394	
Insurance and intermediaries receivables	80,670	326,681	(246,011)	Valuation
Reinsurance receivables	48,558	48,558	—	
Derivatives	680	589	91	Reclassification
Cash and cash equivalents	19,930	26,864	(6,934)	Reclassification
Any other assets, not elsewhere shown	34,545	37,090	(2,545)	Reclassification
	825,538	**1,044,327**	**(218,788)**	

D.1 Assets (continued)

	Solvency II 2020 USD'000	GAAP 2020 USD'000	Difference 2020 USD'000	Adjustment Type
Deferred acquisition costs	—	2,067	(2,067)	Valuation
Net deferred tax asset	9,873	1,762	8,111	Valuation
Property, plant & equipment held for own use	59,950	32,508	27,442	Valuation
Government Bonds	162,918	154,935	7,983	Reclassification
Corporate Bonds	221,603	218,185	3,418	Reclassification
Collateralised securities	50,450	50,067	383	Reclassification
Collective Investments Undertakings	88,257	87,494	763	Reclassification
Other investments	14,469	21,832	(7,363)	Reclassification
Other loans and mortgages	604	—	604	Reclassification
Investments	538,301	532,513	5,788	
Insurance and intermediaries receivables	85,028	289,330	(204,302)	Valuation
Reinsurance receivables	44,454	44,454	—	
Derivatives	85	—	85	Reclassification
Cash and cash equivalents	16,115	17,643	(1,528)	Reclassification
Any other assets, not elsewhere shown	8,468	10,916	(2,448)	Reclassification
	762,274	**931,193**	**(168,919)**	

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 Deferred tax
Certain GAAP assets and liabilities are restated in accordance with SII valuation rules. The restated assets and liabilities are analyzed 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 gross 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 the office premises in Dublin, 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. In accordance with IAS 16, the Dublin office is revalued every three to five years unless there are material changes to the fair value. The Dublin office is currently valued at USD 8.0 million.

D.1.3 Property, plant and equipment (continued)
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 based on their current replacement cost. This is an alternative valuation methodology set out in Solvency II and is considered appropriate in valuing the the bespoke nature of leasehold improvements.

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.

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.

	Solvency II			GAAP
	2021	**2021**	**2021**	**2021**
	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	3,542	572	**4,114**	**4,925**
Marine, aviation and transport	35,916	7,343	**43,259**	**61,991**
Fire and other damage to property	42,221	6,563	**48,784**	**64,359**
General liability	149,008	23,302	**172,310**	**151,751**
Credit and suretyship	(6,730)	194	**(6,536)**	**8,194**
Miscellaneous financial loss	(1,031)	8	**(1,023)**	**48**
Accepted non-proportional reinsurance				
Health	(27)	—	**(27)**	**—**
Total Non-Life obligation	**222,899**	**37,982**	**260,881**	**291,268**

	Solvency II			GAAP
	2020	**2020**	**2020**	**2020**
	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	1,243	275	**1,518**	**3,953**
Marine, aviation and transport	41,799	5,901	**47,700**	**60,239**
Fire and other damage to property	49,296	6,165	**55,461**	**62,373**
General liability	137,786	17,312	**155,098**	**128,607**
Credit and suretyship	11,095	968	**12,063**	**25,326**
Miscellaneous financial loss	(409)	34	**(375)**	**249**
Accepted non-proportional reinsurance				
Health	(27)	—	**(27)**	
Total Non-Life obligation	**240,783**	**30,655**	**271,438**	**280,747**

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 reinsureds 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, reassureds and/or brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgement regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilised in this process, including the 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 accident year and class of business. The Company's historical claims data is often supplemented with industry benchmarks when applying these methodologies.

D.2.1 GAAP technical provisions (continued)
Initial Expected Loss Ratio ("IELR") Method: This indication of ultimate claim cost is based on applying an expected loss ratio for the accident 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 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, an external 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 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, accident periods at each delay period. Where the history is not considered fully credible, an external benchmark may also be given some weight.

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 historic statistics which may or may not be borne out in future. There is uncertainty around claims inflation which may be higher or lower in future than seen in the historic data. Some classes of business assume a certain number of claims to be reported in 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 particularly uncertainty in the reserving estimates.

Unearned premium reserves
Insurance premiums written are recorded in accordance with the terms of the underlying policies. Insurance 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. Insurance unearned premiums represent the portion of insurance premiums written which is 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')**: The best estimate amount 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 historic 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'):** Unearned business comprises 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 runoff expenses and is offset by future premiums to be received.

iii. **Risk Margin:** A risk margin is then applied to reflect the premium that would be required by a third party assuming the business at the valuation date.

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 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 changes from the methodology used to derive the technical provisions on a GAAP basis are as follows:

i. Standard Solvency II classes of business are used for reporting in addition to the standard reserving classes and also at the original currency level, with all minor currencies being grouped into an 'Other' category.
ii. The reserves held for future 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 implicit 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 risk free interest rate term structure.
v. Bound unincepted business is included in the analysis, with the expected claims offset by the future premium income for this business.
vi. Unearned claims are estimated rather than 100% 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. This means that any transactions that have taken place but where the cash has not yet been paid or received will be included as a future cash flow.
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 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. 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 2021 were amounts of USD 577.7 million (2020: USD 583.7 million) recoverable from a 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 2021 USD'000	GAAP 2021 USD'000	Difference 2021 USD'000	Adjustment Type
Derivatives	91	—	91	Reclassification
Insurance & intermediaries payables	4,113	20,930	(16,817)	Valuation
Reinsurance payables	84,512	270,141	(185,629)	Valuation
Deposits from Reinsurers	636	636	—	
Debts owed to credit institutions	394	—	394	Reclassification
Any other liabilities, not elsewhere shown	127,880	83,995	43,885	Valuation
	217,626	**375,702**	**(158,076)**	

D.3 Other Liabilities (continued)

	Solvency II 2020 USD'000	GAAP 2020 USD'000	Difference 2020 USD'000	Adjustment Type
Derivatives	176	91	85	
Insurance & intermediaries payables	4,278	19,454	(15,176)	Valuation
Reinsurance payables	91,173	242,774	(151,601)	Valuation
Deposits from Reinsurers	680	680	—	
Debts owed to credit institutions	1,811	—	1,811	Reclassification
Any other liabilities, not elsewhere shown	73,226	28,911	44,315	Valuation
	171,344	**291,910**	**(120,566)**	

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 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 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. 97.5% (2020: 96.9%) of the Company's own funds are classified as Tier 1.

	2021	2021	2021	2021
	USD'000	USD'000	USD'000	USD'000
	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	327,218	327,218	—	—
Net deferred tax asset	8,629	—	—	8,629
Eligible own funds	**345,956**	**337,328**	**—**	**8,629**

	2020	2020	2020	2020
	USD'000	USD'000	USD'000	USD'000
	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	298,472	298,472	—	—
Net deferred tax asset	9,873	—	—	9,873
Eligible own funds	**318,455**	**308,582**	**—**	**9,873**

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:

	2021	2020
	USD'000	USD'000
Shareholders' equity	377,354	361,127
Revaluation reserve	(30,324)	(41,632)
Less restricted own fund items		
Restricted asset	1,074	1,040
Eligible own funds	**345,956**	**318,455**

E.1 Own Funds

The increase in eligible own funds is driven by the movement of GAAP to Solvency II valuation adjustments recognised in the revaluation reserve. Section D provides description of valuation differences between GAAP and Solvency II.

	2021	2020
	USD'000	USD'000
Adjustments for Solvency II technical provisions	24,804	(150)
Adjustments for Solvency II risk margin	(37,981)	(30,654)
Adjustment for deferred acquisition costs	(6,712)	(2,067)
Adjustments for property, plant and equipment (including leases)	(16,381)	(16,873)
Deferred tax adjustment	5,946	8,112
Revaluation reserve	**(30,324)**	**(41,632)**

Adjustments are summarised below:

- Solvency II technical provisions, excluding risk margin, have had a beneficial increase to own funds during the period with the improvement materially due to premium provisions.
  - Claims provisions have had reductions in claims reserves and further reductions due to higher discount rates, which more than offset adverse movements related to additional expenses and loss given default allowances.
  - Premium provisions have had beneficial movements in own funds due to improved loss ratios.
- the risk margin is a function of the main SCR risks and the run off of these risks. The increase in adjustment for risk margin is in line with the increase in the business and related risks,
- adjustment for deferred acquisition costs have increased in line with the increase in business,
- 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; and
- adjustment for deferred tax recognised the tax impact of GAAP to Solvency II valuation adjustments.

Restricted own fund items relate to USD 1.1 million restricted cash balances (2020: USD 1.0 million) held by the Company.

E.2 Solvency capital requirement and Minimum capital requirement

The 2021 and 2020 results presented are based on the 2021 and 2020 Annual Solvency II returns submitted to the CBI respectively.

The SCR has been calculated using the Standard Formula methodology.

Solvency Capital Requirement	2021	2020
	USD'000	USD'000
Market risk	56,610	55,750
Counterparty default risk	83,152	72,696
Health underwriting risk	5,220	5,111
Non-life underwriting risk	115,589	94,783
Diversification	(62,812)	(57,197)
Basic solvency capital requirement	**197,759**	**171,143**
Operational risk	38,364	40,215
Loss-absorbing capacity of deferred taxes ("LACDT")	(16,694)	(4,214)
Solvency capital requirement	**219,429**	**207,144**
Eligible own funds	**345,956**	**318,455**
Ratio of eligible own funds to SCR	**157.7 %**	**153.7 %**

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

The increase in SCR over prior year is driven by higher counterparty default risk and non-life underwriting risk charges associated with the growth in business.

- The Counterparty default risk charge has increased due to higher reinsurance recoverables, premium receivables and counterparty risk for other receivable balances.
- The Non-life underwriting risk charge has increased materially due higher premium volumes across all lines of business and an increased catastrophic risk charge attributable to higher premium volumes in Fire and other damage and General liability lines of business.
- The increased benefit in LACDT is due to the increase in future projected profits against which the tax benefit can be utilised.

Use of simplifications and undertaking specific parameters

Simplified calculation of the risk mitigating effect for reinsurance arrangements

The Company has applied 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 where the Company does not have this information.

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.

	2021 Total USD'000	2021 Tier 1 USD'000	2021 Tier 2 USD'000
Eligible own funds to meet the MCR	337,328	337,328	—
MCR	**54,857**		
Ratio of eligible own funds to MCR	**614.9 %**		

	2020 Total USD'000	2020 Tier 1 USD'000	2020 Tier 2 USD'000
Eligible own funds to meet the MCR	308,582	308,582	—
MCR	**51,786**		
Ratio of eligible own funds to MCR	**595.9 %**		

MCR (continued)
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	Net (of reinsurance) written premiums in the last 12 months
	2021	2021
	USD'000	USD'000
Direct business and accepted proportional reinsurance		
Income protection	3,542	5,472
Marine, aviation and transport	35,916	37,934
Fire and other damage to property	42,221	47,414
General liability	149,008	45,949
Credit and suretyship	—	6,160
Miscellaneous financial loss	—	64

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.

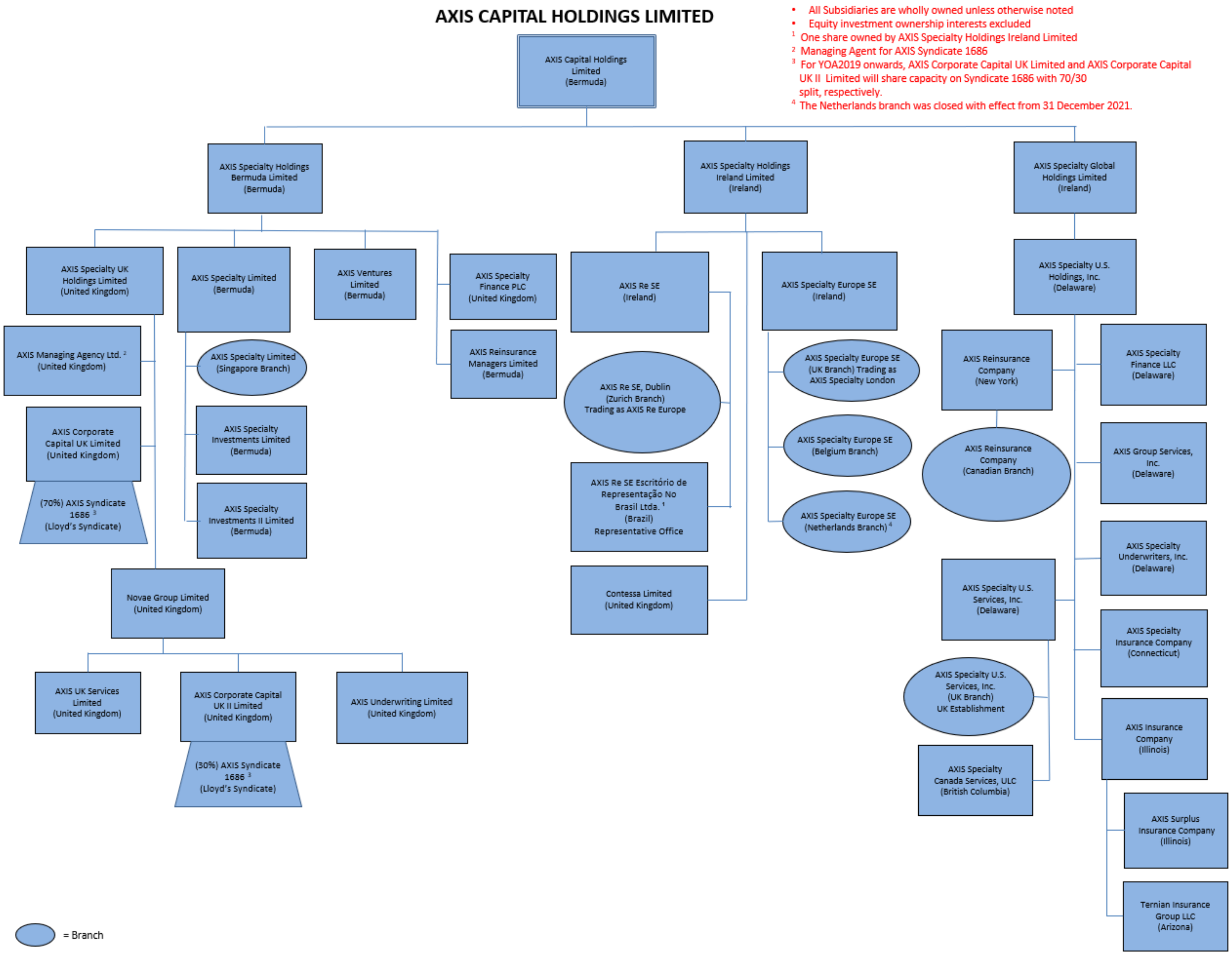
E.4 Differences between standard formula and any internal model used
No internal or partial internal model was used for the calculation of the SCR.

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



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	141,271
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	57,555
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	575,078
Property (other than for own use)	R0080	—
Holdings in related undertakings, including participations	R0090	—
Equities	R0100	—
Equities - listed	R0110	—
Equities - unlisted	R0120	—
Bonds	R0130	442,300
Government Bonds	R0140	185,323
Corporate Bonds	R0150	226,109
Structured notes	R0160	—
Collateralised securities	R0170	30,868
Collective Investments Undertakings	R0180	113,731
Derivatives	R0190	680
Deposits other than cash equivalents	R0200	—
Other investments	R0210	18,366
Assets held for index-linked and unit-linked contracts	R0220	—
Loans and mortgages	R0230	574
Loans on policies	R0240	—
Loans and mortgages to individuals	R0250	—
Other loans and mortgages	R0260	574
Reinsurance recoverables from:	R0270	1,055,888
Non-life and health similar to non-life	R0280	1,055,888
Non-life excluding health	R0290	1,044,666
Health similar to non-life	R0300	11,222
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	80,670
Reinsurance receivables	R0370	48,558
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	19,930
Any other assets, not elsewhere shown	R0420	34,545
Total assets	R0500	**2,014,068**

Liabilities		C0010
Technical provisions – non-life	R0510	1,316,768
Technical provisions – non-life (excluding health)	R0520	1,301,460
Technical Provisions calculated as a whole	R0530	—
Best Estimate	R0540	1,264,050
Risk margin	R0550	37,409
Technical provisions - health (similar to non-life)	R0560	15,309
Technical Provisions calculated as a whole	R0570	—
Best Estimate	R0580	14,737
Risk margin	R0590	572
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	636
Deferred tax liabilities	R0780	132,643
Derivatives	R0790	91
Debts owed to credit institutions	R0800	394
Insurance & intermediaries payables	R0820	4,113
Reinsurance payables	R0830	84,512
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	127,880
Total liabilities	R0900	**1,667,037**
Excess of assets over liabilities	R1000	**347,031**

S.05.01.01 - Premiums, claims and expenses by line of business (USD '000s)

		Direct business and accepted proportional reinsurance							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	Assistance	Miscellaneous financial loss	Health	Total
		C0020	C0060	C0070	C0080	C0090	C0110	C0120	C0130	C0200
Premiums written										
Gross - Direct Business	R0110	27,372	192,449	319,630	325,002	44,898	—	275	—	909,627
Gross - Proportional reinsurance accepted	R0120	—	—	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	—	—	—	—	—	—
Reinsurers' share	R0140	21,900	154,516	272,216	279,054	38,737	—	210	—	766,633
Net	R0200	5,472	37,934	47,414	45,949	6,160	—	64	—	142,993
Premiums earned										
Gross - Direct Business	R0210	26,925	188,854	274,973	262,989	39,359	—	275	—	793,374
Gross - Proportional reinsurance accepted	R0220	—	—	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0230	—	—	—	—	—	—	—	—	—
Reinsurers' share	R0240	21,270	151,364	236,458	228,490	33,937	—	210	—	671,731
Net	R0300	5,654	37,490	38,515	34,499	5,421	—	64	—	121,644
Claims incurred										—
Gross - Direct Business	R0310	15,270	88,906	118,585	227,998	349	—	(801)	—	450,306
Gross - Proportional reinsurance accepted	R0320	181	—	—	—	—	—	—		180
Gross - Non-proportional reinsurance accepted	R0330	—	—	—	—	—	—	—	—	—
Reinsurers' share	R0340	11,951	71,783	103,556	196,807	(227)	—	(601)	—	383,268
Net	R0400	3,500	17,122	15,029	31,191	576	—	(200)	—	67,218
Changes in other technical provisions										—
Gross - Direct Business	R0410	—	—	—	—	—	—	—	—	—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—	—	—
Gross - Non- proportional reinsurance accepted	R0430	—	—	—	—	—	—	—	—	—
Reinsurers'share	R0440	—	—	—	—	—	—	—	—	—
Net	R0500	—	—	—	—	—	—	—	—	—
Expenses incurred	R0550	2,471	11,599	14,400	6,873	262	—	(183)	—	25,920
Other expenses	R1200									—
Total expenses	R1300									35,422

S.05.02.01 - Premiums, claims and expenses by country (USD'000s)

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
			UNITED KINGDOM	UNITED STATES	NETHERLANDS	GERMANY	DENMARK	
		C0080	C0090	C0100	C0120	C0130	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	30,875	502,471	153,358	32,906	30,942	16,306	766,858
Gross - Proportional reinsurance accepted	R0120	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	—	—	—	—
Reinsurers' share	R0140	26,021	423,483	129,250	27,733	26,078	13,743	646,308
Net	R0200	4,853	78,988	24,108	5,173	4,864	2,563	120,549
Premiums earned								
Gross - Direct Business	R0210	22,873	454,220	128,255	27,318	27,102	11,180	670,948
Gross - Proportional reinsurance accepted	R0220	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0230	—	—	—	—	—	—	—
Reinsurers' share	R0240	19,366	384,577	108,590	23,129	22,947	9,466	568,075
Net	R0300	3,507	69,642	19,664	4,188	4,155	1,714	102,870
Claims incurred								
Gross - Direct Business	R0310	8,701	299,353	71,698	9,036	10,333	1,753	400,874
Gross - Proportional reinsurance accepted	R0320	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0330	—	—	—	—	—	—	—
Reinsurers' share	R0340	7,402	254,686	61,000	7,688	8,791	1,491	341,058
Net	R0400	1,298	44,667	10,698	1,348	1,542	262	59,815
Changes in other technical provisions								
Gross - Direct Business	R0410	—	—	—	—	—	—	—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0430	—	—	—	—	—	—	—
Reinsurers' share	R0440	—	—	—	—	—	—	—
Net	R0500	—	—	—	—	—	—	—
Expenses incurred	R0550	1,077	20,082	5,634	1,437	1,040	569	29,839
Other expenses	R1200							—
Total expenses	R1300							29,839

S.17.01.01 Non-life Technical Provisions (USD'000s)

		Direct business and accepted proportional reinsurance						Accepted non-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	Miscellaneous financial loss	Non-proportional health reinsurance	
		C0030	C0070	C0080	C0090	C0100	C0130	C0140	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	1,340	(28,242)	24,288	99,006	11,908	(4,500)	(108)	103,691
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1,015	(22,855)	18,985	81,067	7,077	(3,425)	(81)	81,782
Net Best Estimate of Premium Provisions	R0150	325	(5,388)	5,303	17,939	4,832	(1,075)	(27)	21,909
Claims provisions									
Gross - Total	R0160	13,505	193,807	242,397	827,909	(102,697)	175	—	1,175,096
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	10,288	152,504	205,479	696,840	(91,135)	130	—	974,106
Net Best Estimate of Claims Provisions	R0250	3,217	41,303	36,918	131,069	(11,561)	44	—	200,991
Total Best estimate - gross	R0260	14,845	165,565	266,685	926,915	(90,788)	(4,326)	(108)	1,278,787
Total Best estimate - net	R0270	3,542	35,916	42,221	149,008	(6,730)	(1,031)	(27)	222,900
Risk margin	R0280	572	7,343	6,563	23,302	194	8	—	37,981
Amount of the transitional on Technical Provisions									
TP as a whole	R0290	—	—	—	—	—	—	—	—
Best estimate	R0300	—	—	—	—	—	—	—	—
Risk margin	R0310	—	—	—	—	—	—	—	—
Technical provisions - total									
Technical provisions - total	R0320	15,417	172,908	273,248	950,216	(90,595)	(4,318)	(108)	1,316,768
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	11,303	129,649	224,463	777,906	(84,058)	(3,295)	(81)	1,055,888
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	4,114	43,259	48,784	172,310	(6,536)	(1,023)	(27)	260,881

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	—	—	—	—	—	—	—	—	—	—	(1,820)		R0100	(1,820)	(1,820)
N-9	R0160	13,084	48,124	38,886	20,263	16,740	5,075	8,203	3,517	16,847	2,934			R0160	2,934	173,674
N-8	R0170	28,860	57,491	39,445	16,481	10,651	18,271	19,315	6,190	7,500				R0170	7,500	204,204
N-7	R0180	39,622	88,975	37,924	7,782	15,465	12,374	3,629	4,193					R0180	4,193	209,964
N-6	R0190	70,025	82,338	70,760	43,494	16,889	15,399	12,141						R0190	12,141	311,046
N-5	R0200	56,739	88,015	65,083	24,398	30,519	18,673							R0200	18,673	283,428
N-4	R0210	38,344	100,728	47,259	34,651	21,121								R0210	21,121	242,103
N-3	R0220	42,028	107,688	55,683	27,816									R0220	27,816	233,214
N-2	R0230	46,927	75,964	40,580										R0230	40,580	163,471
N-1	R0240	106,433	230,814											R0240	230,814	337,247
N	R0250	42,240												R0250	42,240	42,240
													Total	R0260	406,192	2,198,771

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	—	—	—	—	—	—	—	—	—	—	41,453		R0100	40,639
N-9	R0160	—	—	—	—	83,155	65,325	55,961	53,135	24,425	16,686			R0160	16,395
N-8	R0170	—	—	—	92,069	67,491	58,438	36,884	27,238	19,374				R0170	17,365
N-7	R0180	—	—	120,727	67,530	55,412	43,279	42,381	29,360					R0180	28,396
N-6	R0190	—	203,834	112,794	75,219	69,873	51,795	39,803						R0190	38,554
N-5	R0200	236,720	146,985	87,010	105,100	97,351	95,352							R0200	91,223
N-4	R0210	269,322	194,463	174,566	159,016	156,196								R0210	152,887
N-3	R0220	227,880	180,463	160,869	143,881									R0220	139,449
N-2	R0230	274,882	182,225	145,637										R0230	141,870
N-1	R0240	397,212	123,290											R0240	117,159
N	R0250	402,396												R0250	391,159
													Total	R0260	1,175,096

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	327,218	327,218		—	—
Subordinated liabilities	R0140	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	8,629				8,629
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	345,956	337,328	—	—	8,629
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	345,956	337,328	—	—	8,629
Total available own funds to meet the MCR	R0510	337,328	337,328	—	—	
Total eligible own funds to meet the SCR	R0540	345,956	337,328	—	—	8,629
Total eligible own funds to meet the MCR	R0550	337,328	337,328	—	—	
SCR	R0580	219,429				
MCR	R0600	54,857				
Ratio of Eligible own funds to SCR	R0620	157.66 %				
Ratio of Eligible own funds to MCR	R0640	614.92 %				
Reconciliation reserve						
Excess of assets over liabilities	R0700	347,031				
Own shares (held directly and indirectly)	R0710	—				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	18,739				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	1,074				
Reconciliation reserve	R0760	327,218				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	—				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	11,382				
Total Expected profits included in future premiums (EPIFP)	R0790	11,382				

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	56,610		—
Counterparty default risk	R0020	83,152		
Life underwriting risk	R0030	—	—	—
Health underwriting risk	R0040	5,220	—	—
Non-life underwriting risk	R0050	115,589	—	—
Diversification	R0060	(62,812)		
Intangible asset risk	R0070	—		
Basic Solvency Capital Requirement	R0100	197,758		
Calculation of Solvency Capital Requirement		**C0100**		
Operational risk	R0130	38,364		
Loss-absorbing capacity of technical provisions	R0140			
Loss-absorbing capacity of deferred taxes	R0150	(16,694)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency Capital Requirement excluding capital add-on	R0200	219,429		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	219,429		
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		**LAC DT**		
		C0130		
LAC DT	R0640	(17,913)		
LAC DT justified by reversion of deferred tax liabilities	R0650	—		
LAC DT justified by reference to probable future taxable economic profit	R0660			
LAC DT justified by carry back, current year	R0670			
LAC DT justified by carry back, future years	R0680	—		
Maximum LAC DT	R0690	17,913		

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		
		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	R0020	—	—
Income protection	R0030	3,542	5,472
Workers' compensation	R0040	—	—
Motor vehicle liability	R0050	—	—
Other motor insurance	R0060	—	—
Marine, aviation and transport	R0070	35,916	37,934
Fire and other damage to property	R0080	42,221	47,414
General liability insurance	R0090	149,008	45,949
Credit and suretyship	R0100	—	6,160
Legal expenses	R0110	—	—
Assistance	R0120	—	—
Miscellaneous financial loss	R0130	—	64
Non-proportional health	R0140	—	—
Non-proportional casualty	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	—	
		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	39,535	
SCR	R0310	219,429	
MCR cap	R0320	98,743	
MCR floor	R0330	54,857	
Combined MCR	R0340	54,857	
Absolute floor of the MCR	R0350	4,213	
		C0070	
Minimum Capital Requirement	R0400	54,857	