RSA Luxembourg S.A.

Solvency and Financial Condition Report (SFCR) 2020

Contents

Introduction

RSA Luxembourg S.A. (the “Company” or “RSAL”) is a limited company incorporated and domiciled in the Grand Duchy of Luxembourg. The Company is a member of the RSA Insurance Group plc group of companies (“the Group” or “RSAIG”), one of the world’s leading insurance groups. The Company’s principal activity is writing non-life insurance in Europe. It has branches in Belgium, France, Germany, Spain, Netherlands and the United Kingdom (the United Kingdom branch having no insurance activities).

This document sets out the solvency and financial condition of the Company as at 31 December 2020, as required by Solvency II (“SII”) regulations. Those regulations prescribe the structure of this document and indicate the nature of the information that must be reported under a series of headings and sub-headings. Where information is not applicable to the Company, for completeness, the report still contains the heading, but with an appropriate note.

Figures for the Company represent the position of the Company as a legal entity. The Company is a wholly owned subsidiary of Royal & Sun Alliance Insurance plc (“RSAI”) which is part of the Group. RSAIG prepares a Group consolidated SFCR in accordance with SII regulations as enacted in the United Kingdom.

To minimise trading volatility, the Company renewed its internal reinsurance agreement with its Parent company on 1 January 2020 on the same terms as the 2019 agreement. This agreement has a material impact on the Company’s reported statutory financial performance for the current reported period.

This transaction aligns with the Group’s strategy to optimise capital allocation and usage across its territories and results in a transfer of risk from the Company to its immediate Parent entity. The arrangement covers changes in prior year results as well as any new business underwritten in the Company and is net of inuring reinsurance. The treaty covers all lines of business equally, and is structured in such a way to retain at least 10% of business written by the Company within the entity net of reinsurance.

This document makes reference to the Company’s 2020 Annual Report and Accounts which can be accessed from the Company’s head office in Luxembourg. Information in the Annual Report and Accounts is prepared according to statutory accounting rules, whereas information in this SFCR is governed by SII regulations. Important differences include valuation methodologies for assets, technical provisions and other liabilities, definitions of asset and liability categories, and definitions of underwriting lines of business. Therefore the figures, including financial, in this SFCR will not always correspond to the numbers in the Annual Report.

As a general insurance business, the Company does not place any reliance on transitional measures for technical provisions as referred to in Articles 308c and 308d of Directive 2009/138/EC. Consequently, there will be no information regarding these measures in this report.

The only long-term guarantee measure that is applied is the volatility adjustment as referred to in Article 77d of Directive 2009/138/EC. Further information relating to this measure is shown in section D.2.4 of this report.

Summary

The strategy for the Company is to ensure consistent and sustainable profitable growth. The focus will be broadly, but not exclusively, on Commercial Property, Liability, and specific Marine classes. The Company continues to look for opportunities to grow profitably which in turn will protect the balance sheet and its exposure to Natural Catastrophe or severe losses.

In the second half of the year, RSAIG was also subject to a cash offer by a consortium of Canadian insurer Intact and Danish provider Tryg, to be implemented by a court-sanctioned Scheme of Arrangement which was approved by shareholders on 18 January 2021. Further steps are required to complete the transaction and the Group continues to operate on an independent basis until the sale is complete. Further information on the offer can be found in the Strategic Report of the 2020 Annual Report and Accounts of the Group.

Business and performance

Underwriting result

The underwriting result of the Company shows a profit of €4.6m (2019: loss €(4.2)m) for the year.

Investment result

The investment result was a loss of €(0.1)m (2019: €(0.2)m).

Operating result

The Company operating profit before tax was €3.3m (2019: loss €(3.9)m).

For further details of the Company's business and performance, see Section A.

System of governance

The Company maintains a robust system of governance. Details about this and changes during the year are provided in Section B.

Risk profile

The Company operates under a common Group-wide framework through which risk management and control is embedded and where each business is required to follow consistent processes (using a common language) to identify, measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

See Section B.3.1 for further details of the risk management system.

Maintaining Risk Management and an effective control environment is essential in times of organisational stress as it helps protect the organisation from harm. Covid-19 has had an unprecedented impact in the Company's business and while it has not fundamentally changed the Company's risk profile, the pandemic heightened some risks. Mitigating actions to reduce ongoing pandemic risk have been put in place during 2020 and these are outlined in section C of this report.

The Company is exposed to the following main categories of risk:

- Insurance risk, including underwriting, claims and reserving risks
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Company quantifies its exposure to different types of risk as part of its Solvency Capital Requirement (SCR) calculation, details of which can be seen in QRT S.25.03 in Appendix 2.

See Section C for further details regarding the Company's risk profile.

Valuation for solvency purposes

Section D sets out details regarding the basis of preparation and assumptions used in the valuation of assets, technical provisions and other liabilities for SII, as well as a description of the differences between these and Luxembourg Generally Accepted Accounting Principles (Lux GAAP).

At 31 December 2020, the Company's excess of assets of liabilities on an SII basis was €74.0m, and on a Lux GAAP basis this was €78.2m. The most significant movement between SII and Lux GAAP valuation is due to the difference in valuation of technical provisions.

There have been no material changes to the valuation methods used by the Company for SII during the year other than the application of the Volatility Adjustment (see below for further details).

Volatility Adjustment

The Company has applied the Volatility Adjustment, as referred to in Regulation 43 of the Solvency II Regulations 2015, to the calculation of technical provisions, with effect from 31 March 2020.

Capital Position

Solvency II position	Requirement (SCR) €'000	Eligible Own Funds €'000	Surplus €'000	Coverage %
31 December 2020	**58,027**	**100,606**	**42,579**	**173**
31 December 2019	61,900	101,612	39,712	164

A. Business and Performance

In this section

This section of the report provides information about the business and performance of the Company, covering in particular the performance of underwriting and investment activities.

The quantitative analysis in section A has been extracted from the Company's statutory financial statements which have been prepared in accordance with Lux GAAP. The annual accounts have been prepared in accordance with the modified Luxembourg Insurance Accounts Law of 8 December 1994 on the annual accounts of insurance and reinsurance companies, and with the accounting policies generally accepted and applied within the insurance and reinsurance industry in the Grand Duchy of Luxembourg.

There are some differences in presentation between the Solvency II income statement and the Lux GAAP financial statements; however, the aggregate result for the year ended 31 December 2020 is unchanged.

A.1 Business

A.1.1 Company name & legal form

The specific entity covered by this SFCR is RSA Luxembourg S.A. a limited company incorporated in the Grand Duchy of Luxembourg.

A.1.2 Supervisory authority

The Commissariat aux Assurances ("CAA") is the authority responsible for regulatory supervision of the Company. The contact details of the CAA are as follows:

7, Boulevard Joseph II
L-1840 Luxembourg

GD de Luxembourg

Telephone: (+352) 22 69 11 – 1

A.1.3 External auditor

The external auditor of RSA Luxembourg S.A. is:

KPMG Luxembourg Société coopérative
39 Avenue John F. Kennedy
L-1855 Luxembourg

GD de Luxembourg

Telephone: (+352) 22 51 51 1

A.1.4 Holders of qualifying holdings

Royal & Sun Alliance Insurance plc holds 100% of the issued share capital of the Company.

	Number of ordinary	% Total voting	Nature of Holding
Royal & Sun Alliance Insurance plc	**50,006**	**100%**	**Ordinary shares**

A.1.5 Position within the Group legal structure

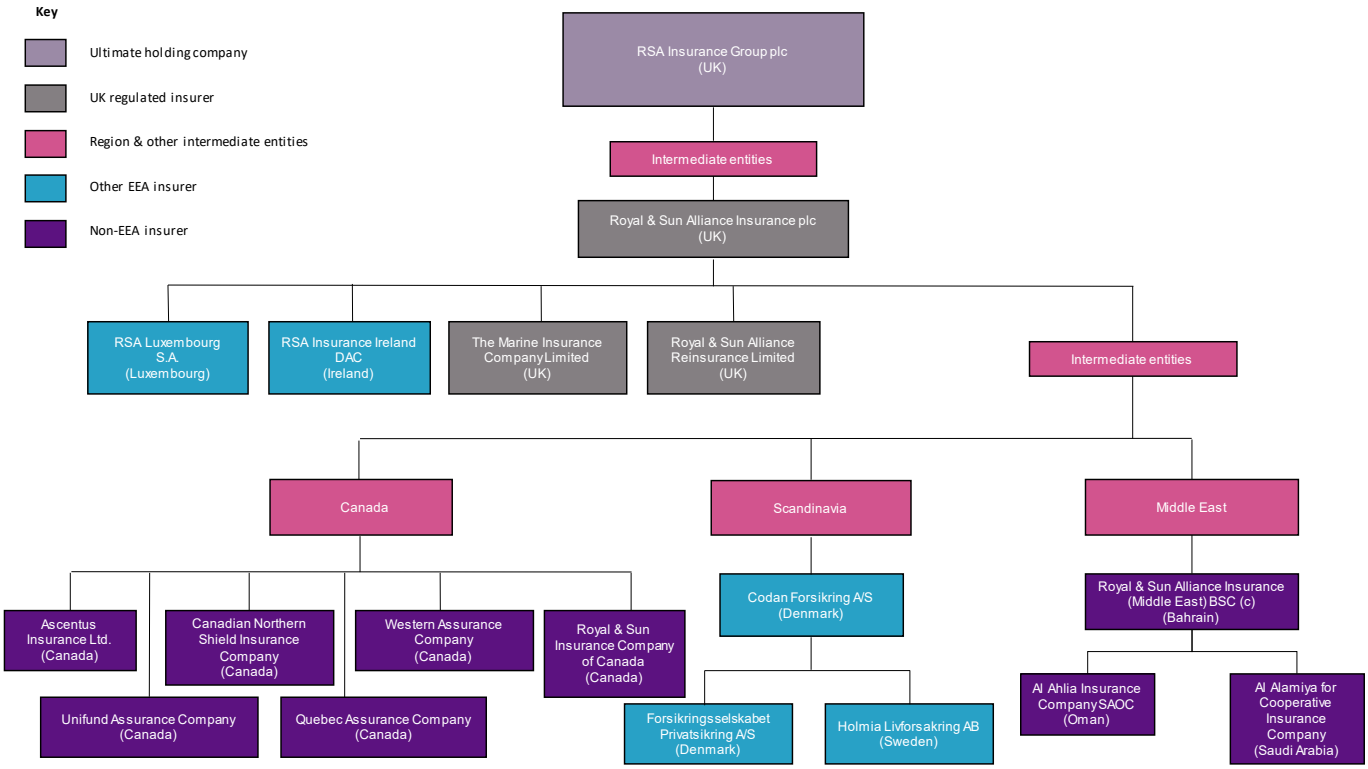
The Company's immediate parent undertaking is Royal & Sun Alliance Insurance plc ("RSAI plc"), a company incorporated in England and Wales. The Prudential Regulation Authority ("PRA") is the authority responsible for the prudential supervision of

the Company's immediate and ultimate parent undertakings, being Royal & Sun Alliance Insurance plc and RSA Insurance Group plc respectively.

A.1.6 Material related undertakings

See Appendix 1 of the Group's SFCR for a list of all subsidiaries and associates of the Group (including % ownership) and a list of all branches of each subsidiary. The Company has no further material related undertakings.

A.1.7 Simplified Group structure



The Group is organised into regional operating segments with businesses in Scandinavia, Canada and UK & International (comprising UK, Ireland, the Middle East and Luxembourg with European branches).

A.1.8 Business lines and geographical areas

The Company primarily provides insurance mid-market, for large and multinational customers and risks from regulated branches across Europe. The Company's material geographical areas and material lines of business are detailed in the table below:

Geographic regions
Belgium
France
Germany (Run-off)
Netherlands
Spain

Line of business: non-life
Fire and other damage to property
General liability
Marine, aviation and transport

A.1.9 Significant events

Ancillary own-funds facility
In December 2018, following receipt of approval from the CAA, the Company executed an ancillary own-funds ("AOF") transaction within the meaning of the SII Framework (Directive 2009/138/EC). This took the form of issued but unpaid share capital callable on demand and the counterparty was the Company's immediate parent undertaking, RSAI plc. This AOF facility remained available to the Company throughout the 2020 financial year and had the effect of increasing the Company's available own-funds under SII by €35m. Under the SII Framework, the approved AOF item is classified as Tier 2 capital which would convert to Tier 1 capital if it were called. There were no changes to the structure of the AOF arrangement during 2020.

Quota share reinsurance arrangements
The Company renewed the quota share reinsurance agreement with its Parent, under which the insurance risk of the Company's business is transferred to Royal & Sun Alliance Insurance plc. The Company receives a reinsurance commission in relation to the quota share agreement and the agreement covers changes in prior year results as well as any new business underwritten in the Company and will be net of inuring reinsurance. The treaty covers all lines of business equally, and is structured in such a way to retain at least 10% of business written by the Company within the entity net of external reinsurance.

There were no material changes to the structure of the internal reinsurance agreement during 2020.

COVID-19
A major development through 2020 was COVID-19 which has caused significant and unprecedented global uncertainty and market volatility. The Directors have, and continues to, monitor the impact on operations, customers and underwriting and on primary capital metrics.

The Board and management continue to monitor potential large claims from COVID-19 but claims development have not been out of line with size and frequency of large claims the Company would typically have through its naturally volatile book.

The Company has put in place a successful business continuity programme, with 100% of staff working from home.

Takeover bid
The recommended bid for RSAIG by Intact in consortium with Tryg was approved by RSA shareholders in January and good progress is being made in satisfying the various conditions to closing. It is presently estimated that closing is likely to occur during Q2 2021, subject to the conditions being satisfied.

A.2 Underwriting performance

This section contains an analysis of the underwriting profit for the Company for the year ended 31 December 2020.

Comparatives reflect that the Company started Insurance operations in 2019, with an adjustment specific to the quota share arrangement in place between the Company and RSAI taking effect immediately after the Part VII transfer occurred on 1st January 2019. This incorporated the compensation required to the reinsurer to have assumed those liabilities.

A.2.1 Aggregate Performance

RSA LUXEMBOURG
INCOME STATEMENT FOR SFCR PURPOSES

	2020 €'000	2019 €'000
Gross written premiums	356,770	539,511
Net written premiums	37,290	(176,845)
Net earned premiums	38,330	(193,738)
Net incurred claims	(24,051)	223,735
Allocated investment return transferred from the non-technical account	5	2,154
Other technical income, net of reinsurance	2,113	1,746
Acquisition costs incurred	(56,561)	(65,650)
Reinsurance commissions and profit participation	65,633	53,251
Administration expenses	(20,862)	(25,713)
Underwriting Profit/(Loss)	**4,607**	**(4,215)**
Investment income	434	-
Investment expenses and charges	(562)	(182)
Allocated investment return transferred to the technical account	(5)	(2,154)
Investment result	**(133)**	**(2,336)**
Other Income	1,643	6,540
Other charges, including value adjustments	(2,849)	(3,859)
Operating result	**3,268**	**(3,893)**
Profit/(Loss) before tax	**3,268**	**(3,870)**
Tax	(1,333)	(1,274)
Profit/(Loss) after tax	**1,935**	**(5,144)**

The underwriting profit for the year ended 31 December 2020 amounted to €4.6m, with gross written premiums of €356.8m.

The Quota Share arrangement has a material impact on reported financial performance. The arrangement aligns with the Group's strategy to optimise capital allocation and usage across its territories and result in a transfer of risk from RSAL to its immediate parent entity, RSAI plc ("the reinsurer"). The transfer of risk to the reinsurer also materially reduces the Company's SCR – see Section E.

The effect of the Quota Share agreement is to cede a portion of premiums and claims to the reinsurer. The Company receives a commission set on an arm's length basis and is based on the Board approved Operational Plan.

The Quota Share contract in force during 2020 resulted in outward reinsurance premiums amounting to €182.1m on a Luxembourg GAAP basis. At 31 December 2020, the Company held a balance of €365.9m in reinsurance recoverables in relation to this contract on a Solvency II basis and recognised a reinsurance recovery of €368.9m on a Luxembourg GAAP basis.

The Company's Net written premiums are €37.3m and Net incurred claims are €(24.1)m. Net written premiums for 2019 were €(176.8)m, due to an adjustment specific to the quota share arrangement in place between RSAL and RSAI plc which took effect immediately after the Part VII transfer occurred on 1 January 2019.

Administration expenses amounted to €(20.9)m and included exceptional costs of €(3.7)m, recognised as part of the restructuring of the Company's operations.

A.2.2 Underwriting result by geographical area

An analysis of underwriting performance for the Company by material geographical area is detailed below:

	Belgium 2020 €'000	**France 2020 €'000**	**Germany 2020 €'000**	**Netherlands 2020 €'000**	**Spain 2020 €'000**	**Luxembourg 2020 €'000**	**Total 2020 €'000**
Gross written premium	**49,323**	**94,551**	**(672)**	**79,714**	**133,854**	**-**	**356,770**
Net earned premium	**6,116**	**11,568**	**(96)**	**9,941**	**10,801**	**-**	**38,330**
Net incurred claims	**(3,690)**	**(6,602)**	**359**	**(6,679)**	**(7,439)**	**-**	**(24,051)**
Underwriting expenses	**(2,377)**	**(6,492)**	**(377)**	**(1,312)**	**(1,029)**	**(203)**	**(11,790)**
Allocated investment return transferred from the non-technical account	**1**	**1**	**-**	**1**	**1**	**1**	**5**
Other technical income, net of reinsurance	**295**	**566**	**(4)**	**477**	**779**	**-**	**2,113**
Underwriting Profit/ (Loss)	**345**	**(959)**	**(118)**	**2,428**	**3,113**	**(202)**	**4,607**

	Belgium 2019 €'000	**France 2019 €'000**	**Germany 2019 €'000**	**Netherlands 2019 €'000**	**Spain 2019 €'000**	**Luxembourg 2019 €'000**	**Total 2019 €'000**
Gross written premium	61,609	134,064	11,826	98,156	233,856	-	539,511
Net earned premium	(22,951)	(81,677)	(12,561)	(45,896)	(30,653)	-	(193,738)
Net incurred claims	27,190	91,985	12,433	52,132	39,995	-	223,735
Underwriting expenses	(5,652)	(12,925)	(3,692)	(5,291)	(10,827)	275	(38,112)
Allocated investment return transferred from the non-technical account	289	536	51	439	839	-	2,154
Other technical income, net of reinsurance	234	434	41	356	681	-	1,746
Underwriting Profit/ (Loss)	(890)	(1,646)	(3,728)	1,739	35	275	(4,215)

A.2.3 Performance by material line of business

An analysis of underwriting performance for the Company by material line of business is detailed below:

	Net written premium		Underwriting result	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Fire and other damage to property	14,861	(82,705)	1,492	2,154
General liability	11,092	(55,675)	2,144	(146)
Marine, aviation and transport	11,337	(38,465)	971	(6,223)
Total	**37,290**	**(176,845)**	**4,607**	**(4,215)**

The Company continues to review all lines of business and individual risks where management does not believe that an acceptable return on capital can be delivered. The portfolio continues to improve attritional claims (Property and Marine), whilst overall large loss ratios are trending downwards.

Property outperformed Plan with a lower level of claims throughout the year and focused monitoring of new business growth. Partially offset by adverse impacts in Construction and Engineering projects, following strategic review management took the decision to run off this business in Spain and Belgium.

Liability generated a profit despite prior year development of claims having a negative impact on performance, with reserves being strengthened in line with expected losses.

Marine business remediation is delivering, with attritional claims reaching a historical low.

Expense ratios improved (despite top-line reductions) and higher True Rate Increase is being secured, with hardening markets supporting approach to increase rate and strengthen terms and conditions.

A.3 Investment performance

The information in this section of the report is taken from the Company's Annual Report.

A.3.1 Income and expenses by class

Investment Income

Income from other investments during the year was €2k (2019: €nil), and gains on the realisation of derivative financial instruments was €432k (2019: €nil).

Investment Expenses

The Company's cash balances currently generate negative interest rates. In 2020, the cash interest expense was €(483)k (2019: €(182)k).

The Company's investments in shares and other variable yield securities (money market funds) generated a loss of €(79)k during 2020 (2019: €nil).

The Company has no investment management expenses.

A.3.2 Gains and losses recognised in equity

Nothing to report.

A.3.3 Investments in securitisation

The Company has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

Finance costs

The Company incurred no finance cost on loans or any other form of debt.

Employee expenses

Staff costs for all employees comprise:

	2020	2019
	€'000	**€'000**
Wages and salaries	**12,180**	14,642
Social security costs	**4,103**	4,837
Of which those related to pension costs	***69***	*60*
Termination costs	**2,424**	1,539

A.4.2 Operating and finance leasing arrangements

The Company leases various outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Payments made under operating leases are charged on a straight-line basis over the term of the lease.

The operating lease payments recognised as an expense during the year are €732k. The Company has no significant lease agreements that include contingent rent.

Operating lease commitments where the Company is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2020	2019
	€'000	€'000
One year or less	**38**	175
Between one and five years	**617**	462
After five years	**77**	539
	732	1,176
Recoveries under sub tenancies	**-**	-
Total	**732**	1,176

Finance leases

Under Lux GAAP, the Company has no material finance leases.

A.5 Any other information

Nothing to report.

B. System of Governance

B.1 General information on the system of governance

B.1.1 Board structure

At the start of 2020 the Company was overseen by a Board of four directors, comprising of one executive director and three non-executive directors (of which one was independent). Board composition was amended to reflect a change in Dirigeant Agréé (DA) in January 2020.One of the non-executive directors resigned during the year and three new non-executive directors have subsequently joined, leaving a Board composition of one executive director and five non-executive directors (of which two were independent).

In 2021 the Company intends to increase the size of the Board composition further to seven directors, so it will be comprised of one executive director and six non-executive directors (of which at least three will be independent). This will ensure that the Board and the Board Committees can be chaired by different non-executive directors.

The Board has sole responsibility for determining the business conducted within the Company, i.e. the strategy and objectives of the Company, and is accountable to stakeholders for the creation and delivery of strong sustainable performance and long-term shareholder value.

The Board meets at least four times per year. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote success for the benefit of the shareholder and customer consistent with the Articles of the Company and the Corporate Governance good practice.

The Board promotes high standards of corporate governance throughout the Company and has a solid governance framework in place. Specific duties of the Board are clearly set out as a formal schedule of matters reserved to the Board, which can only be amended by the Board itself and which is reviewed annually.

The Board sets annual objectives for the business in line with the current Company strategy and monitors the achievement of Company's objectives through regular reports which include updates from the Chief Executive and the Chief Financial Officer on all material business matters.

The directors are responsible for monitoring Company performance and need to regularly attend Board meetings to evidence this.

Directors have access to the services and advice of the Company Secretary, Head of Legal, Internal Audit, Regulatory Compliance, Actuarial and Risk functions and in addition may take independent professional advice at the expense of the Company in furtherance of their duties.

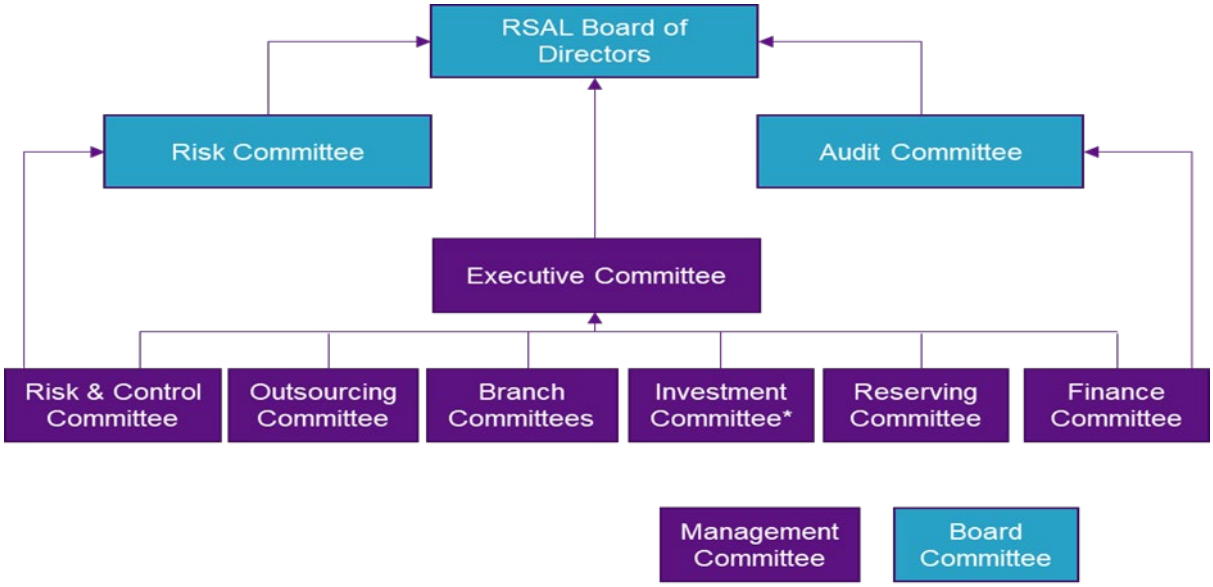
The Board operates in strict accordance with the Group's Conflicts of Interest policy which sets out the process and procedures to be followed in the event that a conflict has been identified. At the start of each Board meeting, the Chairman formally requests that any potential or actual conflicts of interest be declared (which is recorded in the minutes) and any director impacted then participates as allowed for in the policy. If during the course of the meeting any further potential or actual conflicts arise it is the responsibility of the director to declare such potential or actual conflict.

The Company's Delegated Authority Framework (DAF) sets out how the Board's authority is delegated to the DA and onwards to the management team within the Company. Day to day management of the company is by the DA in Luxembourg, supported

by the Managing Directors (MD) in the branches and functional heads from areas such as Finance, Underwriting, Operations, Claims, Risk, Compliance and HR.

Management committees are in place to support the management team but these committees (including the Executive Committee) do not formally report to the Board or a Board Committee, albeit they may provide updates where appropriate.

A summary of the Committee structure is shown below:



*Pending

B.1.1.1 Board Committees

The Board focuses on strategy, performance and approval of material transactions. It therefore delegates authority and oversight to its Committees in certain areas. The Board Committees are comprised of the DA and Non-Executive Directors only, with management invited to attend when appropriate. Each of its Board committees has written terms of reference defining their role and the authority delegated to them. The terms of reference for each Board committee are reviewed and approved annually and any changes are made as appropriate.

The Board Risk Committee

The primary role of the Board Risk Committee is to advise the Board on risk management issues, recommend the risk limits and risk appetite to the Board for approval and oversee the risk management arrangements of the Company generally. The Committee ensures that the material risks facing the company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Audit Committee

The purpose of the Audit Committee includes:

- Assisting the Board in discharging its responsibilities
- Co-ordinating and challenging the integrity of the Company's financial statements and financial reporting process
- Monitoring the effectiveness and objectivity of the internal and external auditors

B.1.2 Independent key functions

The key functions and the implementation of their tasks are aligned to Solvency II Directive, European Insurance and Occupational Pensions Authority ("EIOPA") guidelines and good governance practices.

The four key governance functions of Risk, Compliance, Actuarial and Internal Audit report to the Board, and Board Risk and Audit committees as appropriate, in addition to updating the CEO/DA and Management Committees regularly.

Those working in these key governance functions are subject to the provisions of the Fitness and Propriety policy (described in section B.2 below) which requires them to have the necessary skills, knowledge and experience to fulfil their position. This is assessed both on initial appointment and through regular performance appraisals.

B.1.3 Changes in system of governance

As 2020 was the Company's second year in operation as an Insurance provider, the Company's system of governance was developed further, specifically with regards to the evolution of Management Committees. During the year the Board confirmed that a separate Board Remuneration Committee would not be required.

The following director resignations took place during the year:

Richard Turner

Ken Norgrove

The following director appointments were made during the year:

Rachel Conran

Donncha Connolly

Rupert Taylor-Rea

Ellen Rekker

B.1.4 Principles of remuneration policy

The Company ensures that it has appropriate remuneration arrangements through the adoption of a remuneration policy. The Remuneration policy outlines the Company's approach to remuneration, and the governance for making remuneration decisions.

The policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of the Company and its shareholders.

The policy establishes over-arching principles and standards to guide remuneration decision-making, which is aligned to local market norms and regulations. These principles are based around alignment to long-term Company success, pay-for-performance and risk alignment. A total reward approach is used to support talent attraction and retention, such that the reward framework includes both fixed remuneration elements (reflecting an employee's professional experience and responsibility, and can include elements such as base salary, benefits and pension), and variable remuneration elements (which can be awarded to eligible employees, reflecting performance).

The policy establishes specific remuneration provisions for jobholders whose professional activities have a material impact on the risk profile, or have accountability for key governance functions. These provisions are intended to promote effective risk management and include:

- The balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration)
- The design of incentive plans to encourage performance within the Company's risk appetite, including the consideration of material risk factors in incentive award decisions, the operation of deferral and malus adjustment and the operation of clawback provisions for executive directors and executive Committee members, and customised arrangements for those accountable for Key Governance Functions to preserve the independence of their roles
- Arrangements to avoid reward for failure in termination payments, and to exclude personal hedging strategy usage

Governance measures aimed at avoiding conflicts of interest are incorporated.

The policy is reviewed regularly, to ensure that it complies with the principles of good risk management and reward governance taking into account regulatory requirements and the nature of the business.

B.1.5 Variable remuneration performance criteria

Incentive plans encourage performance in line with the business strategy and within the Company's risk appetite, and take into account material risk factors and the Company's ability to maintain an adequate capital base.

Incentive plan performance measures:

- Reflect the Company's priority to create shareholder value through sustained growth and profitability, based on its risk profiles. Measures can include for example, profit, underwriting performance, capital, strategic and shareholder value measures; and personal objectives
- Are quantified on an 'underlying' basis where appropriate, to provide an undistorted view of business performance and avoid the creation of adverse incentives

For jobholders whose professional activities have a material impact on the Company's risk profile, a number of mechanisms are included to ensure remuneration does not encourage excessive risk taking:

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall result of the company or Group
- Targets take account of the Company's operating plan which is set with reference to the risk appetite with input from the Risk function
- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the company risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles
- Individual performance assessments take account of financial and non-financial criteria, and are based on consideration of what is delivered and also how goals are achieved
- A portion of variable remuneration is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context

There are provisions to apply malus adjustment and clawback.

Variable remuneration arrangements for those accountable for key governance functions are designed to be independent from the performance of the operational units and areas submitted to their control.

In addition to its short and long-term incentive plans, the Company operates all-employee share plans (Sharesave and Sharebuild) in a number of countries. Participation is voluntary and available to all qualifying employees. Sharesave is a Save as You Earn scheme under which options are not subject to performance conditions, but service conditions apply.

B.1.6 Supplementary pensions

No supplementary pensions are operated for the members of the administrative, management or supervisory body and other key function holders. The Company's defined benefit pension plans are closed to all new entrants, but some employees have historic benefits accumulated which are insured (other than indexation which takes place in accordance with current RSAL policies and the Scheme rules).

B.1.7 Shareholder / Board Transactions

The Company had the following significant transactions with RSAI plc, its sole Shareholder:

- Quota Share Reinsurance arrangements
- Ancillary Own Funds Facility
- The provision by RSAI plc of services to the Company under outsourcing arrangements

Key management transactions

The emoluments of the Directors in fulfilment of their responsibilities amount to €1,169k for the year (2019: €438k).

There is no advance granted to the Directors and no guarantees of any kind entered on the account of the Directors.

Dividends

The Company did not pay dividend during the year and the directors have not recommended a payment of dividend in respect of the year ended 31 December 2020.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

The Fitness and Propriety Policy provides a framework for assessment of fitness and propriety of all employees with additional requirements for both new and on-going appointees in the Key Governance Functions and the Executive Management, and for directors.

The Fitness and Propriety Policy applies to directors and all employees of the Company with a higher level of requirements for those employees who are deemed to be:

- Individuals who are effectively running and overseeing the business (whether they are directly employed by that business or not)
- The four key governance function holders under Solvency II
- Those working in the Key Governance Functions

All other employees must be assessed on their skills and knowledge, expertise, and personal integrity prior to commencement, with re-assessment annually through appraisals.

The Board believes that it has the appropriate balance of skills, experience and knowledge to enable it, and its committees, to discharge their duties and responsibilities effectively. The Board considers the skills, experience, independence and knowledge already represented when making decisions on new appointments. One of the key responsibilities of the Board is to keep under review Board membership and succession planning to ensure that the balance remains appropriate.

B.2.2 Assessment process

The Policy outlines the minimum requirements to assess and ensure fitness and propriety, including the governance over roles and responsibilities, to ensure compliance. Responsibility for complying with local regulatory rules and requirements rests with the Board.

Fit requirements

The assessment of whether someone is fit must also include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take into account the respective duties allocated to that person, and, where appropriate, the insurance, financial, accounting, actuarial and management skills of the person.

This must include an assessment of the person's:

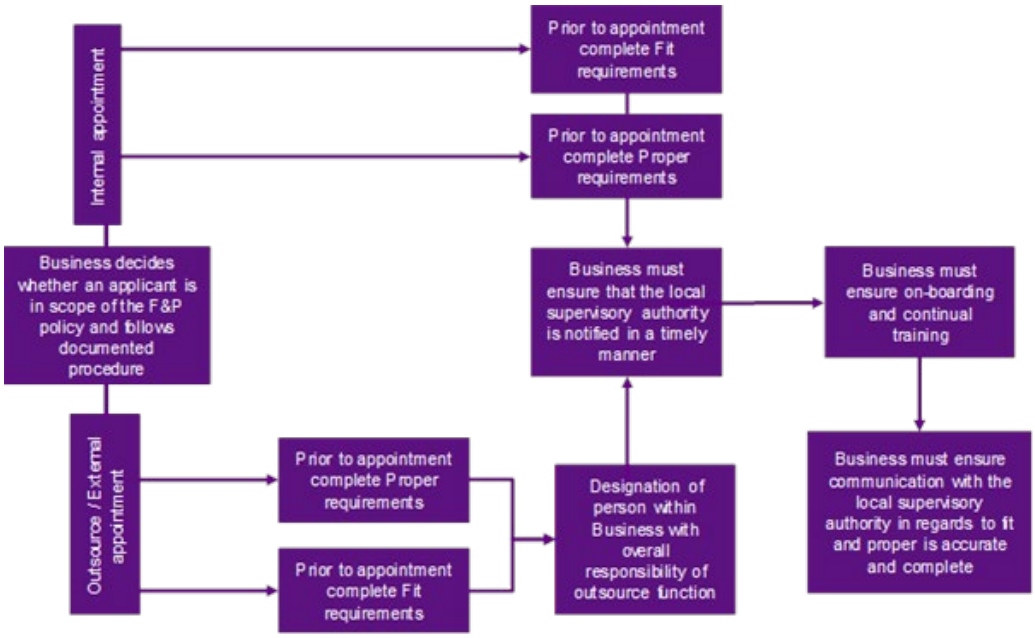
- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Proper requirements

When assessing whether a person is 'proper', the following is considered:

- Relevant criminal offences, including any offence under the laws governing banking, financial, securities, or insurance activity
- Laws on money laundering, market manipulation, or insider dealing
- Criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection

The following diagram outlines the process for determining fitness and propriety for new appointments. The Fitness and Propriety Policy also requires continued assessment of both fitness and propriety post appointment.



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

B.3.1 Description of the risk management system

The three lines of defence

The Company has a comprehensive risk management system which includes a full range of risk policies, procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis to ensure that the risk exposures that arise from operating the Company's businesses are managed appropriately.

The risk management system is underpinned by the three lines of defence model where:

1st line

- Conducts activities to ensure that risks are identified and controlled to bring within appetite
- Delivers the business plan within risk appetite, identifying all material risks and monitoring and managing the risk profile
- Produces regular and timely reports on all material risk positions and associated action plans
- Is accountable for designing and implementing standard controls, operating the controls and performing control validation

2nd line

- Independently reviews and challenges 1st line activities, provides assurance that the controls and control validation are designed and operating effectively and sufficiently mitigates the risk to bring within risk appetite

3rd line

- Evaluates the effectiveness of the organisation's risk management, control and governance processes; auditing whether 1st line control and 2nd line assurance is effective and appropriate. Its assurance activities are cyclical and take a risk-based approach and as such are not a substitute for second lines of defence

The Board is responsible for ensuring the effectiveness of the Company's risk management system, for setting the Company's overall risk strategy and risk appetite (including Company level risk limits and tolerances), and for approving the main risk management strategies and policies.

Risk appetite and strategy

The Board is responsible for setting the business strategy which is used to inform the risk strategy statement. The risk strategy statement describes the Company's overall strategy and objectives for managing risks based on a set of key principles.

The risk appetite is set annually by the Board. It establishes the appetite for risk by risk category plus high level risk limits and tolerances, and drills down into more detailed risk statements. These are expressed through associated Key Risk Indicators with associated risk limits and risk tolerances.

Risk management cycle

The risk management cycle describes the process used to set, identify, measure, manage, monitor and report on risks impacting the business.

Risk identification (new and emerging risks)

Risks are identified through a range of activities that include policy and control design; stress and scenario testing; and an analysis of risk incidents including a root cause analysis. The identified risks, including emerging risks, are recorded in the business function's risk profile matrix which records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite or if not, whether there is an appropriate action plan in place.

Risk measurement

Once risks have been identified the business must update its risk profile by including the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective) on a standard 5 x 5 probability and impact matrix.

Managing, monitoring and reporting risk

All residual risks are assessed and monitored to determine if the risk is within risk appetite and, if not, whether there is a plan with an owner to bring within appetite within a reasonable timeframe.

Action owners must track all action plans to ensure risk is brought within appetite within the planned timeframe and report progress at least quarterly.

Risk reporting at the Company level is to the Board Risk Committee and the relevant executive level committees.

B.3.2 Implementation and integration

The Company operates under a common Group-wide framework through which risk management and control is embedded and where each business is required to follow consistent processes (using a common language) to identify, measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

The policies set out risk assessment standards and risk appetite together with detailed procedures including minimum requirements to identify, measure, manage, monitor and report material risks, and any internal controls and control testing requirements.

Risk policies are linked to risk appetite and define the Company's material risk categories. Each policy is assigned a managing owner with responsibility for ensuring that the policy is embedded within the business.

Risk Management processes are mandated in an overarching Risk Management & Internal Controls policy, which is approved by the Company's Board Risk Committee and Board and is subject to regular update and review. The Risk Management & Internal Controls policy establishes standard risk management processes and policies across the business and also defines the dependencies and interaction with the ORSA and the Company's approach to stress and scenario testing. Further detail is given in a comprehensive suite of policies, which cover all key activities and risk categories.

The Board is responsible for organising and directing the affairs of the Company, including the effectiveness of the Risk Management System, ensuring that an appropriate system of internal control is maintained.

The Board Risk Committee is responsible for ensuring that material risks are identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Executive Team is responsible for the day to day management of the Company in accordance with the strategy and Operational Plan which includes implementing systems and controls to manage risk exposures within risk appetite and to identify, measure, manage, monitor and report on its risks.

B.3.2.1 RSA Capital model governance & assurance

The Company uses the Standard Formula to determine its regulatory SCR.

B.3.3 Own risk and solvency assessment (ORSA)

B.3.3.1 ORSA process

The ORSA process is a continuous process that takes input throughout the year, to assess how the risks of the business change over time and the consequential impact on the solvency needs of the business. During the year, the Board and Board Risk Committee consider a range of activities and a final report is presented to the Board Risk Committee and Board for review and approval. This summarises papers and associated decisions taken during the period and highlights key areas of action needed over the forthcoming year.

B.3.3.2 ORSA review and approval

Papers are presented to the Board and Board Risk Committee throughout the year dealing with individual elements of the ORSA.

The ORSA report is presented for approval annually to management, the Board Risk Committee and the Board each year.

B.3.3.3 Own Solvency needs

The level of risk exposure based on the projected risk profile is assessed by the Company as part of the ORSA process.

This review process considers regulatory capital requirements, stress and scenario analysis and outputs from the Company's internal view on capital. The level of capital required, including buffers to allow for adverse events, is compared against the amount of current and projected capital that the Company expects to hold based on the current or latest version of the Operational Plan. This takes into account strategy and risks and forms a key part of the ORSA process. The Company uses the standard formula to model the capital required (including buffers).

To ensure that the Company holds appropriate levels of capital in line with its overall risk profile, the overall capital appetite is reviewed on an annual basis and proposed to the Board for approval. Actual and projected capital shortfalls are reported in line with the requirements of the Capital Appetite so that any corrective action can be taken.

The overall solvency needs assessment is a core component of the ORSA process.

B.4 Internal control system

B.4.1 Description of the internal control system

The Company has put in place an effective internal control system which contains administrative and accounting procedures policy management - with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework and a compliance policy. The internal control system is underpinned by the three lines of defence model.

The internal control system comprises the following key elements:

- Policy management, whereby policies establish standard controls, which are implemented and operated by the business; supplemented by objective 1st line control validation and independent 2nd line assurance processes
- The Financial Control Framework is aimed at ensuring best practice in financial control and is the methodology and assurance process to mitigate material financial reporting misstatement and financial loss by identifying financial reporting risks, developing controls to mitigate those risks, assessing and monitoring the effectiveness of controls
- Delegated Authority Framework, whereby authority is cascaded down from the Board to the business
- Compliance policy sets out the standard control processes to minimise and/or prevent the risk of material loss, reputational damage or liability arising from the failure to comply with regulatory requirements. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Board, the Executive and senior management in each business. Advice, challenge, and interpretation is provided to these bodies by the Compliance function

Since March 2020, the Risk Function has been working with all areas of the business to ensure the control environment continued to be effectively managed during the pandemic.

Policy management, control validation and assurance

Policy management is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Existing policies cover all material risk types to which the Company is exposed and set out both minimum requirements and standard control sets for business activities, including delegated activities, which allows the Company to achieve its objectives including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Policies also establish control validation activities (1st line checks) which ensure controls are designed and operating effectively and assurance activities (2nd line) which examine and oversee business control validation activities to provide additional independent comfort that objectives are being achieved and adequate controls are in place and working effectively.

Adherence to the control sets and the progress and findings of assurance and validation activity are reviewed by management committees, such as the Risk & Control Committee on a quarterly basis. Key issues identified in these committee meetings are escalated to the Board or Board Audit Committee as appropriate. Relevant trends and risks will also be notified to the Board Risk Committee as appropriate.

Financial Control Framework

The Financial Control Framework is assessed by the 1st line (specifically Finance) on an ongoing basis with formal assessment of the effectiveness of controls and the reporting on same conducted quarterly. The process of risk refreshes is a core

component of the annual Financial Control Framework process. Self-certification, provided by the Chief Financial Officer, is required to confirm there is no material financial misstatement in the financial statements.

Delegated Authority Framework

The Delegated Authority Framework ("DAF") specifies how executive authority is delegated from the Board to the Chief Executive Officer, and onwards to senior management within the Company. The Chief Executive Officer and senior executives across the Company receive an executive licence setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within his or her area of responsibility.

Effective management of Delegated Authority enables the business to:

- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience and technical capability so as to mitigate the risk of the Company being exposed/committed to material financial, operational, legal, reputational and/or regulatory risk and/or loss
- Ensure consistency is applied over separate policies that have been written covering operational and technical matters
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within risk appetite
- Ensure compliance with relevant regulatory and statutory requirements

The powers of the Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the Matters Reserved for the Board or Terms of Reference for the Board Committees.

B.4.2. Compliance function

The purpose of the Compliance function is to ensure that the Company meets relevant regulatory requirements and uses, where possible, similar tools to those other country and regional Compliance functions within the Group.

The Compliance function:

- Ensures there is a strong regulatory compliance culture and that mechanisms are in place to identify, report and resolve issues to avoid or minimise business impact and surprises
- Manages and develops the relationship with the regulator, the Commissariat aux Assurances
- Provides advice and assurance to the business on compliance with insurance related services legislation and the requirements of the regulator on both consumer and prudential matters
- Supports the business in assessing, monitoring and mitigating regulatory risk. Establishes, implements and maintains an annual Compliance plan which sets out the compliance work to be undertaken in the upcoming year

The Company has Legal & Compliance Officer (LCO) roles in each of the branches who support the Head of Compliance and Head of Legal who oversee regulatory and legal risk at a branch level. The LCOs provide advice and guidance to the local management team and support the Head of Compliance with the delivery of the annual Compliance Monitoring Plan.

B.5 Internal audit function

B.5.1 Implementation

The primary purpose of the UK & Luxembourg Internal Audit ("UK&LIA") function is "to keep RSAL safe and improving". Specifically, it helps the Board and Executive management to protect the assets, reputation and sustainability of the Company.

UK&LIA does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and Executive management; assessing whether they are adequately controlled; and by challenging Executive management to improve the effectiveness of governance, risk management and internal controls.

UK&LIA is an independent and objective function reporting to the Board. The Head of Audit UK & Luxembourg ("Head of Audit") has primary reporting lines to the Chairman of the Audit Committee and the UK and International Chief Auditor, with a secondary line to the RSA Luxembourg CEO. The UK & International Chief Auditor reports directly to the Group Chief Auditor. The Head of Audit is notified to the CAA under the regulatory regime.

UK&LIA's scope of activities is unrestricted and its audit universe extends to all legal entities, joint-ventures and other business partnerships, outsourcing and reinsurance arrangements. Its scope includes first line control validation, second line control assurance and the system of governance as set out under Solvency II. While it is not the role of UK&LIA to second guess any decisions made by the Board and its Committees, its scope does include information presented to the Board and its Committees.

On a semi-annual basis the Head of Audit will submit a six monthly rolling risk-based audit plan (i.e. detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Audit Committee for review and approval. The six monthly rolling audit plan is developed based on UK&LIA's independent risk assessment and prioritisation, considering inputs from the Executives, Senior Management and the Audit Committee.

UK&LIA coverage of the audit universe should be based on the principles of a three-year rolling coverage in which it shall aim to cover all inherent high risks twice and all inherent medium risks once. Any high or medium risk areas not covered within the three-year time period shall be made transparent to the Audit Committee. Coverage shall be provided through Company specific audit reviews and more predominantly through combined UK and Company audit reviews.

The Head of Audit will review and adjust the plan, as necessary, in response to changes in the business, risks, operations, programmes, systems, controls and requirements. Any material changes from the UK&LIA plan will be communicated through quarterly reporting to the Audit Committee for approval. When necessary, UK&LIA may conduct audit engagements which are not included in the audit plan, and may be carried out without notice.

The Head of Audit will ensure that UK&LIA has the appropriate budget and resources and that UK&LIA collectively has the skills and capabilities to effectively deliver its purpose and mandate. This includes consideration of trends and emerging issues that could impact the Company. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

UK&LIA operates an ongoing Quality Assurance programme that is outsourced to Deloitte. Annually the Head of Audit reports a summary of the Quality Assurance results to the Audit Committee. The function is governed by an Internal Audit Charter which sets out the function's role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

UK&LIA must be independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal auditors shall have no operational responsibility or authority over any business activities, day-to-day risk management or control activities.

Internal auditors are expected to remain independent and objective in all assignments and do nothing that might prejudice or be perceived as prejudicing independence and objectivity. Impairments to independence and objectivity may include, but are not limited to:

- Auditing business areas for which an individual previously worked, was seconded to, or was previously responsible for (auditors must refrain for a period of at least 12 months), and
- Auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member)

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Head of Audit must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed immediately to the Head of Audit UK & Luxembourg, who will determine whether the Audit Committee will need to be informed.

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 mind-set.

The Head of Audit reports, at least annually, to the Audit Committee on the independence of the Function and its staff. This is supported by a formal assessment of independence and objectivity for long serving staff, together with an independence self-certification.The Head of Audit will disclose any interference and its implications to the Board via the Audit Committee.

Where the tenure of the Head of Audit exceeds seven years, the Audit Committee will discuss the Chairman of the Audit Committee's assessment of the Head of Audit's independence and objectivity. Thereafter the Audit Committee will consider the Head of Audit's independence and objectivity annually.

B.6 Actuarial function

The Actuarial Function undertakes the duties and responsibilities set out for an Actuarial Function per the CAA's Domestic Actuarial Regime and Related Governance Requirements under Solvency II.

The Actuarial Function coordinates the calculation of technical provisions. It assures that the actuarial information to set technical provisions uses appropriate methods, models, and assumptions and it assesses the appropriateness, completeness, and accuracy of the underlying data. It also confirms that the Solvency II technical provisions comply in all material respects with all relevant Solvency II requirements and informs areas where experience is different and how this has influenced methods, models, and assumptions.

The Actuarial Function provides an opinion on the underwriting policy and the adequacy of reinsurance arrangements. It also provides an opinion on the appropriateness of the stress tests conducted during the ORSA and contributes to the effective implementation of the risk management system. On an annual basis, the function produces an Actuarial Function Report summarising the key conclusions of the Actuarial Function's work during the year. This is presented to both the Audit Committee and the Board.

The Actuarial Function holder has unrestricted access to all relevant information necessary for the exercise of their function and has independent access to the Audit Committee.

B.7 Outsourcing

B.7.1 Policy and key activities

The Company's outsourcing arrangements are managed by the Company's Third Party & Outsourcing Contracts policy (which also covers intra-group outsourcing). The policy has been reviewed against and incorporates the outsourcing policy requirements of the Solvency II Directive and the associated Delegated Acts.

The Third Party & Outsourcing Contracts policy provides a definition of critical and important activities and functions to ensure consistency of approach. The policy sets out the provisions to be followed in relation to all outsourcing, with additional controls being imposed on critical and important outsourcing. It additionally specifies the operational responsibility and establishes the provisions to be taken into consideration in supplier agreements.

The policy also establishes the necessary responsibilities, maintaining a proper separation of activity, so as to ensure correct local service control through Group-approved local supply chain processes and maintenance of oversight within the Group.

The Company currently has three contractual arrangements which are deemed critical or important: the claims handling for the run-off branch in Germany, payroll administration and the intra-group outsourcing arrangement with RSAI plc.

B.7.2 Intra-Group outsourcing arrangements

The intra-group outsourcing arrangement with RSAI plc covers areas such as IT maintenance and support, financial process and control activities and certain other unregulated non-client facing tasks.

B.8 Any other information

B.8.1 Adequacy of system of governance

The adequacy of the system of governance is formally considered by the Board annually. This process considers both changes and recommendations made during the year (such as through Internal Audit, Risk and Compliance reporting) and any advice by other relevant departments based on their observations or regulatory change. Should it be deemed necessary, changes can also occur outside of this formal review. The Company's system of governance is effective and fit for purpose taking into account the nature, scale and complexity of the risks inherent in its business.

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

The previous section of the report (B. System of Governance) included information on the Company's Risk Management System (see section B.3). This section of the report provides more detail on the risks faced, including how the Company measures and mitigates against them. The Company is exposed to the following main categories of risk:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Insurance risk includes claims risk and reserving risk and these are all described under the prescribed heading "C.1 Underwriting risk".

Section C.7 addresses the Company's stress testing and sensitivity analysis across all material categories of risk.

For quantification of the relative importance of each risk type to the Company see section E.2.2.

The Company has adopted the RSA Group's risk management system, reflecting the close alignment between the Company's risk strategy and that of the RSA Group.

The Company has all its assets in cash or cash equivalents and money market funds. Where reference is made to cash holdings in Section C, this applies to the assets held in money market funds as well as the cash or cash equivalents balances, as these assets present the same risk profile to the Company.

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

The Company manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

The Company's risk appetite statement sets the high-level appetite for insurance risk.

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

In addition, the Company's Portfolio Strategy Statements set the appetite for the writing of individual risks and the underwriting and claims policies define the controls implemented across the business to manage these risk categories.

Reserve risk

The Company establishes technical provisions for claims to account for the anticipated ultimate cost of all claims and relevant expenses for claims that have already occurred. The Company establishes technical provisions for both reported and unreported claims. Technical provisions estimates are based on known facts and on interpretation of circumstances including the Company's experience with similar cases and historical claims payment trends. The Company also considers the development of claims payment trends, levels of unpaid claims, judicial decisions and economic conditions.

C.1.2 Measures used to assess risk

Underwriting and claims risk

The Company's underwriting strategy and risk appetite are reviewed, challenged and approved by the Board annually.

Key risk indicators assess risk against the Board risk appetite and these are reported at the quarterly Board Risk Committee. Underwriting risk indicators include measures for exposure control, pricing, the control environment and licences.

Portfolio strategy is reviewed quarterly under the Portfolio Risk Management process. This enables ongoing, proactive management of the implementation of portfolio strategies together with facilitation of forward looking portfolio risk assessments against measured key risk indicators. Risks and issues are escalated to the Board Risk Committee.

Claims risks are monitored separately to facilitate management within appetite. The scope of claims risk indicators covers financial control, technical quality, case reserving, fraud, and control of delegated authorities. Case reserving is monitored by the Reserving Committee.

Scenario and Stress testing and Risk Profiling are undertaken and are reported through the management Risk and Control Committee and to the Board Risk Committee.

The Company benefits from the pricing tools and process established by the Group. Effectiveness and robustness of pricing is regularly reviewed and measured. The review includes an assessment of the pricing components i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated

changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls. Identified gaps in processes or controls are addressed either by a Remediation Plan Agreed (RPA) or a Risk Acceptance.

Breaches of controls are reported as Risk Events and escalated to the Risk function.

Reserve risk

The Company has a Reserving Committee chaired by the Chief Financial Officer.

The Reserving Committee monitors the decisions and judgements made by the actuarial team on the level of reserves to be held and recommends to the Board via the Audit Committee on the level of reserves to be included within the financial statements. In forming its collective judgement, the Committee considers the following information:

- An actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications
- Input from internal peer reviewers of the reserves and of other parties such as actuaries, legal representatives, risk directors, underwriters and claims managers, and
- How previous actuarial indications have developed

C.1.3 Material risks

Material risks identified during the reporting period include:

- **Catastrophe Risk** - Covers the risk that a single event or series of events of major magnitude usually over a short period, leads to a significant increase in actual claims compared to total expected claims. Losses can arise from either natural perils, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example industrial accident
- **Pricing Risk -** The risk that portfolio pricing strategies, monitoring and rating are insufficient to generate sufficient returns in key portfolios to maintain profitability and pay claims
- **Reserving Risk** - The risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development. The risk that more claims are reported in future than anticipated. The risk that legislative changes have a retrospective effect on claim settlements
- **Underwriting Risk Selection** - Covers the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing other than due to catastrophes. This can arise as the result of bad experience, third party interventions, ineffective portfolio management, poor pricing, poor risk selection or failure to underwrite effectively
- **Claims Management Risk** - Financial losses through ineffective claims management processes, due to management information or process deficiencies (claims leakage)

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

As a European insurer, the Company. has most of its exposures in Continental Europe, concentrated in countries where its branches are located. Material risk concentrations are identified at Group level through a robust process via the Group Underwriting Catastrophe Modelling Committee. The Group's two peak Natural Catastrophe zones are Northern European windstorm and Canadian West Coast earthquake where the Group purchases reinsurance to protect against such losses. The Company contributes into this Group assessment and is included in the reinsurance protection.

Large individual risks, especially with international exposures to Natural Catastrophe Risk are closely monitored via the risk management system. The Company is protected against these large risks by the Group Property Risk treaty and, in a multiple loss scenario, by the Group Catastrophe treaty.

C.1.6 Risk mitigation

The Company operates a comprehensive Risk Management Framework and policy management system. This system includes policies which govern key activities such as underwriting, claims and reinsurance. The policies introduce a system of mandatory controls which stipulate a system of minimum requirements and Key Risk Indicators which are used to measure the effectiveness of these controls in mitigating risk. Each quarter, management is required to report on the operation and effectiveness of these controls to functional risk committees. Key risks are escalated to the management Risk and Control Committee and to the Board Risk Committee. Controls which are not considered effective are subject to remedial action and risk oversight.

The Underwriting and Claims governance and control framework spans a number of key activities, including (but not limited to):

- The Delegation of Technical Authority (Internal and External) including Licensing and Referrals
- Portfolio Strategy and Performance
- Underwriting Product Development
- Pricing
- Accumulation and Exposure Management
- Multi-National Risks
- Risk Control / Inspection
- Underwriting and Claims File Review / Validation
- Claims Management Processes
- Case Reserving

The management and mitigation of credit risk for reinsurance are described in Section C.3.6 Risk Mitigation.

Reinsurance is a key tool used by the Company to mitigate the effect of catastrophe and underwriting risks. Reinsurance arrangements in place include facultative and treaty covers. Treaty reinsurance protection is sourced centrally by Group. The Company arranges additional facultative reinsurance protection where it is felt necessary.

The Group's treaty reinsurance is largely excess of loss in nature but also includes a small number of proportional covers. The effect of such reinsurance arrangements is that both the Company and the Group should not suffer total net insurance losses beyond risk appetite in any one year.

The Company is exposed to both multiple insured losses and losses arising out of a single occurrence.

The Company remains primarily liable as the direct insurer on all risks reinsured, although the reinsurer (and the Group) is liable to the Company to the extent of the insurance risk ceded.

In addition to the Company's share of externally purchased Group protection the Company has additional intra group reinsurance in place, which comprises of a Quota Share Agreement with RSAI plc. The arrangement covers prior year as well as any new business underwritten by the Company. The treaty covers all lines of business equally, and structured in a way to retain at least 10% written by RSAL within the entity net of external reinsurance.

C.1.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.2 Market risk

C.2.1 Introduction

Market risk is the risk of potential losses from adverse movements in market prices including those of bonds, equities, property, exchange rates and derivatives as well as credit rating downgrade risk, credit spread risk, credit default risk and asset-liability matching risk.

The Company has all its assets in cash or cash equivalents and money market funds.

C.2.2 Measures used to assess risk

Market risk exposures can be assessed through a number of factors including exposure by asset class, credit rating of counterparties, asset liability mismatch due to divergence in duration and currency exposures and concentration exposures.

Exposures are controlled by setting of investment limits and managing asset liability matching in line with the Company's risk appetite.

The Board is responsible for reviewing and approving the investment strategy for the Company's investment portfolios. It provides approval for all major changes in investment strategy.

For Market risk the Company is mainly exposed to Currency risk.

C.2.3 Material risks

The Company is exposed to the following material Market risk:

Currency risk

The Company trades mainly in Euro, Pound Sterling and US Dollar. The Company's net assets are subject to foreign exchange rate movements mainly linked to movements in the Euro / Sterling exchange rate. If the value of the Euro strengthens then the value of non-Euro net assets will decline when translated into Euros and consolidated.

The Company mitigates currency risk by matching cash assets and liabilities by currency at a Company level with any residual risk covered by foreign currency derivatives entered into with the Parent Company on an arms length basis.

It is noted that Covid-19 related developments have not had a material impact on the Company's material market risk.

C.2.4 Application of the prudent person principle

The Company applies market risk and liquidity risk policies that set out the minimum requirements for the identification, measurement, monitoring and reporting of market risk, liquidity risk and credit risk arising from investments for the Company's investment portfolio. A set of key risk indicators in the form of an investment limits framework has been developed alongside the policy. The policy refers to this for investment risk management and reporting purposes.

In particular, the prudent person principle requires the Company to exercise prudence in relation to the investment portfolio and to ensure assets are appropriate to the nature and duration of its liabilities (assets and liabilities management). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The Company holds just cash and money market funds.

C.2.5 Material risk concentrations

The Company holds virtually all its cash at one main key operational bank, creating a concentration of cash assets with one counterparty. Plans are in place to diversify. Concentration risk is mitigated by using money market funds.

C.2.6 Risk mitigation

The Company maintains a low risk simplified portfolio with exposure to just cash and money market funds. Counterparty concentration risk is limited through limits placed on single counterparties reflecting a number of criteria including the counterparties' credit rating, industry and geography. Interest rate risk is limited through the Company maintaining a broad match of its asset duration.

C.2.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.3 Credit risk

C.3.1 Introduction

Credit risk is defined as the risk of loss resulting from a counterparty failing to fulfil its contractual obligations to the Company or failing to do so in a timely manner. The Company is exposed to credit risk in respect of its reinsurance contracts; insurance operations (where counterparties include brokers, policy holders and suppliers) and cash held (where counterparties are banks).

C.3.2 Measures used to assess risk

Credit risk arises any time the Company's funds are extended, committed, invested or otherwise exposed through actual and/ or implied contractual agreements with counterparties whether reflected on or off-balance sheet.

The Board Risk Committee is responsible for ensuring that the Board approved credit risk appetite is not exceeded. This is done through the setting and imposition of the Company's policies, procedures and limits.

In defining its appetite for counterparty credit risk, the Company distinguishes between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risks and risks to receiving premiums due from policyholders and intermediaries) and credit risks incurred for the purposes of generating a return (e.g. invested assets credit risk). As the Company has not invested its assets, the latter is limited to cash held at bank and the associated credit risk relating to bank insolvency.

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Company's overall credit profile and specific concentrations are managed and controlled within risk appetite.

Exposure monitoring and reporting is embedded within the risk appetite scorecard with aggregate credit positions reported and monitored on a quarterly basis. Reinsurer counterparty credit risk is assessed and monitored at a Group level by the Group Reinsurance Credit Committee (GRCC).

The Company also has a significant counterparty Credit risk exposure to its parent (RSAI plc). This is monitored on a quarterly basis by the Company within its risk appetite scorecard mainly through a look through to the solvency position of the RSA Group.

C.3.3 Material risks

The Company is mainly exposed to the following types of credit risk:

- **Counterparty risk -** defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers including the RSA Group and other third parties
- **Credit concentration risk -** defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions

It is noted that Covid-19 developments have not had a material impact on overall credit risk.

C.3.3.1 Reinsurance credit risk

Reinsurance Credit risk is defined as the credit risk arising from the purchase of all Group treaty reinsurance and at the local level for the purchase of treaty reinsurance and facultative reinsurance. Also, includes business ceded through the Global Network.

In the case of the Company it also includes the risk of default of the RSA Group. This is particularly relevant to the Company given the internal reinsurance structures and Group support that is in place - see section C.1.

C.3.3.2 Credit risk arising from insurance operations

Insurance operations credit risk is defined as credit risk arising from carrying out daily insurance business operations. This includes loss of principal or financial reward resulting from counterparty's failure to pay or fulfil all or part of its contractual obligations. For example, if the Company trades with an insolvent broker there is a risk that the Company will not receive all the premiums due from that broker.

The Company has credit risk against intermediaries and brokers.

As a result of the Covid-19 pandemic, there was increased credit risk arising from insurance operations during 2020. See section C.3.6.2 for mitigating actions. However, the Company continued to significantly reduce its levels of historic booked debt during the period.

C.3.4 Application of the prudent person principle

The prudent person principle is applicable to investments (see C.2.4) and not applicable to credit risk in relation to reinsurance and insurance operations.

C.3.5 Material risk concentrations

The Company is exposed to the following types of credit risk concentrations:

- Reinsurance counterparties (including the Company's parent – RSAI plc)
- Off balance sheet capital structures. The main off-balance sheet facility the Company has in place is €35m Tier 2 capital in the form of an Ancillary Own Funds facility. This was approved in 2018 and is subject to eligibility criteria in line with Solvency II rules. The facility increases the Company's reliance on its parent RSAI plc and this is monitored through the Company's risk appetite statement on a quarterly basis.
- The Company holds virtually all its cash at one bank, creating a concentration of cash assets with one counterparty.

C.3.6 Risk mitigation

The Company employs the following mitigating techniques and monitoring procedures in order to manage the different types of Credit Risk.

C.3.6.1 Reinsurance credit risk management

The Company is protected by the Group treaty reinsurance, the facultative reinsurance and the intragroup reinsurance (quota share). The Company participates, for all external reinsurance, in the Group reinsurance credit risk management process. Even if the Company enters into a local reinsurance agreement the contract is oversighted and managed by Group including the reinsurance credit risk mitigation techniques.

Mitigation techniques

Group Corporate Centre:

- **Group Reinsurance Credit Committee** - The Committee is responsible for the oversight of the Group's reinsurance counterparty credit risk
- **Approved Reinsurance Counterparties** - Group Reinsurance assess and approve all reinsurance counterparties. Group Reinsurance maintain information on all reinsurance counterparties used across the Group
- **Approved Reinsurance Counterparties meet Corporate Standards** - Due diligence is performed, Group Reinsurance monitor and maintain the Approved Reinsurance Counterparties lists as part of an ongoing risk assessment of reinsurance counterparties. Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions must be effected and reported to the Group Reinsurance Credit Committee
- **Appropriate Metrics** - Group Reinsurance establish metrics which are appropriate for quantifying reinsurance counterparty credit risk across the Group

Company requirements:

- **Contract initiation** - Before entering into an outward reinsurance contract the Company must ensure and document that it has followed all the requirements of the Reinsurance Policy
- **Exposure approval** – The Company must seek approval for reinsurance exposures outside the Reinsurance Credit policy and standards through the Group's reinsurance appeals process
- **Risk mitigation techniques** - Where risk mitigation techniques, such as the acceptance of collateral, are used they should be well understood by the business and appropriate processes and procedures must be established to operate the mitigant. The use of off balance sheet guarantees or Letters of Credit are approved on an individual basis. The principal risk to the Company is its credit risk exposure to RSAI plc, and in the event of the failure of RSAI plc, the negation of the reinsurance protection and ceded insurance.

Monitoring process

- **Credit Risk Profile** - Group Reinsurance review the reinsurance counterparty credit risk profile quarterly, and monitor reinsurance counterparty exposure against Maximum Probable Exposure (MPE) limit quarterly
- **Breaches** - Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions are effected and reported to the Group Reinsurance Credit Committee and to the Company's Risk and Control Committee
- **Ongoing information on counterparties** - Group Reinsurance must maintain information on all reinsurance counterparties used across the Group
- **Quarterly Reporting** – The Company must produce regular quarterly reinsurance counterparty credit risk reports covering their relevant counterparties, and notify all known breaches of policy or appetite immediately to the Board. The Company also monitors its exposure to the RSA Group within its quarterly risk appetite reporting.

C.3.6.2 Insurance operations credit risk

Mitigation techniques

- **Finance Committee** – the Company through its Finance Committee is responsible for identifying, assessing, maintaining, monitoring and reporting on Insurance Operations Credit Risk (IOCR) exposures
- **Debt reconciliations** - Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased
- **Completion of due diligence activities** – The Company must confirm material facts about the counterparty by reviewing several elements such as annual and quarterly financial information for the past three years, financial projections, Capital structure, list of top ten suppliers
- **Credit terms are set for each counterparty** – The Company must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented on the Insurance Operation Credit Risk policy (approved by the Board and Board Risk Committee).

Monitoring process

The Company has to provide the following on a quarterly basis (and during 2020 on a more frequent basis, in response to heightened credit risk)

- Aged debtors and balances
- Breakdown of debtors
- Top 20 debtors, how much they owe, their credit rating (Standard and Poor ratings to be used, with justification required if an alternative is used), length of extended credit, whether they have exceeded their limit, if so action to recover or cancel relationship/business until 100% of the amount is received or at least amounts beyond 60 days
- Aged debtors variance analysis (budget vs actuals)
- Major credit concentrations by counterparty, counterparty groups. or connected counterparties
- Key Performance Indicators, for example debtor days (movement against prior quarter and prior year) are monitored by the Finance function
- Bad debt provision is noted at the Finance Committee together with an aging analysis

During 2020 the Company has offered payment relief to customers experiencing financial difficulty as a result of Covid-19, and has increased credit risk monitoring to proactively manage the financial risk from the current economic environment and the provision for bad debts is being assessed on a regular basis.

C.3.6.3 Credit concentration risk

Mitigation techniques

- Cash is held at highly rated financial institutions or in “AAA” rated money market funds
- The Company has plans which will mitigate concentration risk through investing in other financial instrument
- The monitoring of the financial strength of RSAI plc is embedded within local procedures and includes reviews of solvency, credit rating and liquidity positions

C.3.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.4 Liquidity risk

C.4.1 Introduction

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash or the securing of such assets at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures used to assess risk

The Company breaks down liquidity risk into three subcategories:

- **Funding liquidity risk** - the risk that the Company may suffer any or all of the following: be unable to liquidate assets, secure funding or contingency funding arrangements, free from excessive or prohibitive clauses. Additionally, the risk of withdrawal or curtailment of funding facilities by third parties.
    - The Company is not exposed to this risk as the Company has no investments outside of cash and cash equivalents and no funding arrangements in place outside of a contingency facility with its parent company
- **Foreign currency liquidity risk** - the risk that actual or potential future outflows in a particular currency are unable to be met from likely available inflows in that currency or purchased in the foreign exchange market
- **Intra-day liquidity risk** - the risk that liquidity requirements increase during the course of a business day due to delays in settlement proceeds being received and/or problems in the workings of banking or other settlement systems

Suitable monitoring processes are in place to assess all of the above including:

- Creation and maintenance of short-term cash flow forecasts, including by non-functional currency
- Regular dialogue with the Company’s operational bankers where applicable and relevant
- Use of liquidity Key Performance Indicators to measure the proportion of assets and sources of liquidity that can be accessed within specified time periods such as overnight and 20 working days

C.4.3 Material risks

The Company considers that there are currently no material liquidity risks.

The Company monitor's the impact of Covid-19 on liquidity on a frequent basis, including through daily KPI's. The Company does not consider the impact on liquidity risk to be material.

C.4.4 Application of the prudent person principle

Prudent person principle primarily relates to the investing of assets. As stated elsewhere, the Company only holds cash and cash equivalents on the balance sheet.

C.4.5 Material risk concentrations

The Company considers that there are currently no material liquidity risk concentrations.

C.4.6 Risk mitigation

The Company minimises the liquidity risk by having all its assets in cash.

In addition, the Company produces a range of cash flow forecasts from short-term operational plans to 3 year forecasts in conjunction with the Company's core planning processes.

Group Treasury maintains a contingency funding plan that considers access to a range of funding options and sources under normal and stressed scenarios.

C.4.7 Expected profit in future premiums

The Company has assessed its Expected Profit in Future Premiums (EPIFP) and, on a gross basis has aggregated this as circa €2.3m. This value has been disclosed on the Company's annual S.23.01.01; see Appendix 2 – Quantitative Reporting Templates.

C.4.8 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

The Company does not currently consider liquidity risk as a material risk. This decision is reviewed on a regular basis.

Notwithstanding this, a range of liquidity stress tests are carried out on a quarterly basis.

C.5 Operational risk

C.5.1 Introduction

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are inherent in the Company's operations and are typical of all enterprises.

C.5.2 Measures used to assess risk

Operational risk exists in almost every aspect of business within the Company, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives and to deliver good customer outcomes.

The Risk Management & Internal Controls Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The risk management system sets out the Company's approach to minimising and/or preventing the risk of customer detriment, material loss, reputational damage or liability arising from the failure to comply with risk requirements with a particular focus on operational risk.

In order to facilitate identification and control, the business breaks down operational risk into four sub-categories:

- **Process risk** - the risk of direct or indirect loss resulting from inadequate or failed internal processes
- **Systems risk** - the risk of direct or indirect loss resulting from inadequate or failed infrastructure of the organisation including network, hardware, software, communications and their interfaces
- **People risk** - the risk of direct or indirect loss resulting from the deliberate or unintentional actions of employees and/or management of the business or from their inaction
- **External risk** - the risk of direct or indirect loss resulting from events outside the business control or from events that impact on an external relationship

The line 1 business functions, supported by the Risk function, ensure that new risks are identified, which can include risks created by changes to the business strategy, and are appropriately reflected in their risk profiles and risk appetite scorecards.

A number of information sources should be used to support identification processes. These include:

- Control assessments supported by testing such as validation and assurance activities
- Key risk indicators supporting the risk appetite framework
- Material business changes, including transformational activity
- Emerging risk assessments
- External incidents and internal incidents, which are supported by root cause analyses where appropriate

Once material risks outside of appetite have been identified the business function must update its risk profile by including the risk net of mitigation, i.e. the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective), and recorded on a standard 5x5 Probability and Impact Matrix. The assessment of impact that could be incurred should the risk arise is made using both quantitative financial measures and qualitative reputational scales with consideration to potential impacts on the customer or reputation that could be incurred should the risk arise. Probability assessments run from Very High (more likely than not to happen) to Very Low (less than once in 200 years) and are made with reference to the probability of a scenario arising that would result in these impacts being incurred. Assessments are made by the line 1 risk owner supported (and challenged) by the risk function.

The business function assesses all residual risks to determine if the risk is within risk appetite and if not whether there is a plan with an owner to bring the risk within appetite within a reasonable timeframe.

Risk profiles, risk appetite scorecards and where applicable action plans are reviewed and challenged by the risk function and at both the management Risk and Control Committee and the Board Risk Committee.

There have been no material changes to the measures used to assess risks during 2020.

C.5.3 Material risks

The material risks that the Company is exposed to are as follows:

Risk	Description
Change Management	A major project critical to strategic business objectives is running behind schedule and/or incurring additional unbudgeted costs. Additional strain placed on business by key Business as Usual staff being enrolled on projects, resulting in work backlogs, customer detriment, untimely turnaround/response times, staff stress, and pressure from increased workloads.
Legal/ Legislative Non-Compliance	The Company incorrectly interprets law or legislation and/or erroneously excludes crucial terms and conditions (from non-insurance policy contracts) leading to minor sanctions, negative reputational consequences, customer detriment, and/or change in business practices/decisions. The Company fails to comply with changes in legislation, laws, supervisory directives, market directives, accounting practices, taxation requirements, or other requirements issued by relevant authorities within prescribed time. Receipt of bribes/inducements to secure business/opportunities, acting in a way considered anti-competitive.
Inappropriate Underwriting	Failure (of the Company or management) to exercise appropriate levels of oversight on sales practices being adopted by individuals or related entities authorised to represent the firm or distribute its products and services directly to the market.
Loss of a material reinsurance payment	Staff fail to correctly execute reinsurance (treaty) contracts (not executed at all or disputed by reinsurer) resulting in lack of cover for large exposures and failure to recover funds from a large loss.
Theft or Corruption of Data	An external party attacks the Company's computer/electronic systems with the purpose of defrauding the firm, theft or corruption of data, destroying systems, etc. The Company loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.
Financial reporting and accounting errors	Inadequate financial processes that result in financial accounting and/or reporting errors and misstatement of financial accounts.

Risk	Description
Regulatory Breach	Regulatory breaches or failures that cause detriment to customers, clients or significant trading partners, including incorrect licensing or permissions. Failure to comply with changes in regulations issued by relevant authorities in the prescribed time. Inadequate sanctions systems, processes or failed sanction controls.
Business Interruption	A disaster recovery event causing damage or disruption to business operations, assets, utilities and third parties, including natural disaster, war, riots, terrorism, explosion, vandalism, social unrest, fire, etc. Systems (software or hardware) failure resulting in staff being unable to use critical systems to work.
Third Party Management	A failure to manage, monitor and assess third parties, included outsourcing arrangements, can result in poor performance or service issues impacting the customer and resulting in error/breaches. In the worst cases this can lead to business interruption, regulatory or legislative fines, financial loss or reputational damage.

IT and Cyber is a key risk for the Company that is factored into multiple risks raised above, especially theft or corruption of data and business interruption.

Customer related risks are a key factor in the assessment and management of the risks above. Customer impacts can arise from a number of risks across the different risk types, however customer risk is treated predominately under the operational risk catoregory. Whilst each risk listed above has customer implications the most signifcant relate to change, inappropriate underwriting, data, business interruption and third party management.

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

Whilst there are many inter-dependencies between operational risks there are no material risk concentrations.

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

- The Risk Management and Internal Control Policy and supporting Business Control Policies
- The Operational Risk Process and Procedures
- The risk appetite and/or risk limits and tolerance levels

The Risk Management and Internal Control Policy is supported by policies that detail a standard set of controls. The effective operation of the controls, control validation and assurance outlined in this and other policies is important to mitigate the risk of

override at all levels, including that of management. Policies are developed to provide a consistent set of controls so that risks remain within risk appetite.

The operation of the policy framework is detailed in the risk management system detailed in the system of governance. Worthy of note are the following:

- Assurance that the business is complying with both Risk Policies and Business Control Policies is managed through control validation and assurance procedures which assess the effectiveness of the standard controls
- Policies are subject to a regular review, led by the line 1 owner and supported by the risk function. Any change is subject to review, challenge and agreement from the Control Governance Advisory Committee, which is a group-wide committee with authority for policy management delegated down from the Group BRC to which the Company adheres to even if the local Board has ultimate responsibility on policies
- Policy owners must ensure that the minimum requirements defined in the policies are in place across business functions to meet the requirements of the policy
- Requests for variation, risk acceptance and/or remediation plans agreed must follow the Policy Management Lifecycle

The business manages risks on an ongoing basis in line with risk appetite. The business clearly documents the management and/or mitigation of the risk exposure through risk avoidance, risk reduction, risk transfer or risk acceptance. Where the risk exposure is judged to be unacceptable relative to risk appetite, actions must be taken to mitigate and/or manage the risk.

In managing and/or mitigating risk, the following four areas are considered:

- **Risk avoidance** - defined as not engaging in the activity that gives rise to the risk exposure. This may include a change in the scope of activities that present the risk exposure
- **Risk reduction** - defined as a reduction in the probability and/or impact of the risk exposure. This would be achieved by either:
    - Implementing new or enhancing existing controls
    - Transferring the business activity, for example to an outsourced provider
- **Risk transfer** - defined as the movement of the risk exposure to another party who is more willing to bear the impact, for example through an insurance arrangement. Risk transfer must be assessed and referenced to the risk appetite, the type of risk, the scale of the potential impact and/or costs and exclusions
- **Risk acceptance** - defined as an agreement by the business to retain and manage the risk exposure, for example where no mitigation is available to mitigate the risk or the cost of mitigation is deemed to be excessive in relation to the risk mitigation benefit

Action plans are developed by the functional business teams where needed to bring risks back within appetite, with action plans being reviewed and challenged at RSAL Risk Committee. Action plans include assigned owners, actions to be followed and delivery dates.

The business functions, supported by the Risk team, will:

- Review the reports presented to the Risk and Control committee and consider if any of the control weaknesses reported need to be reflected as material residual risks out of appetite on the risk profiles
- Review the risk incident reports to assess trends and highlight any potential breaches of operational risk appetite
- Consider the impact of any major strategic or structural change within the organization or the business environment on the risk profiles
- Consider the impact of any emerging risk reviews, scenario tests or other deep dives on the risk profiles

C.5.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.6 Other material risks

C.6.1 Other material risks

The Company is not exposed to any other material risks.

C.7 Any other information

Stress and scenario testing

The Company performs a stress and scenario testing exercise annually, aimed at quantifying the impact on own funds of several scenarios. The exercise is led by the Risk function with input from other functions.

The stress and scenario testing activities cover all material risk classes to which the Company has exposure, with the purpose of evaluating the Company's vulnerabilities to exceptional but plausible events. It is an opportunity to demonstrate that solid risk management processes are in place that would allow the Company to perform under mild and extreme circumstances.

The scenarios and process to be followed for quantifying their impacts are reviewed and approved by senior management, along with possible mitigating actions. Furthermore, the results of the exercise are reported to the Board.

In 2020, the key scenarios related to Insurance risk. No scenario led to a breach of the SCR.

D. Valuation for Solvency Purposes

In this section

This section sets out the basis of preparation and assumptions used in the valuation under SII of the assets, technical provisions and other liabilities of the Company for each material class.

SII requires assets and liabilities to be valued on the basis that reflects their fair value (described as ‘economic valuation’) with the exception that liabilities should not be adjusted to take account of changes in an insurer’s own credit standing. Fair value reflects the amount that the Company would receive if an asset was sold, or would have to pay to settle a liability in an arm’s length transaction between willing parties.

The financial statements of the Company have been prepared in compliance with the amended law of 8 December 1994 on financial statements with respect to insurance and reinsurance undertakings and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg.

The valuation of assets and liabilities for SII purposes begins with the values from the financial statements. Adjustments are made for specific differences in valuation between Lux GAAP and Solvency II.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of the financial statements of the Company.

SII Balance Sheet

The table below shows the Lux GAAP financial statements values, compared to the SII balance sheet. The adjustments made are classified into two broad categories:

- Reclassifications of the Lux GAAP balance sheet items into the appropriate Solvency II categories
- Revaluation adjustments for areas where the Lux GAAP valuation techniques are not considered to be consistent with SII requirements

	Financial statements note	Statutory accounts value	Reclass-ification	SII valuation adjustments	Solvency II value	SFCR section
		€'000	€'000	€'000	€'000	
Deferred acquisition costs	3.2.14	19,292	(22,077)	2,785	-	D.1.1.1
Deferred tax assets		-	-	2,417	2,417	D.1.1.2
Property, plant and equipment held for own use	3.2.3	1,275	-	5,452	6,727	D.1.1.3
Investments (other than assets held for index-linked and unit-linked contracts)		-	29,921	447	30,368	
Collective investments undertakings		-	29,921	-	29,921	D.1.1.4
Derivatives		-	-	447	447	D.1.1.4
Reinsurance recoverables	3.2.7	527,764	(22,175)	(52,607)	452,982	D.2
Insurance and intermediaries receivables	8	85,026	17,530	(59,403)	43,153	D.1.1.4
Reinsurance receivables	8	62,033	(17,530)	(24,371)	20,132	D.1.1.4
Receivables (trade, not insurance)	8	123,435	(72,619)	-	50,816	D.1.1.4
Cash and cash equivalents		115,594	(29,923)	-	85,671	D.1.1.4
Any other assets, not elsewhere shown	5	28,211	(26,719)	(193)	1,299	D.1.1.4
Total assets		962,630	(143,592)	(125,473)	693,565	
Technical provisions	3.2.7	597,949	(26,717)	(42,854)	528,378	D.2
Provisions other than technical provisions		3,226	-	-	3,226	D.3.1.3
Deferred tax liabilities		-	-	846	846	
Insurance & intermediaries payables	8	18,160	44,152	(33,981)	28,331	D.3.1.1
Reinsurance payables	8	131,143	(44,152)	(51,550)	35,441	D.3.1.1
Payables (trade, not insurance)	8	82,570	(72,450)	6,251	16,371	D.3.1.1
Any other liabilities, not elsewhere shown	9	51,387	(44,425)	-	6,962	D.3.1.1
Total liabilities		884,435	(143,592)	(121,288)	619,555	
Excess of assets over liabilities		78,195	-	(4,185)	74,010	

D.1 Assets

D.1.1 Valuation of assets

The assets of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of assets:

- the bases, methods and main assumptions used in valuing those assets for SII purposes
- where relevant, details of estimation techniques, risks and uncertainties relating to these valuations
- an explanation of any material differences in SII valuations compared to Lux GAAP

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period, other than the application of the volatility adjustment to technical provisions (see Sections D.2.4 and D.2.6 for further information).

D.1.1.1 Deferred acquisition costs

Deferred acquisition costs (DAC) recognised in Lux GAAP comprises the direct and indirect costs of obtaining and processing new insurance business. Lux GAAP DAC is valued at €nil under SII, and acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.

D.1.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities relating to the Company are included in the Group's financial statements in accordance with IFRS but are not recognised in the Company's financial statements under Lux GAAP. The valuation method for deferred tax balances is the same under IFRS and SII. Deferred tax is provided in full using the IAS 12 liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts on the SII balance sheet. IFRS to SII valuation adjustments are therefore considered in assessing the temporary differences upon which the deferred taxes are derived.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses and temporary differences can be utilised.

See Section D.1.2 for more information on deferred tax.

D.1.1.3 Property, plant and equipment

Property, plant and equipment is included in the SII balance sheet at fair value, and comprises:

- Company occupied land and buildings
- Fixtures, fittings and equipment (including computer hardware and motor vehicles)

Under Lux GAAP reporting, property, plant and equipment is stated at cost, or open market valuation, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, cost directly attributable to bringing the assets to its working condition for its intended use, dismantling and restoration costs. Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives.

On the SII balance sheet, property and equipment Lux GAAP values (depreciated cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

Under SII, an adjustment is made to recognise lease assets under operating leases in accordance with the provisions of IFRS 16, which are not recognised under Lux GAAP. IFRS values (depreciated cost) are assumed to approximate fair value.

D.1.1.4 Financial assets

Financial assets are valued at fair value for both Lux GAAP and SII. The methods and assumptions used by the Company in estimating the fair value of financial assets are:

- Derivatives: fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices
- Cash and deposits: Lux GAAP carrying amounts approximate to fair values. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances, reclassified from other assets. Cash and cash equivalents include cash in hand, cash held as part of the tripartite agreement between the Company, CAA and HSBC to cover the policyholder liabilities, investments in short-term money market funds and other short term cash held within the branches.
- Receivables and other assets: Lux GAAP carrying amounts approximate to fair values. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details.
- Prepayments: prepaid expenses that are considered to have no future economic value are valued at €nil under SII

Reinsurance recoverables

The sub-categories in the SII balance sheet of reinsurers' share of technical provisions mirror those of the gross balances and the same mapping of SII lines of business is to be used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset €'000	Liability €'000
Deferred tax assets/liabilities	**2,417**	**846**

The following table sets out the deferred tax assets and liabilities recognised by the Company, split by main categories:

	€'000
Tax losses	**4,796**
Technical Provisions	**(3,232)**
Capital allowances	**1**
Other temporary differences	**6**
Net deferred tax position at 31 December	**1,571**

Of the total deferred tax asset of €2,417k recognised by the Company, €1,935k relates to tax jurisdictions in which the Company has suffered a tax loss in either the current or preceding period.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a seven-year forecast based on the three-year operational plans and a further four years of extrapolation. The operational plans are subject to internal review and challenge by senior management and the Board.

At the end of the reporting period, the Company had the following unrecognised tax assets:

	Gross amount €'000	Tax effect €'000
Trading tax losses	**68,791**	**17,456**
Deductible temporary differences	**1,308**	**333**
Unrecognised tax assets as at 31 December	**70,099**	**17,789**

€2,575k of the gross trading tax losses relate to Luxembourg where losses can be carried forward for a maximum of seventeen years. The losses will expire on the following dates:

Gross loss €'000	Expiry date
759	**31/12/2035**
752	**31/12/2036**
1,064	**31/12/2037**
2,575	

The procedure for calculating SII deferred tax figures for the Company utilises a walkthrough bridge from the values calculated on an IFRS basis which are included in the Group's financial statements. A tax analysis is performed of valuation adjustments made to the IFRS balances to arrive at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.2 Technical provisions

D.2.1 Valuation and comparison of Lux GAAP to SII

Technical provisions are valued using the methods and assumptions described in Section D.2.2.

The main differences between SII technical provisions and the Lux GAAP equivalent are:

- Inclusion of a margin above best estimate in Lux GAAP. SII technical provisions include a risk margin calculated on a different basis
- Differences in discounting. In SII all technical provision cash flows are discounted using the EIOPA yield curve. In Lux GAAP there is no discounting
- Inclusion of an allowance for Events Not In Data (ENIDs) in SII, covering estimates of low frequency events that are not captured in historical data sets
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions
- For future exposures, SII considers only the best estimate of liability cash flows and not an unearned premium reserve (as is covered in Lux GAAP). As a result, profit relating to future exposures (after allowance for ENIDs) will come through as a difference in the liability valuation
- Within SII, an allowance for the risk of future reinsurer default is calculated

The following table quantifies the differences in the SII net technical provisions and the equivalent Lux GAAP provisions (net of deferred acquisition costs) for each SII line of business. The table is followed by notes explaining how the different valuation approaches set out above contribute to the differences observed for each line of business.

		SII Net Technical Provisions		Statutory Accounts Value (including Salvage and Subrogation)	Difference
		Best Estimate	Risk Margin		
		€'000	€'000	€'000	€'000
Direct Business and Accepted Proportional Reinsurance	Marine, Aviation and Transport	**11,389**	**819**	**14,472**	**(2,264)**
	Fire and Other Damage to Property	**29,754**	**2,149**	**26,197**	**5,706**
	General Liability	**29,165**	**2,120**	**27,763**	**3,522**
TOTAL		**70,308**	**5,088**	**68,432**	**6,964**

Notes

(1) Allowance for future premium within SII Technical Provisions is a significant difference impacting the lines of business of Marine Aviation & Transport, Fire & Other Damage to Property and General Liability.

(2) Profit tied up in UPR under Lux GAAP is released in SII. This applies for most classes.

(3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under Lux GAAP.

(4) Discounting is used throughout SII reducing the SII Technical Provisions for most classes compared to the statutory accounts value.

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

Claims provision + Premium provision + Risk margin

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies that the Group has written, or bound but not incepted, at the valuation date.

The risk margin is calculated as per the Solvency II directive as the cost of capital required to hold future SCRs over the life of the technical provisions as they run off.

The valuation of the best estimate for claims provisions and for premium provisions are carried out separately. Claims and premium provisions are calculated both gross of outwards reinsurance and for outwards reinsurance. The risk margin is only calculated net of reinsurance.

D.2.2.1 Bases, methods and assumptions used for valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows including claims payments, related expenses, salvage and subrogation recoveries and reinsurance transactions. The provision is determined using the best information available of claims settlement patterns, forecast inflation and estimated claims settlement amounts.

Future claims cash flows include an allowance for Events Not in Data (ENIDs).

The premium provision comprises estimated cost of future claims and associated expenses for unearned business on a best estimate basis, offset by future premiums due. The cash flows also include profit commissions and the costs of policy administration.

All expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses are taken into account. This share is assessed on the basis that the Company continues to write new business. The expense provision includes items such as investment expenses that would not be covered under the LUX GAAP basis.

Future claims cash flows are generally determined by considering how past claims payments have materialised, with separate explicit cash flows determined for gross of reinsurance and net of reinsurance.

Cash flows are discounted for the time value of money using yield curves prescribed by EIOPA.

The risk margin is calculated by determining the present value of the cost of holding the SCR necessary to support the company's insurance obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional (re)insurer, the Reference Undertaking, of holding the capital to accept a transfer of liabilities.

D.2.2.2 Significant simplified methods

For the premium provision, under the legal obligation basis of SII, all existing bound contracts are to be valued, whether the contracts have incepted or not. This includes future premium and claims cash flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (Bound But Not Incepted business).

For the risk margin, the future SCRs of the Reference Undertaking are estimated by considering the remaining claims at each future valuation date. As claims run off, a higher proportion of long tail, eg liability, claims remain which require a proportionally

higher level of capital to support them. The method used reflects the proportionally increasing levels of capital required in the future.

D.2.3 Uncertainties and contingencies

There is an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. In particular, the estimation of the provisions for the ultimate costs of claims for liability exposures is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slower emergence and longer settlement period for these claims.

Other uncertainties include the possibility of future legislative change having retrospective effect on open claims; changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from business written several years ago; general uncertainty in the claims environment; the emergence of latent exposures such as asbestos; the outcome of litigation on claims received; failure to recover reinsurance and unanticipated changes in claims inflation.

There is also increased uncertainty in premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs are largely mitigated by reinsurance.

D.2.4 Use of adjustments and transitionals

In valuing the Group's technical provisions, none of the following were applied during the year:

- the Matching Adjustment referred to in Article 77b of Directive 2009/138/EC
- the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC
- the transitional deduction referred to in Article 308d of Directive 2009/138/EC

Since March 2020, the Company has applied the Volatility Adjustment, as referred to in Article 77d of the Solvency II Directive. For quantification of the impact of the Volatility Adjustment on the Company's technical provisions and capital position, see QRT S.22.01, included in Appendix 2.

Due to the reinsurance arrangements in place between RSAL and RSAI plc, having RSAL within scope of the application simplifies the overall approach from a group perspective.

D.2.5 Recoverables from reinsurance contracts and SPVs

The Company enters into reinsurance contracts, mostly excess of loss protection for individual risks or from claims following catastrophe events. The Company also reinsures some business on a quota share basis. At any balance sheet date the Company will expect to recover under these treaties. See Section C.1.6 (Underwriting Risk – Risk Mitigation) for further details of the Company's reinsurance contracts and the Company SII Balance Sheet (Section D) for the reinsurance recoverables amounts.

D.2.6 Changes in assumptions

The Company routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging trends in the data. Many of these assumptions only have minor impacts on the level of technical provisions reported.

Since March 2020, the Company has applied the Volatility Adjustment, as referred to in Article 77d of the Solvency II Directive. Hence the Technical Provisions are on a VA basis for year end 2020.

There were no other material changes to assumptions in 2020.

D.3 Other liabilities

D.3.1. Valuation of other liabilities

The liabilities of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 (as amended) and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of liabilities (other than technical provisions):

- The bases, methods and main assumptions used in valuing those liabilities for SII purposes
- Where relevant, details of estimation techniques, risks and uncertainties relating to these valuations
- An explanation of any material differences in SII valuations compared to Lux GAAP

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period, other than the application of the volatility adjustment to technical provisions (see Sections D.2.4 and D.2.6 for further information).

D.3.1.1 Financial liabilities

Financial liabilities are valued at amortised cost under Lux GAAP and fair value for SII balance sheet valuation purposes. The methods and assumptions used by the Company in estimating the fair value of financial liabilities are:

- Payables, other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities

Upon subsequent measurement of financial liabilities, any changes in own credit risk are not reflected in the fair value.

Under Lux GAAP, debtors and payables relating to future premiums not yet due at the balance sheet date are included within insurance and reinsurance debtors and payables; however, under SII future premiums are included within SII technical provisions as future cash flows.

As per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which case it must be recognised in full.

D.3.1.2 Contingent liabilities

Material contingent liabilities (those where information about the current or potential size or nature of those liabilities could influence decision-making or judgement) are recorded on the SII balance sheet and are valued at the expected present value of future cash flows to settle the obligation liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure.

This applies to non-insurance risks only, as insurance risks are captured by the best estimate component of technical provisions.

Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for Lux GAAP reporting.

D.3.1.3 Provisions other than technical provisions

Provisions are valued in the same way under both Lux GAAP and SII.

Provisions for other risks and charges are intended to cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise.

D.3.2 Lease liabilities

Under SII, an adjustment is made to recognise lease liabilities under operating leases in accordance with the provisions of IFRS 16, which are not recognised under Lux GAAP. IFRS values are assumed to approximate fair value.

See Section A.4.2 for information on leases.

D.4 Alternative methods for valuation

Nothing to report.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

Capital management - Policies and processes for managing own funds

The primary objective of the Company's capital management function is to ensure that the business has sufficient capital to meet its obligations. This is achieved by optimising the balance between return and risk, while maintaining economic and regulatory capital in accordance with the Company's risk appetite.

The Company's Capital Policy identifies the roles and responsibility to govern, monitor and oversee capital resources, ensuring that these are within risk appetite and meet appropriate regulatory/accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and capital requirements such as Solvency II Available and Eligible Own Funds and the Solvency II SCR and Minimum Capital Requirement ("MCR").

Own Funds are comprised of items on the Solvency II Balance Sheet (Basic Own Funds) and items that may be called upon to absorb losses (off balance sheet items referred to as Ancillary Own Funds ("AOF")). The main constituent of Basic Own Funds is the excess of assets over liabilities, as valued on a Solvency II regulatory basis.

Business planning

Consistent with the Group's planning protocol, the Company operates a three-year time horizon for business planning. Plans are refreshed and reviewed annually at local, regional and Group executive level.

Material changes over the reporting period

No material changes to the objectives, policies or processes for managing own funds were made over the period.

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

The Company's own funds are classified per SII requirements as follows:

Solvency II Tier	Capital Item
Tier 1	Paid in ordinary share capital, and the related share premium Reconciliation reserve
Tier 1 Restricted	Not applicable
Tier 2	Approved ancillary own funds in the form of unpaid and uncalled ordinary share capital callable on demand
Tier 3	Net deferred tax assets

Tier 1 own funds include the SII reconciliation reserve, the key elements of which are as follows:

- Excess of assets over liabilities as presented in the SII balance sheet
- A deduction for amounts already included in basic own funds, including ordinary share capital and share premium account

Further information in relation to the derivation of the Company's own funds is provided in section D.

Capital composition

The Company's Solvency II balance sheet is derived from the Luxembourg GAAP balance sheet by making suitable adjustments in accordance with the detailed rules specified under the Solvency II Directive (2009/138/EC) and as further detailed in the Company's Basis of Preparation document. The resultant Solvency II Basic Own Funds are then used to derive the Company's Eligible Own Funds for assessing coverage of its SCR and MCR.

The Company's capital structure by tier as at 31 December 2020 is as per the table below.

		2020	2019
		€'000	€'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	**82,163**	82,180
	Reconciliation reserve	**(10,570)**	(11,518)
		71,593	70,662
Tier 1 Restricted	Not applicable	**-**	-
Tier 2	Unpaid and uncalled ordinary share capital callable on demand	**35,000**	35,000
Tier 3	Net deferred tax assets	**2,417**	-
	Total Available Own Funds	**109,010**	105,662

Analysis of significant changes in own funds

Available Own Funds increased in value during the year due to the inclusion of net deferred tax assets in the Solvency II balance sheet. No other significant changes in own funds were noted over the year.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

Solvency II requires that basic Own Funds are first considered against availability rules, and then subjected to eligibility criteria based on both the SCR and capital structure. Eligible Own Funds are considered available to cover the SCR.

The Company's Basic Own Funds are reconciled to Eligible Own Funds below:

	Basic Own Funds €'000	Availability restriction €'000	Available Own Funds €'000	Eligibility restriction €'000	Eligible Own Funds €'000	Eligibility Capacity €'000	Eligibility rule
Tier 1	**71,593**	**-**	**71,593**	**-**	**71,593**		
Tier 1	**-**	**-**	**-**	**-**	**-**	**17,898**	**20% of total Tier 1**
Tier 2	**35,000**	**-**	**35,000**	**(5,987)**	**29,013**	**29,013**	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	**2,417**	**-**	**2,417**	**(2,417)**	**-**		
		-					
Total	**109,010**	**-**	**109,010**	**(8,404)**	**100,606**		

SCR	**58,027**
Surplus	**42,579**
SCR	**173%**

Capital not available to cover the SCR

The Company has no capital which is not available to meet the SCR.

Ineligible capital to cover the SCR

The Delegated Act (Solvency II Delegated Regulation 2015/35 - as amended) requires that limits are imposed upon the eligible amounts of restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR:

- Eligible Tier 1 items shall be at least 50% of the SCR
- Eligible Tier 3 items shall be less than 15% of the SCR
- The sum of eligible Tier 2 and eligible Tier 3 items shall be no more than 50% of the SCR

The limits on the sum of eligible Tier 2 and eligible Tier 3 available capital (i.e. no more than 50% of the SCR) per Article 82 of the Delegated Regulation are the only restrictions on the Company's Available Own Funds to meet the SCR.

E.1.4 Eligible own funds to cover the MCR

Solvency II requires that basic Own Funds are first considered against availability rules and then subjected to eligibility criteria based on both the MCR and capital structure. Eligible Own Funds are considered available to cover the MCR.

	Basic Own Funds €'000	Availability restriction €'000	Available Own Funds €'000	Eligibility restriction €'000	Eligible Own Funds €'000	Eligibility Capacity €'000	Eligibility rule
Tier 1	**71,593**	**-**	**71,593**	**-**	**71,593**	**-**	
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**	**17,898**	**20% of total Tier 1**
Tier 2	**35,000**	**(35,000)**	**-**	**-**	**-**	**2,901**	**Tier 2 up to 20% of SCR**
Tier 3	**2,417**	**-**	**2,417**	**(2,417)**	**-**		**Ineligible**
Total	**109,010**	**(35,000)**	**74,010**	**(2,417)**	**71,593**		

MCR	**14,507**
Surplus	**57,086**
MCR Coverage	**494%**

Refer to E.2.7 for further information.

Capital not available to cover the MCR

Ancillary own funds items do not form a part of basic own funds and therefore cannot form a part of available own funds to meet the MCR.

Total eligible own funds to meet the MCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the MCR:

- Eligible Tier 1 items shall be at least 80% of the MCR
- Eligible Tier 2 items shall be no more than 20% of the MCR
- The sum of paid in preference shares (and the related share premium account) and paid in subordinated liabilities classified as Tier 1 shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2
- Tier 3 items are ineligible to cover the MCR

E.1.5 Differences between equity and net assets

Comparison between Luxembourg GAAP net equity and Solvency II basic own-funds

The comparison between the Company's Luxembourg GAAP net equity and its Basic Own Funds (excess of assets over liabilities as calculated for solvency purposes) is set out in sections D, with valuation of assets, technical provisions and other liabilities on a Solvency II basis set out in section D.1, D.2 and D.3 respectively.

Foreseeable dividends

The Company did not pay a dividend during the period being reported on and the directors do not recommend that a dividend should be paid.

E.1.6 Transitional arrangements

The Company has no own funds items which are subject to transitional arrangements.

E.1.7 Ancillary own funds

On 29 August 2018 and following receipt of approval from the Commissariat aux Assurances ("CAA"), the Company executed an Ancillary Own Funds transaction within the meaning of the Solvency II Directive (2009/138/EC). This took the form of issued but unpaid share capital callable on demand and the counterparty was the Company's immediate parent undertaking, RSAI plc. This AOF facility remained available to the Company throughout the 2019 financial year and had the effect of increasing the Company's Available Own Funds under Solvency II by €35m. These shares represent an off-balance sheet arrangement.

The Ancillary Own Funds represent Tier 2 capital and are subject to eligibility rules in terms of SCR coverage. They are not available for use against the Company's MCR.

E.1.8 Deductions and restrictions

See sections E.1.3 and E.1.4 for a description of the nature and amount of restrictions on Own Funds, including the availability and eligibility of deferred tax assets.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

The Company has elected to use the Standard Formula to calculate its SCR. The Company's SCR and MCR at 31 December 2020 are as follows:

	SCR	MCR
	€'000	€'000
Total	**58,027**	**14,507**

E.2.2 SCR split by risk

The aggregate SCR split by Standard Formula risk modules is provided in Appendix 2 - QRT S.25.01.21.

E.2.3 Standard formula simplifications

Standard Formula simplifications are not used.

E.2.4 Standard formula undertaking specific parameters

Standard Formula undertaking specific parameters ("USPs") are not used.

E.2.5 Capital add-on and undertaking specific parameters non-disclosure

No capital add-ons were in place during the reporting period. USPs are not utilised.

E.2.6 Capital add-on and undertaking specific parameters impact

No capital add-ons were in place during the reporting period. USPs are not utilised.

E.2.7 MCR calculation inputs

The Solvency II MCR is the lower threshold on the "ladder of regulatory intervention" and was originally calibrated to provide an 85% probability of capital adequacy over the one-year horizon. Bounded between 25% and 45% of the latest calculated SCR it represents the absolute minimum capital required under the Solvency II Directive.

Capital eligibility for the MCR is restricted beyond the restrictions applied to the SCR, see section E.1.4.

The principal inputs to the MCR calculation are net technical provisions and net written premiums by Solvency II line of business.

E.2.8 Movements in the SCR and MCR

E.2.8.1 Movements in the SCR

The SCR has reduced over the year, driven by a decrease in exposure to non-EUR currencies and a reduction in overdue debtors.

E.2.8.2 Movements in the MCR

The movement in MCR over the year is driven by the reduction in SCR given that the Company's MCR is bounded by the 25% limit described in section E.2.7 above.

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

The duration-based equity risk sub-module is not used.

E.4 Differences between the standard formula and any internal model used

The Company has elected to use the Standard Formula to calculate its SCR.

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

RSAL has been fully compliant with the SCR and the MCR during the reporting period.

E.6 Any other information

Nothing to report.

Appendix 1. Abbreviations and Terms used in this Report

Abbreviation	Description
AGM	Annual General Meeting
AOF	Ancillary Own Funds
BRC	Board Risk Committee
CAA	Commissariat aux Assurances
CAU	Central Accounting Unit
COR	Combined Operating Ratio
the Company	RSA Luxembourg S.A.
DA	Dirigeant Agréé
DAC	Deferred Acquisition Costs
DAF	Delegated Authority Framework
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
EPIFP	Expected Profit in Future Premiums
EU	European Union
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
GDPR	General Data Protection Regulation
GIA	Group Internal Audit
GL Valuation	EIOPA-BoS-15/113 EN Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions
the Group Board	The Board of Directors of RSA Insurance Group plc
IAS	International Accounting Standards
ICS	Internal Control System
IFRS	International Financial Reporting Standards
KPIs	Key Performance Indicators
LCO	Legal and Compliance Officer

Abbreviation	Description
LIBOR	London InterBank Offered Rate
Lux GAAP	Luxembourg Generally Accepted Accounting Parctice
MCR	Minimum Capital Requirement
MD	Managing Director
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
QRT LOG	Guidance as extracted from Solvency II Implementing Technical Standard on reporting – Regulation 2015/2450 and Solvency II Implementing Technical Standard on public disclosure – Regulation 2015/2452
RMS	Risk Management System
RPA	Remediation Plan Agreed
RSAI	Royal & Sun Alliance Insurance plc
RSAIG or the Group	RSA Insurance Group plc group of companies
RSAL	RSA Luxembourg S.A.
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SLT	Similar to Life Techniques
UK&LIA	UK & Luxembourg Internal Audit

The terms financial statement, statement of financial position, income statement, profit and loss account and other comprehensive income used in this report refer to information presented in the Annual Reports and Accounts for the Company.

Appendix 2. Quantitative Reporting Templates (QRTs)

The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the Solvency and Financial Condition Report in accordance with the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009.

Template Code	Template Name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims & expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.22.01.21	Impact of long term guarantees and transitionals
S.23.01.01	Own funds
S.25.01.21	Solvency capital requirement - for undertakings on Standard Formula
S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity

RSA Luxembourg S.A.
S.02.01.02
Balance sheet

Assets		Solvency II value C0010 €'000
Intangible assets	R0030	-
Deferred tax assets	R0040	2,417
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	6,727
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	30,368
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	-
Government Bonds	R0140	-
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	29,921
Derivatives	R0190	447
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	452,982
Non-life and health similar to non-life	R0280	452,982
Non-life excluding health	R0290	452,982
Health similar to non-life	R0300	-
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	43,153
Reinsurance receivables	R0370	20,132
Receivables (trade, not insurance)	R0380	50,816
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	85,671
Any other assets, not elsewhere shown	R0420	1,299
Total assets	R0500	693,565

Liabilities		Solvency II value C0010 €'000
Technical provisions – non-life	R0510	528,378
Technical provisions – non-life (excluding health)	R0520	528,378
TP calculated as a whole	R0530	-
Best Estimate	R0540	523,290
Risk margin	R0550	5,088
Technical provisions - health (similar to non-life)	R0560	-
TP calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
linked)	R0650	-
TP calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	3,226
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	846
Derivatives	R0790	-
Debts owed to credit institutions	R0800	57
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	28,331
Reinsurance payables	R0830	35,441
Payables (trade, not insurance)	R0840	16,371
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	6,905
Total liabilities	R0900	619,555
Excess of assets over liabilities	R1000	74,010

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Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
		€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Premiums written										
Gross - Direct Business	**R0110**	-	-	-	-	-	84,595	131,485	83,039	-
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	7,137	38,607	11,907	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	-	-	-	-	-	80,395	155,231	83,854	-
Net	**R0200**	-	-	-	-	-	11,337	14,861	11,092	-
Premiums earned										
Gross - Direct Business	**R0210**	-	-	-	-	-	86,105	138,498	77,823	-
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	6,227	48,622	11,873	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	-	-	-	-	-	80,195	171,054	79,569	-
Net	**R0300**	-	-	-	-	-	12,137	16,066	10,127	-
Claims incurred										
Gross - Direct Business	**R0310**	-	-	-	-	-	42,530	139,510	49,661	-
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	2,411	22,104	5,467	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-	-	-	-	-	40,216	148,941	49,040	-
Net	**R0400**	-	-	-	-	-	4,725	12,673	6,088	-
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**	-	-	-	-	-	6,595	3,451	1,528	-
Other expenses	**R1200**									
Total expenses	**R1300**									

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Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
		€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Premiums written									
Gross - Direct Business	**R0110**	-	-	-					299,119
Gross - Proportional reinsurance accepted	**R0120**	-	-	-					57,651
Gross - Non-proportional reinsurance accepted	**R0130**				-	-	-	-	-
Reinsurers' share	**R0140**	-	-	-	-	-	-	-	319,480
Net	**R0200**	-	-	-	-	-	-	-	37,290
Premiums earned									
Gross - Direct Business	**R0210**	-	-	-					302,426
Gross - Proportional reinsurance accepted	**R0220**	-	-	-					66,722
Gross - Non-proportional reinsurance accepted	**R0230**				-	-	-	-	-
Reinsurers' share	**R0240**	-	-	-	-	-	-	-	330,818
Net	**R0300**	-	-	-	-	-	-	-	38,330
Claims incurred									
Gross - Direct Business	**R0310**	-	-	-					231,701
Gross - Proportional reinsurance accepted	**R0320**	-	-	-					29,982
Gross - Non-proportional reinsurance accepted	**R0330**				-	-	-	-	-
Reinsurers' share	**R0340**	-	-	-	-	-	-	-	238,197
Net	**R0400**	-	-	-	-	-	-	-	23,486
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**	-	-	-	-	-	-	-	11,574
Other expenses	**R1200**								3,665
Total expenses	**R1300**								15,239

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Premiums, claims and expenses by country

Non-life		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
	R0010		ES	FR	NL	GB	BE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		€'000	€'000	€'000	€'000	€'000	€'000	€'000
Premiums written								
Gross - Direct Business	R0110	-	101,132	83,217	76,008	-	39,432	299,789
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	57,651	-	57,651
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	92,378	74,918	60,533	50,911	41,302	320,042
Net	R0200	-	8,754	8,299	15,475	6,740	(1,870)	37,398
Premiums earned								
Gross - Direct Business	R0210	-	107,730	82,452	71,399	-	41,407	302,988
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	66,722	-	66,722
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	-	109,448	73,965	56,223	49,027	42,635	331,298
Net	R0300	-	(1,718)	8,487	15,176	17,695	(1,228)	38,412
Claims incurred								
Gross - Direct Business	R0310	-	90,196	60,751	47,207	-	35,984	234,138
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	29,982	-	29,982
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	97,579	33,729	36,393	42,797	29,161	239,659
Net	R0400	-	(7,383)	27,022	10,814	(12,815)	6,823	24,461
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	-	1,751	5,580	647	2,591	635	11,204
Other expenses	R1200							3,665
Total expenses	R1300							14,869

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Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
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 as a whole	**R0050**	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	-	-	-	-	-	9,865	59,248	15,301	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	7,315	48,453	10,185	-
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	2,550	10,795	5,116	-
Claims provisions										
Gross	**R0160**	-	-	-	-	-	80,616	209,189	149,070	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	71,777	190,230	125,021	-
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	8,839	18,959	24,049	-
Total Best estimate - gross	**R0260**	-	-	-	-	-	90,481	268,437	164,371	-
Total Best estimate - net	**R0270**	-	-	-	-	-	11,389	29,754	29,165	-
Risk margin	**R0280**	-	-	-	-	-	819	2,149	2,120	-
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**	-	-	-	-	-	-	-	-	-
Best estimate	**R0300**	-	-	-	-	-	-	-	-	-
Risk margin	**R0310**	-	-	-	-	-	-	-	-	-
Technical provisions - total										
Technical provisions - total	**R0320**	-	-	-	-	-	91,300	270,586	166,491	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	79,092	238,683	135,206	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	-	-	12,208	31,903	31,285	-

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Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
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 as a whole	**R0050**	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**	-	-	-	-	-	-	-	84,414
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-	-	-	-	65,953
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	-	-	-	-	18,461
Claims provisions									
Gross	**R0160**	-	-	-	-	-	-	-	438,875
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-	-	-	-	387,028
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	-	-	-	-	51,847
Total Best estimate - gross	**R0260**	-	-	-	-	-	-	-	523,289
Total Best estimate - net	**R0270**	-	-	-	-	-	-	-	70,308
Risk margin	**R0280**	-	-	-	-	-	-	-	5,088
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**	-	-	-	-	-	-	-	-
Best estimate	**R0300**	-	-	-	-	-	-	-	-
Risk margin	**R0310**	-	-	-	-	-	-	-	-
Technical provisions - total									
Technical provisions - total	**R0320**	-	-	-	-	-	-	-	528,377
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-	-	-	-	452,981
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	-	-	-	-	75,396

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Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

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

	Year	Development 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
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000		€'000	€'000
Prior	R0100											423	R0100	423	423
N-9	R0160	73,325	67,207	31,491	8,940	1,310	1,351	1,287	1,596	1,490	83		R0160	83	188,080
N-8	R0170	27,563	70,489	26,960	7,928	3,825	3,430	(214)	3,676	478			R0170	478	144,135
N-7	R0180	36,529	74,231	36,439	9,360	4,136	426	(257)	577				R0180	577	161,441
N-6	R0190	42,005	83,393	25,318	7,992	2,508	7,747	1,190					R0190	1,190	170,153
N-5	R0200	53,269	86,266	56,965	12,020	7,217	1,531						R0200	1,531	217,268
N-4	R0210	30,334	90,547	47,355	14,197	8,259							R0210	8,259	190,692
N-3	R0220	60,205	117,705	71,374	28,821								R0220	28,821	278,105
N-2	R0230	45,672	154,588	50,554									R0230	50,554	250,814
N-1	R0240	45,794	83,526										R0240	83,526	129,320
N	R0250	26,701											R0250	26,701	26,701
												Total	R0260	202,143	1,757,132

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year -	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000		€'000
Prior	R0100											3,074	R0100	3,091
N-9	R0160	-	-	-	-	-	2,800	2,912	1,736	1,584	1,139		R0160	1,143
N-8	R0170	-	-	-	-	10,807	7,717	9,082	4,785	3,772			R0170	3,784
N-7	R0180	-	-	-	14,018	9,156	5,538	7,826	3,238				R0180	3,270
N-6	R0190	-	-	21,051	12,939	16,767	11,180	6,031					R0190	6,070
N-5	R0200	-	111,175	34,300	17,188	8,561	8,276						R0200	8,340
N-4	R0210	155,293	95,156	32,303	20,865	13,711							R0210	13,773
N-3	R0220	188,155	166,432	48,610	27,601								R0220	27,823
N-2	R0230	198,625	125,394	59,388									R0230	59,752
N-1	R0240	146,971	137,168										R0240	137,951
N	R0250	172,689											R0250	173,878
												Total	R0260	438,875

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Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	**R0010**	528,378	-	-	886	-
Basic own funds	**R0020**	74,010	-	-	(232)	-
Eligible own funds to meet Solvency Capital Requirement	**R0050**	100,606	-	-	(265)	-
Solvency Capital Requirement	**R0090**	58,027	-	-	-	-
Eligible own funds to meet Minimum Capital Requirement	**R0100**	71,593	-	-	-	-
Minimum Capital Requirement	**R0110**	14,507	-	-	-	-

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		€'000	€'000	€'000	€'000	€'000
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	50	50		-	
Share premium account related to ordinary share capital	**R0030**	82,113	82,113		-	
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**	(10,570)	(10,570)			
Subordinated liabilities	**R0140**	-		-	-	-
An amount equal to the value of net deferred tax assets	**R0160**	2,417				2,417
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**	74,010	71,593	-	-	2,417

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		€'000	€'000	€'000	€'000	€'000
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	35,000			35,000	
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	35,000			35,000	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	109,010	71,593	-	35,000	2,417
Total available own funds to meet the MCR	R0510	71,593	71,593	-	-	
Total eligible own funds to meet the SCR	R0540	100,606	71,593	-	29,013	-
Total eligible own funds to meet the MCR	R0550	71,593	71,593	-	-	
SCR	R0580	58,027				
MCR	R0600	14,507				
Ratio of Eligible own funds to SCR	R0620	173.38%				
Ratio of Eligible own funds to MCR	R0640	493.52%				

		C0060
		€'000
Reconciliation reserve		
Excess of assets over liabilities	R0700	74,010
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	84,580
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	(10,570)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	2,260
Total Expected profits included in future premiums (EPIFP)	R0790	2,260

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	4,599		
Counterparty default risk	R0020	30,283		
Life underwriting risk	R0030	-		
Health underwriting risk	R0040	-		
Non-life underwriting risk	R0050	19,064		
Diversification	R0060	(9,310)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	44,636		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	13,391
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	58,027
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
		€'000
MCR_{NL} Result	R0010	13,917

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
		€'000	€'000
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	11,390	18,944
Fire and other damage to property insurance and proportional reinsurance	R0080	29,754	24,831
General liability insurance and proportional reinsurance	R0090	29,166	18,536
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

RSA Luxembourg S.A.
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		C0040
		€'000
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
		€'000	€'000
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
		€'000
Linear MCR	R0300	13,917
SCR	R0310	58,027
MCR cap	R0320	26,112
MCR floor	R0330	14,507
Combined MCR	R0340	14,507
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	14,507