FM Insurance Europe S.A.

Solvency and Financial Condition Report

31 December 2022

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Summary

Current Year Performance

The principal activities of FM Insurance Europe S.A. (“FMIE” and the “Company”) during the year continued to be the underwriting of property insurance risks and the provision of related property loss prevention support to large and medium sized clients of the European Economic Area (“EEA”) via branches established in Belgium, France, Germany, Italy, The Netherlands, Spain and Sweden and on a freedom of services basis in the remaining member states, as well as in Switzerland via a Swiss Branch.

Since 1 January 2018, the Company has been underwriting insurance policies in the EEA and since 1 January 2020, FMIE has also serviced Switzerland. The United Kingdom, which was part of the EEA until 2020 is serviced by FM Insurance Company Limited (“FMI”).

The gross premium written increased from €892m to €983m (10.2%) in 2022, reflecting rate and insurable value increases, programme structure changes on retained business, and new business written.

The net loss ratio decreased from 47.9% in the previous year to 42.6% and the expense ratio was 26.6% (2021: 24.2%) including foreign exchange losses of €7m (2021: gain of €11m). The net investment income of €53m (2021: net investment income of €44m) corresponding mainly to net foreign exchange gains, interest earned on the investment portfolio and dividends received, together with gains on the realisation of investments, were offset by investment charges and recorded realised and unrealised losses on investments. The investment return corresponding to net investment income and net unrecorded unrealised losses on investments amounted to €46m (2021: €115m).

The profit after tax for the year of €90m shown in the profit and loss account of the 2022 financial statements (“LuxGAAP FS”) is mainly due to positive underwriting performance and net realised gains on investments, including foreign exchange gains. It resulted in the capital and reserves increasing to €650m.

2022 Solvency and Financial Condition

A risk appetite framework is in place which highlights the key risks to FMIE and provides a way of monitoring the tolerances and limits on a regular basis. The Risk Management Committee (“RMC”) regularly reviews the status of this framework and is responsible for putting into place action plans, as required. The framework is used to determine the key risk areas that are required to be incorporated in the capital modelling. The results are fed back into the framework to verify the limits and tolerances remain appropriate.

The main risk areas which affect FMIE are:

- Underwriting risk due to the nature of the business; and
- Market risk due to the level of cash and equity investments held in US Dollars.

Additional risk categories included in the solvency calculation are counterparty risk and operational risk which are both prescribed risk categories.

Group risk is not included as a separate element of the solvency calculation as the failure of FMIE’s parent, Factory Mutual Insurance Company (“FMIC”), does not fall within the 99.5% confidence level threshold of the calculation. The “AA” (Very Strong) Fitch rating, “A+” (Superior) AM Best rating and “A+” (Strong) Standard & Poor’s rating of the FM Global group (“FMG”), comprising of FMIC and its branches and subsidiaries, indicate that the likelihood of default is significantly more remote than the one in 200-return period scenario considered for the solvency calculation. Despite this, it is still included on FMIE’s risk register and monitored regularly by FMIE’s senior management and Board. In addition, the risk of FMIC defaulting on its reinsurance balances with FMIE is included within the counterparty risk calculation, in the same way as for any external reinsurer.

Capital Management

The capital modelling process for FMIE in 2022 includes the standard formula ("SF") calculation and an internal calculation to support the Own Risk and Solvency Assessment ("ORSA"). A summary of the SF model including the solvency capital requirement ("SCR") and solvency coverage is presented in the table below:

	2022 SF €000s	2021 SF €000s	Variance €000s
Eligible own funds	636,341	602,843	33,498
Solvency capital requirement (SCR)	350,580	355,926	(5,346)
Surplus	285,761	246,917	38,844
Coverage of SCR	181.5%	169.4%	12.1%

A more detailed breakdown of the capital modelling results, by risk type, are detailed in section C.

The decrease in the SCR is mainly driven by decreases in the market risk and the counterparty risk, which are partially offset by an increase of the underwriting risk.

The two main components impacting the market risk are the equity risk and the interest rate risk. The equity risk is impacted by the decrease in the symmetric factor (see page 27) provided by EIOPA, as well as the decrease in market value due to market depreciation and movement in foreign exchange rates between Euro and US Dollars compared to last year. This decrease of the equity risk is partially offset by the increase on the interest rate risk due to the movements in net asset values included within the calculation of this risk (debt securities and net technical provisions). The debt securities increased, following purchases during the year, whereas the net technical provisions decreased following the large volume of settlement of losses during the year. The interest rate risk is also impacted by the increase of interest rates compared to the prior year.

The counterparty risk mainly decreases due to the decrease in the reinsurers balance following settlements of large losses during the year, in excess of claims reserve increases, due to new losses incurred during the year.

The increase in the non-life underwriting risk is due to the increase in net earned premium during the year compared to the prior year.

Overall, the coverage of the SCR has increased during the year 2022 as a result of both the lower SCR, together with an increase in eligible own funds.

The method of calculation for the SF is set out in the Commission Delegated Regulations (Delegated Acts) which are devised by the European Commission and there is no ability to adjust the core calculation, except for simplification options in some of the individual risk elements. Of these only the simplification applying to the risk margin is considered appropriate for FMIE due to the short tail and monoline nature of the business.

Due to this prescription, FMIE is unable to fully incorporate into the SF the total benefit of the stop loss treaty with FMIC. It is applied only within the catastrophe risk calculations, as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMIE in a volatile calendar year, capping the combined ratio at 125%. Management understand the SCR calculated using the SF is conservative but agree it is appropriate. FMIE continues to have adequate capital coverage in respect of the SCR despite this significant conservatism.

The ORSA filed with the Commissariat aux Assurances (the “CAA” and the “Regulator”) in 2022, in respect of the 2021 year end, had a capital charge of €144m (2020: €131m) which is measured against available funds of €559m (2020: €481m) under Luxembourg Generally Accepted Accounting Principles (“LuxGAAP”) to give coverage of 388% (2020: 367%).

The ORSA calculation is less prescribed than the SF and designed by FMIE to focus on the main risk areas for the type of business written. It covers the same main risk areas as the SF but is able to model some of the risk elements differently than the SF, to better represent how the business operates. The most significant driver behind the different capital requirement compared to the SF is the investments. The ORSA model only applies the market risk component to the assets required to cover the technical provisions and capital requirement. As FMIE has a significant amount of excess assets, this results in a higher charge in the SF. For the ORSA, no equity investments are required to cover the required capital, as the combined cash and debt securities balances held by FMIE are sufficient to cover the capital requirement.

The capital coverage under the SF is lower compared to the ORSA, however management are comfortable with the capital coverage due to the Company’s approach to managing capital which involves managing assets, liabilities and risks in a coordinated way, and taking appropriate action to maintain the capital position of the Company in light of changes in economic conditions and risk characteristics. Management understand the underlying reasons for the higher charge are in respect of the stop loss cover with FMIC being restricted in the calculation, together with the charge relating to the equity risk being nil in the ORSA.

Balances within this report are determined according to the valuation rules set out in the Delegated Acts.

The key inputs and parameters for the calculations have been reviewed and agreed by the RMC. All risks on the risk register have been reviewed, included in the risk assessment and, where necessary, added to the modelling process. Emerging risks are considered at every RMC and discussed at Board meetings, as appropriate. Any risks arising during the year that are deemed to be significant will be included in the ORSA capital modelling. This is achieved by either changing parameters within the model or designing specific scenario tests to consider these risks.

Sensitivity tests and stress and scenario testing have been performed and overseen by the RMC on both the ORSA and SF models, to ensure FMIE continues to hold sufficient capital and to ensure management and the Board are aware of the key drivers and sensitivities of the capital models.

Outlook for 2023

FMIE will continue to consolidate and grow throughout the EEA and Switzerland. The Company’s exposure to the Eurozone is limited to Euro currency holdings as the Company does not hold any Euro denominated debt securities. Furthermore, it is the Company’s policy to convert excess currency into US Dollars, the functional currency of the parent company.

With regards to the ongoing situation in Russia and Ukraine, from an underwriting perspective, the Company does not underwrite any risks in the relevant territories. The Company is monitoring developments related to the situation and FMG applies sanctions in accordance with the requirements of each jurisdiction in which it operates.

The current rise in inflation and the associated increase in costs is being monitored by the RMC. Claims are periodically reviewed and updated by the claims team, based on the most up-to-date information available, to ensure the reserves represent the latest technical measure of the loss.

The Company adopts a long-term view of risk and opportunities and does not expect any significant changes in the investment asset allocation during 2023.

The Company expects to remain fully compliant with both the minimal capital requirement ("MCR") and SCR requirements and continues to monitor its solvency position monthly against internal guidelines.

Directors' Report

Directors

The Directors who held office during the year ended 31 December 2022 and to the date of this report were as follows:

Christopher M. Dempsey	Dirigeant Agréé
Colin R. Day	
James R. Galloway	
Kevin S. Ingram	
Thomas S. Keevil	
David Pulman	

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Solvency and Financial Condition Report ("SFCR") in accordance with the Commissariat aux Assurances regulations and Delegated Acts.

Article 86 of the Insurance Law of 7 December 2015 on the insurance sector requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names are listed on the Luxembourg Business Register, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the CAA regulations and Delegated Acts as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the Board

Christopher Dempsey
Dirigeant Agréé
7 April 2023

A. Business and Performance

A.1 Business

FMIE was incorporated on 9 December 2016 and is organised under the “Commercial Companies” laws of the Grand Duchy of Luxembourg, as a public limited liability company (Société Anonyme) and is a wholly owned subsidiary of Factory Mutual Insurance Company (“FMIC” or the “parent company”), a company organised under the laws of the State of Rhode Island, United States of America. “FM Global” is the communicative name for FMIC and its subsidiaries. The Company is authorised by the Ministry of Finance and supervised by the CAA to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the EEA via branches established in Belgium, France, Germany, Italy, The Netherlands, Spain and Sweden and on a freedom of services basis in the remaining member states. The Company is also authorised by the Swiss Financial Market Supervisory Authority (“FINMA”) to establish insurance activities and underwrite policies in Switzerland via a Swiss branch.

Since 1 January 2018, the Company has been underwriting insurance policies in the EEA and since 1 January 2020, FMIE has also serviced Switzerland. The United Kingdom, which was part of the EEA until 2020, is serviced by FMI.

The business model for FMG is based on providing worldwide insurance coverage and FMIE plays a key role.

FMIE writes commercial property insurance for multinational companies. The international nature of the business gives a geographical diversification benefit and enables FMG to insure clients globally.

FMIE’s aim is to provide competitively priced insurance to multi-national companies based in the EEA and Switzerland. FMIE also aims to assist in servicing the needs of those clients headquartered throughout the world that have locations in the EEA and in Switzerland.

FMIE has a stable book of business and there are no plans to expand into any new lines of business. The lines of business are disclosed at a more granular level for reporting and capital modelling purposes. The Company provides insurance business using the FMG business model and the business is constantly looking to improve service to its customers and thereby retain clients.

The parent company, FMIC, is a mutual company which is owned by and accountable to its policyholders. This structure allows FMG to take a long-term strategic view, helping FMIE to absorb and withstand volatility in operating results and enabling FMG to provide clients with large, stable insurance capacity.

The FMG strategy is based on a belief that the majority of property loss and associated business interruption is preventable through loss prevention and risk management solutions. Deploying loss prevention engineering, based on scientific research, is the basis for the belief that the majority of property loss is preventable and unites the mutual company and its policyholders. The business model replicates FMI’s model, which has remained consistent since the incorporation of FMI in 1963.

FM Global’s capital, scientific research capability and engineering expertise are dedicated to property risk management and the resilience of its client-owners. These owners, who represent many of the world’s largest organisations, work with FM Global to better understand the hazards that can impact their business continuity in order to make cost-effective risk management decisions, combining property loss prevention with insurance protection.

Financial supervision of FMIE is performed by the CAA. Willis Towers Watson (“WTW”) is contracted to complete a back testing and validations audit on the technical provisions on an annual basis.

Contact details for these entities can be found in the Appendices.

A.2 Underwriting Performance

FMG is known as a property insurer specialising in the highly protected risk market and is the main underwriter of this business. Clients are typically made up of Global 1000 companies that utilize and value the professional services consisting of experienced property underwriting teams, property loss prevention expertise, assessments and property loss control activities, and training and research.

FMIE will provide its policyholders with all-risk policies providing fire and extended coverage, boiler and machinery, difference in conditions or any combination of these lines of coverage.

As noted above, the philosophy at FMIE is that the majority of property loss and associated business interruption is preventable and as a result the Company employs engineers to assess insured's locations and support them to minimize the risk of property loss occurring or, if it does, to minimize the impact to the insured. This interaction with the client is a key factor in the high level of business retention year on year throughout FMG.

Each year the Company sets key result areas ("KRA") which are used to measure performance and to form the basis of the employee incentive scheme. The KRA's that the Company measures are:

- Combined Ratio;
- Premium Retention; and
- New Business.

Combined Ratio

The combined ratio is calculated as the sum of the loss ratio (net losses incurred divided by net premium earned) and expense ratio (net underwriting expenses incurred divided by net premium earned) for the period.

Premium Retention

The premium retention is calculated as the premium in force at the end of the period (total annualised premium on all policies that have not expired or been cancelled) compared to the premium in force at the previous year end, excluding the effect of new business written during the year.

New Business

The new business premium is the total annual premium of new policies written during the year. The new business KRA takes the annual premium of new policies written as a percentage of the premium in force at the previous year end.

Throughout the year management reports are measured against these KRA's and reported to staff so relevant employees are aware of the progress of the Company in achieving its goals.

During 2022, the Company recognised an underwriting profit with a combined ratio of 69.2%. Premium income increased compared to 2021 due to rate and insurable value increases, programme structure changes on retained business, as well as new business written. These increases were partially offset by the decision to part company with clients unable or unwilling to implement risk improvement. The premium retention for the year was 111.2% and new business was 4.3%.

The annual results have been provided below:

	2022 €000s	2021 €000s	Variance €000s
Gross premium written	982,614	892,084	90,530
Net premium written	251,676	227,216	24,460
Gross premium earned	964,715	847,885	116,830
Net premium earned	250,736	213,408	37,328
Gross claims incurred	471,314	529,876	(58,535)
Net claims incurred	106,902	102,122	4,780
Gross loss ratio	48.9%	62.5%	(13.6%)
Net loss ratio	42.6%	47.9%	(5.3%)
Net operating expenses	*71,520*	*57,827*	*13,693*
Other technical income	*(1,659)*	*(3,524)*	*1,865*
Other income	*(3,095)*	*(2,622)*	*(473)*
Net expenses	66,766	51,681	15,085
Expense ratio	26.6%	24.2%	(2.4%)
Combined ratio	69.2%	72.1%	(2.9%)
Investment returns	45,603	114,660	(69,057)
Investment returns	8.0%	16.4%	(8.4%)

FMIE predominately insures commercial property, however a small number of goods in transit will also be covered at the clients’ request. This makes up less than 1% of FMIE’s gross written premium.

The increase in premium is mainly due to rate and insurable value increases, structure programme changes on retained business, as well as new business written.

The decrease in gross claims incurred is primarily attributable to a decrease in the severity of large losses compared to 2021 which is partially offset by an increased volume of small losses. The net claims incurred increased, even though the gross claims incurred decreased, due to lower reinsurance applicable to losses compared to last year.

The increase in the expense ratio is mainly driven by a negative foreign exchange impact amounting to €7.4m for the year ended 31 December 2022 compared to net foreign exchange gains amounting to €10.9m for the year ended 31 December 2021.

The table below shows an analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses, reinsurance balance, other technical income and the net technical account by line of business, including the accepted business that relates to insurance programs for which FMIE is not the primary policy issuer, known as assumed business:

2022	Gross premium written €000s	Gross premium earned €000s	Gross claims incurred €000s	Gross operating expenses €000s	Reinsurance balance €000s	Other technical income €000s	Net technical account €000s
Marine, Aviation and Transport	844	1,027	(1,111)	(70)	(172)	-	(326)
Fire and Other Damages	612,267	609,336	(155,030)	(138,708)	(252,034)	1,067	64,631
Miscellaneous Financial Loss	363,275	348,235	(315,195)	(76,654)	50,834	574	7,794
Assumed	6,228	6,117	(5)	(2,406)	(1,850)	18	1,874
Total	**982,614**	**964,715**	**(471,341)**	**(217,838)**	**(203,222)**	**1,659**	**73,973**

2021	Gross premium written €000s	Gross premium earned €000s	Gross claims incurred €000s	Gross operating expenses €000s	Reinsurance balance €000s	Other technical income €000s	Net technical account €000s
Marine, Aviation and Transport	1,412	1,821	(717)	(131)	(603)	1	371
Fire and Other Damages	571,381	540,143	(77,640)	(116,858)	(271,771)	2,269	76,143
Miscellaneous Financial Loss	310,850	298,530	(449,654)	(62,846)	195,228	1,209	(17,533)
Assumed	8,441	7,391	(1,865)	(2,629)	(4,940)	45	(1,998)
Total	**892,084**	**847,885**	**(529,876)**	**(182,464)**	**(82,086)**	**3,524**	**56,983**

The tables above are included within note 14 on page 22 of the LuxGAAP FS.

The underwriting policy and guidelines within FMIE rely on risk assessments and the knowledge and experience within the Company regarding the likelihood and severity of losses. The premium will be based on the loss prevention reports and the clients' commitment to risk improvement as well as the potential exposures. FMIE's key aim is to retain the client base whilst also focusing on profitable growth via new business. These aims are aligned to the key result areas referred to previously.

The following table reflects the geographical breakdown of the gross direct written premium by country of risk:

	2022 €000s	2021 €000s
Germany	235,750	227,717
France	181,352	172,378
The Netherlands	99,220	79,698
Spain	69,392	64,678
Italy	61,871	57,968
Other European Union Member States	295,138	245,061
States outside the European Union	33,663	36,143
Total	**976,386**	**883,643**

To mitigate the impact of claims on FMIE there is a significant reinsurance program in place which incorporates treaty, facultative, captive and group reinsurance. Captives will be used at the request of the client and, as required, additional facultative or treaty reinsurance will be utilised. If the risk exceeds the treaty agreement, facultative reinsurance can also be purchased, within approved guidelines.

A.3 Investment Performance

FMIE invests primarily in debt securities and equity investments, the majority of which are held in the US market, with some additional deposits held in local currencies, as required by regulatory authorities. The following table reflects the equity investments and debt securities by type at fair value and book value:

	2022 Fair Value €000s	2022 Book value €000s	2021 Fair Value €000s	2021 Book value €000s
Equity investments	226,757	195,865	271,015	202,866
Debt securities	315,857	354,188	327,594	321,355
Total	**542,614**	**550,053**	**598,609**	**524,221**

The decrease in the fair value of the investment portfolio compared to 2021 is driven by two factors. Firstly, the asset mix was rebalanced by reducing the weight of equity investments compared to debt securities (decrease from 39% to 36% in relative book values). Secondly the fair value of both instruments was impacted by market depreciation compared to the prior year. These decreases are partly offset by the impact of the revaluation of the US Dollar to Euro which led to a net foreign exchange gain on investments, as those are denominated in US Dollars but reported in Euro.

Looking ahead, FMIE's investment strategy remains unchanged and the Company continues to hold a significant amount of equity investments. Management of the FMIE investments are outsourced to FMIC with the objective of strengthening the Company and FMG's financial position and thereby, the capacity to provide for the insurance needs of policyholders. These needs include stability and growth of policyholder surplus as well as liquidity to pay losses. The FMIE Finance Manager has oversight of the investment portfolio to ensure compliance with the FMIE investment policy.

The following table reflects the investment performance for the year:

	2022 €000s	2021 €000s
Net income/(expense) from investments	51,783	41,784
Investment management charges, including interest	(1,110)	(915)
Realised gain/(loss) on investments	10,498	2,679
Recognised unrealised loss on investments	(10,181)	-
Reversal of prior years' recognised unrealised loss on investments	2,052	-
Investment income/(charges)	53,042	43,548
Unrecognised unrealised (loss)/gain on investments	(7,439)	71,112
Total investment returns	**45,603**	**114,660**

In 2022, total investment returns include the net unrealised losses on investments amounting to €7m which is not recognised under LuxGAAP. The unrealised loss on investments, in accordance with the accounting policy disclosed in note 4.1 of the LuxGAAP FS, is recognised in the investment charges section of the profit and loss account of the LuxGAAP FS if the value adjustment on investments is of a durable nature. Unrealised losses of a durable nature amounting to €10m were recorded during the year 2022 and unrealised losses recognised in prior years amounting to €2m were reversed as no longer meeting the durable nature criteria.

As of 31 December 2022, the value re-adjustment on other financial investments amounted to €39m and consisted of net foreign exchange gains of €36m (2021: €31m), resulting from the translation of other financial investments denominated in other currencies than Euro and the reversal of prior years' value adjustment on other financial investments of €2m (2021: nil). As of 31 December 2022, the value adjustments on investments amounted to €8m (2021: nil).

The Company's investment strategy takes a total return approach and holds a diversified portfolio of investments to provide the potential for growth while balancing risks and liquidity needs. Over the long-term, equity investments are an important contributor to returns in the context of a diversified portfolio. The Company is aware this investment approach may generate shorter term volatility and accepts this risk.

A.4 Performance of Other Activities

The only costs excluded from the technical account are investment charges and other income relating to intercompany services.

There are no anticipated major costs in the future planning period.

A.5 Any Other Information

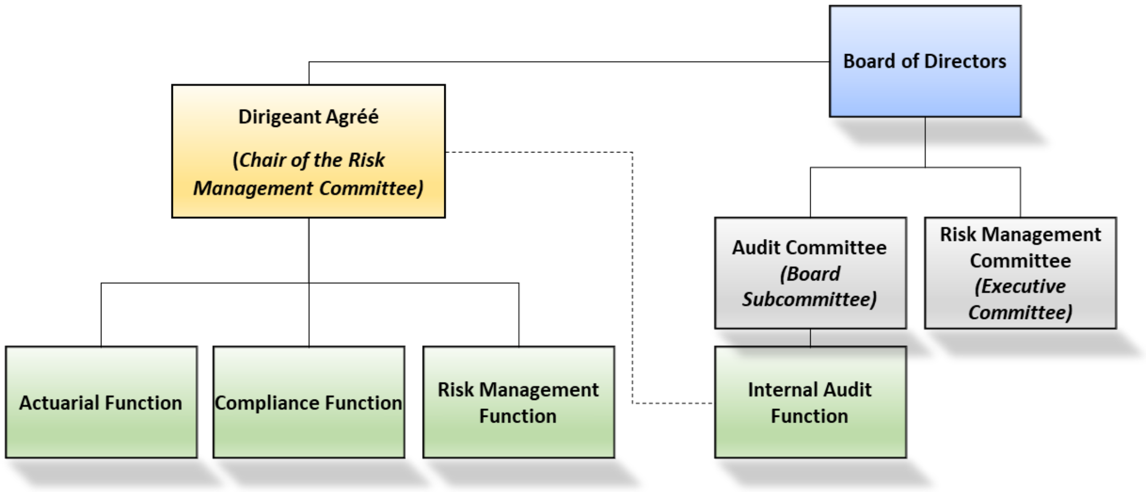
The Company is not aware of any other disclosures that need to be made at this time.

B. System of Governance

B.1 General Information

FMIE is governed by a Board which includes an executive director, non-executive directors ("NEDs") and independent non-executive directors ("INEDs"). The Board has overall responsibilities for all business, strategic and risk decisions within FMIE and meets at least three times a year. To assist with this there is one Board subcommittee (the Audit Committee), which shall include no fewer than three directors, and one executive committee (the Risk Management Committee, "RMC").

The system of governance is reflected in the diagram below:



The Audit Committee consists of no fewer than three members, who are not officers of the Company and they meet at least twice a year. Their responsibilities include overseeing the Internal Audit Function, approving the external audit plan and reviewing both internal and external audit reports.

The Compliance Function of FMIE reports to the Dirigeant Agréé and is in place to monitor and maintain compliance with the many regulations and statutory obligations to which an international insurance business is exposed. The responsibilities of the Compliance Function include ensuring that FMIE's risk management framework and controls comply with relevant requirements and reporting any identified gaps or breaches to the FMIE Board. The Compliance Function develops and administers policies, procedures, guidelines, and standards to ensure that FMIE complies with its legal and regulatory requirements such as anti-money laundering, financial sanctions, and anti-bribery and corruption. In addition, the Compliance Function releases the codes of conduct and ethics on an annual basis. As required, the Compliance Function provides training to employees.

FMIE has a compliance risk policy which details the specific compliance areas relevant to FMIE and an internal control policy describing the effective internal control system in place in FMIE and the monitoring used to ensure the system is working. The Head of the Compliance Function is the Compliance Officer.

The FMIE Compliance Officer is a member of the RMC and reports at each meeting on any compliance issues that have arisen and the progress on previous issues raised. Nothing of note has been reported in the past year. The FMIE Compliance Officer reviews reports and consults with the RMC on any material breaches of risk limits and the adequacy of proposed action provided by the RMC after considering the regulatory environment. Further, the Compliance Officer monitors changes in FMIE's regulatory environment and communicates relevant changes to management and staff, as required.

The following Solvency II key functions are established within the Company with clear reporting lines, as shown on the above diagram:

- Compliance Function;
- Actuarial Function;
- Internal Audit Function; and
- Risk Management Function.

Refer to B.3 the Risk Management System section for more details on these functions. There have been no material changes to the System of Governance during the reporting period.

As stated within the FMIE Remuneration Policy, "Base pay is structured to ensure employees are paid competitively for the jobs they perform. FM Global develops and manages its compensation levels according to the competitive practice of each country in which it operates."

Per the Remuneration Policy "The objective of the incentive plans is to provide employees with variable compensation for performance that contributes significantly to the sustained success of the Company and which is directly related to the employee's contribution to exceptional Company results."

The independent non-executive members of the Board are paid a retainer by FMIE and do not participate in the incentive plans.

As noted on page 10, the incentive scheme is principally based on the three KRA's.

Each of these KRA's are evaluated and targets are set for each calendar year and approved by the Board.

The KRAs and incentive plans therefore align with the overall performance of the consolidated group. This restricts the potential for incentive driven strategies that do not benefit the overall FM Global group.

B.2 Fit and Proper Requirements

FMIE has a 'fit and proper' standard in place which applies to those employees of FMIE that are within scope of fit and proper requirements. The standard outlines how the employees are identified, the assessment criteria, the assessment process and the process to maintain compliance with the requirements.

The purpose of the standard is to ensure persons occupying key positions within the business possess appropriate qualifications, knowledge and experience. Such persons must be of good repute and integrity, meeting the criteria specified in Articles 72 and 73 of the Luxembourg Law of 7 December 2015 on the insurance industry (the "Luxembourg Insurance Law").

Persons occupying key positions within FMIE are:

- Directors;
- Dirigeant Agréé;
- Key Function holders under the Luxembourg Insurance Law;
- Members of the Risk Management Committee;
- Legal Representatives/Branch Managers.

The standard is maintained by the legal department but is at a minimum annually reviewed and approved by the RMC. The RMC also monitors compliance with the standard and has ultimate responsibility for ensuring the relevant employees are identified and meet the requirements of the standard.

There is an ongoing responsibility on both executive management and those persons occupying key positions to maintain their fit and proper status throughout their employment in that role.

B.3 Risk Management System

The Board and management recognise the importance that risk management plays in ensuring the business is able to fully capitalise on the opportunities available to it as well as mitigating potential loss. Risk management is an integral part of the strategic planning process of FMIE and is incorporated into its business plan. The Board aims to ensure that effective risk management practice remains embedded in the Company culture and throughout activities that are carried out within the Company.

Risk management at FMIE is present throughout the business processes. It starts with the Risk Report prepared by engineers when they conduct site visits at the insured's locations (or a prospect's location in the case of potential new business). These Risk Reports are used by the account teams to underwrite the account, set limits and deductibles, and buy reinsurance, if needed. Copies of the Risk Reports may be provided to the insured for information. There are also additional tools available to the account teams and engineers to assist them in their assessment of risk and communication with the insured (e.g. underwriting guidelines, MyRisk, RiskMark scores etc.).

The FMIE RMC was established to provide independent oversight of the Company's risks and risk management. As noted previously, it is an executive committee that has the power to make decisions regarding the Company's risk management policies and practices.

The RMC is comprised of several members of the senior management team including:

- Dirigeant Agréé;
- Finance Manager;
- Risk Manager;
- Legal Manager;
- Engineering Manager;
- Underwriting Manager;
- Claims Manager; and
- Branch Manager of any Branch writing insurance pursuant to a license that is separately regulated from the license issued and regulated by the CAA in Luxembourg.

The Committee is responsible for setting and maintaining the Risk Management policy and ensuring it is consistent across FMIE. It is also responsible for the risk appetite framework which details the limits and tolerances the Company will accept in each of the key risk areas.

Subject matter experts contribute to the identification of the risks, which are then evaluated with the contribution of the RMC. Priority is given to risks that have the greatest potential for adverse impact and these risks are held in a corporate risk register which is monitored and regularly reviewed by the RMC. These risks cover all areas of the business and do not just consider operational risk. They also cover market, underwriting, credit, group, liquidity and compliance risks. The criteria for risks to be included on the corporate risk register are based on a combination of the severity and frequency factors along with the judgement of the RMC. Each risk on the register must be reviewed by the risk owner at least annually, however, high rated risks are reviewed more frequently.

The risk management framework includes:

- The embedding of a risk appetite monitoring control system;
- Alignment of the risk register with the FM Global group; and
- Thorough reviews with company experts.

WTW provide appropriate technical support on the Igloo software platform for Solvency II capital modelling purposes and perform a review of the technical provisions. Deloitte Tax & Consulting provide appropriate technical and actuarial support on Luxembourg regulatory matters.

The risk appetite monitoring system is based on the tolerances and limits laid out in the risk appetite framework. The risk appetite of FMIE is focused around the key risks and therefore the majority of tolerances and limits are focused around underwriting risk. These include targets for the combined ratio, premium retention and new business as well as policy limits. The framework was put in place during 2017 and has been fully applicable since 1 January 2018. The framework is a working document and as such is expected to evolve with the business and it is subject to annual review.

At RMC meetings, the Committee reviews, monitors and documents significant risks. Strategies and operational controls are considered and evaluated and where appropriate will be put into place to ensure the minimisation and effective management of each risk. There are standing items on the RMC agenda to assess the potential for any new risks arising from topics such as operational changes, emerging risk and outsourcing changes. Depending on the topic being considered, a discussion is held regarding re-running the ORSA process to quantify the effect on capital. To assist with the identification of new risks there are policies in place for each of the risk categories which define that risk area and give examples of the types of risks that could be included in this risk area. They also cover the possible controls in place to mitigate a risk.

The materiality of risks is determined during the process of development of the risk profile by considering the consequences, likelihood and controllability of each risk. The assessment of risk is based on quantitative and/or qualitative factors.

The risks from the risk register are a key input into the solvency capital model. The RMC is involved in the review of the ORSA and its familiarity with the risks involved gives it a good understanding of the expected capital charge and coverage.

In addition to risks identified in the risk register, FMIE's approach is to minimise risk internally which is demonstrated by the levels of review and audit within the Company. Regular audits of engineering, claims and underwriting processes and procedures take place in order to ensure the systems in place are adequate and are being followed. In addition, whenever a claim occurs at a higher level than anticipated, an additional review of the claim takes place, including the underwriting and engineering assessments for that location, to see if there are any lessons to be learnt going forward.

Assets held for solvency purposes are segregated between long and short-term holdings. Short term assets are held for working capital purposes and with a policy of neutrality on foreign currencies. This means, as far as possible, to make no profits or losses on exchange. Cash deposits and short-term investments are held in US Dollars, unless required for a specific liability when the amount required will be held in the relevant transaction currency, if appropriate.

Short term assets are held to provide the day to day working capital for the Company. The level of assets held is based on rolling 12-month cash flow forecasts which are prepared at a currency level. Any excess cash is put into long term investments in accordance with the investment policy.

FMIE's long term assets are managed on behalf of FMIE by the FMIC Investment Department. It is expected that equity investments will provide superior long-term returns vs. debt securities, albeit with greater volatility.

ORSA

The ORSA process is completed annually starting in May in order to have the results available for the business strategy planning process in Q3 each year.

In certain circumstances an additional interim or partial ORSA will be run. Examples of the triggers to perform an interim or partial ORSA include:

- Changes to the business structure;
- Significant proposed changes to the investment portfolio; and
- Changes to strategy arising during the planning process.

This list is not exhaustive, and at each RMC meeting any significant changes to the business or the risk register are discussed and the need for a partial or full ORSA considered.

The ORSA is a method of assessing, in a continuous and prospective way, the solvency of an entity, the potential to deal with severe loss scenarios and the ability to continue operating as a going concern. The ORSA process is clearly defined within the ORSA policy, outlining specific action items that are followed to ensure all material and emerging risks are considered within the modelling process. It forms an important component of the risk management framework, culminating in the creation of an ORSA report at a minimum annually.

The RMC will drive the ORSA and review key inputs during the process. It will also perform a preliminary review of the outputs. The Board has ultimate control and performs the final review and sign off. A review of FMIE's own solvency assessment given the risk profile, is compared to the regulatory solvency assessment, to determine whether additional solvency cover is required or if FMIE is comfortable with the current levels of coverage arising from each calculation. As FMIE is currently well capitalised no further actions are required.

B.4 Internal Control System

FMIE has a strong control environment in place throughout the business and this is modelled on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework. Thus, the internal control system within FMIE consists of five key components, namely:

- Control environment;
- Risk assessment;
- Control activities;
- Information and communication; and
- Monitoring activities.

These headings will be used to describe the FMIE internal control system, including any details on the key procedures in place.

Control environment

The Board and senior management of FMIE lead by example regarding the importance of internal controls and play an integral part in setting the expectations at all levels within the organisation. The Audit Committee addresses key components of the internal control system.

The Board collectively provides guidance and direction on all aspects of the internal control system. As part of its key role of providing oversight on standards and ethics within the business, it regularly reviews, approves, and monitors adherence to the various policies that govern FMIE management and employees.

In addition to the policies, as noted in section B.1, there is a specific compliance function which is in place to monitor and maintain compliance with the many regulations and statutory obligations an international business is exposed to. A compliance risk policy is in place and is required to be reviewed annually by the FMIE Compliance Officer and also requires annual approval by the RMC.

Risk assessment

FMIE has a process in place for identifying and assessing the risks involved in achieving the business's objectives. As noted above, a risk register is used and overseen by the RMC to identify, assess, rate and record the significant risks that FMIE faces.

The risk register also serves as a tool for Internal Audit in the development of the annual risk based audit plan.

Control activities

Control activities support every aspect of the internal control system within FMIE and are closely aligned with risk assessment. Management are tasked with enacting policies and procedures that help to prevent, detect or otherwise mitigate the risks identified in the ongoing risk assessment process.

Control activities are built around the general business processes such as purchasing, treasury and accounts payable, as well as processes specific to the insurance industry such as underwriting and claims management. There are also technology related controls that deal with information security, system change management and data back-up.

The types of controls that exist within the business include, but are not limited to:

- Reconciliations;
- System controls;
- Authorisations and approvals; and
- Physical controls.

In implementing each of the control activities in the business, consideration is given to the segregation of duties to reduce the possibilities of controls being overridden.

Information and communication

Information is important in helping the business achieve its objectives and this includes information regarding the internal control system.

Information about the business's objectives is primarily disseminated by senior management to management and employees through their reporting lines. In addition to that, there are various forums, both physical and online, through which company information is communicated.

Departmental level information is also widely collected to help measure performance, record exceptions and determine any additional measures that are necessary.

Employees have the opportunity to communicate upwards to management, for example, recent company initiatives focusing on increased efficiency have led to a significant input from employees about working practices within their departments.

Management also communicate externally to clients, brokers, vendors and the general public through annual reports, articles in industry publications, and various marketing initiatives.

Monitoring activities

There are various forms of ongoing or separate evaluations to help monitor all aspects of the internal control system. These can either be conducted by internal or external resources.

Separate evaluations are carried out by Internal Audit and staff auditors. Internal Audit is tasked with carrying out evaluations on all aspects of the business; financial, operational and compliance. Findings are reported to management and to the Board of Directors, through the Audit Committee.

In addition to Internal Audit, there are discipline specific evaluations carried out by staff auditors. Examples of these include:

- Claims audits;
- Engineering audits;
- Operations audits;
- Processing audits;
- Underwriting audits; and
- Health and Safety audits.

Compliance Function

FMIE is committed to managing its exposure to compliance risk in accordance with the agreed risk appetite. To properly address the risks, FMIE maintains effective relationships with the regulators and remains in good standing in all territories where FMIE is licensed to write insurance and reinsurance business.

The risk appetite framework in place is used to advise management of the risks to which the Company is exposed. Any potential or existing risks are measured against the framework, and the results and outcomes of actions are monitored to ensure they remain within acceptable limits. The risk appetite and tolerances are subject to constant review by the RMC to ensure that they remain relevant and achievable.

FMIE's appetite for compliance risk is based upon the assumption that insurance companies are heavily regulated businesses. The loss of or any significant restriction on any of FMIE's licenses would impair FMG's ability to meet the needs of its policyholders and thus represents a threat to the business. Serious or persistent non-compliance with the rules and regulations of FMIE's home and host regulators can lead to the loss of, or a substantial restriction on, one or more of its insurance licenses. Appropriate systems and controls must therefore be maintained and monitored at all times to ensure that FMIE remains in good standing with its home and host regulators, and to ensure that any instances of non-compliance are promptly and effectively identified, assessed and addressed.

B.5 Internal Audit Function

FMIE supports Internal Audit as an independent appraisal function to examine and evaluate company activities as a service to management and the Board of Directors. The mission of Internal Audit is to support the management and employees of FMIE in the effective discharge of their responsibilities, by providing an independent and objective assurance and advisory function.

The FMIE Internal Audit Function is served by the EMEA Internal Audit team, which is based in Luxembourg and headed by the Internal Audit manager. The EMEA Internal Audit manager reports to the Group Chief Auditor and is the holder of the Head of Internal Audit position to the FMIE Audit Committee. Bi-annually, the EMEA Internal Audit manager will submit to the Audit Committee a written report on the activities of the Internal Audit Function in the preceding auditable period. The EMEA Internal Audit manager will also make an oral report to the Audit Committee. The EMEA Internal Audit manager may confer with the Audit Committee or directly with the Chair of the Audit Committee or any other member of the Audit Committee including the INEDs, outside the presence of Company officials, on any subject relevant to Internal Audit's area of responsibility.

On an annual basis, a risk based Internal Audit plan is developed and presented to the Audit Committee for approval.

The Internal Audit annual plan is a risk-based plan that includes three major categories of work: (1) audit procedures related to internal control over financial reporting; (2) engagements related to regulatory compliance; and (3) risk-based internally focused audits.

(1) Audit work related to the internal control over financial reporting includes the evaluation of internal controls at the level of significant financial business processes. A financial business process is considered significant primarily based on quantitative factors, including the financial misstatement effect.

(2) Certain regulations require or advise Internal Audit to perform periodic audits including but not restricted to compliance with Solvency II requirements of Pillar 2, Governance and Supervision. These are included in the audit plan as appropriate.

(3) Identification of the internally focussed audits is based on a risk assessment process. Internal Audit constructed an audit environment based on their knowledge of the business and discussions with various levels of management. The audit environment is made up of auditable areas which are mapped to other assurance activities within the Company. They meet with the other assurance providers to understand the nature of their work and determine what areas require internal audit coverage. The auditable areas covered by Internal Audit are assigned a risk rating and ranked using a risk assessment formula to ensure the most effective use of Internal Audit's resources.

The risk assessment model considers the following factors when assigning a risk rating to each auditable area:

Likelihood of Control Issues	Impact of Control Issues
Results of prior audits Time since the last audit Complexity of the process Automated or manual process Management/personnel competency Degree of change in the audit area Susceptibility to fraud	Financial misstatement effect Impact on business objectives Solvency impact Service to clients Employee relations Regulatory impact

On an annual basis, this allows the ranking of auditable areas as high, medium or low risk which helps determine whether to include them in the audit plan for that year. Additional audits and consulting assignments may also be carried out outside of the annual audit plan, if the circumstances dictate or if requested by management e.g. due to a change in processes and/or procedures.

Before the commencement of each audit, an audit announcement document will be sent to management by Internal Audit. This details the agreed scope and timing and sets out any other information pertinent to the audit.

A written audit report will be prepared and issued to management by the Chief Auditor following the conclusion of each audit. There is an overall report owner to whom the audit report is addressed, and any findings noted in the audit are assigned an action owner. The action owners are responsible for remediating their respective findings by the target date agreed with Internal Audit.

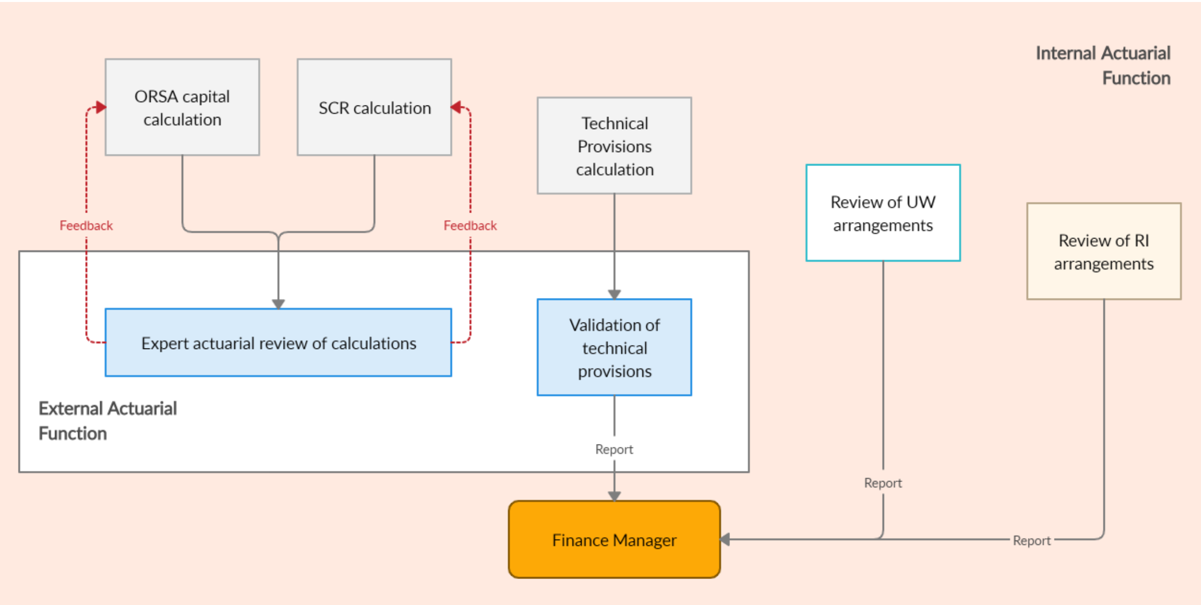
The manager receiving the report is responsible for ensuring that progress is made towards correcting any unsatisfactory conditions. Internal Audit is responsible for determining whether action taken is adequate to resolve audit findings. If the action is not adequate, Internal Audit will inform management of the potential risk and exposure in allowing the unsatisfactory conditions to continue.

The Internal Audit Function is independent from the business and has direct access to the Audit Committee. They perform audits on all areas of the business on the risk assessment model described above, ensuring higher risk areas are audited more frequently than the lower risk areas.

B.6 Actuarial Function

The Head of the Actuarial Function is the Finance Manager who is supported by other members of the finance department. Expert advice from external actuarial providers and from experts in other areas of FMG is obtained as required, to cover the obligations of the Solvency II Directive. Within FMIE the actuarial function consists of individuals who have sufficient knowledge of actuarial and financial mathematics to ensure accurate calculations are prepared internally and that there is a robust review of any expert advice provided.

Below is an overview diagram of the workflow and tasks within the actuarial function:



An Actuarial Function policy is in place which clearly defines the division of tasks between the internal actuarial function and the external actuarial function. This policy is reviewed at least annually by the RMC. The external actuarial experts have knowledge of capital modelling for general insurers as well as general knowledge of actuarial practices within the insurance industry. In accordance with the outsourcing policy and the outsourcing agreement for actuarial support, Deloitte Tax & Consulting supports with the preparation of the annual actuarial report. WTW provides an independent validation of the Solvency II technical provisions.

The external actuarial experts report directly to the Finance Manager and work closely with the FMIE staff of the actuarial function team, as required. Additional ad-hoc work may develop during the year, outside the predetermined responsibilities, and will be agreed with the Finance Manager at that time.

The reviews of the reinsurance ("RI") and underwriting ("UW") arrangements are conducted by experts within FMIC. These experts are independent of the day-to-day functions of these areas but have sufficient knowledge and skills to accurately perform the review. A written report is provided by the experts to the Head of the Actuarial Function on an annual basis. They express an opinion on the overall underwriting policy and on the adequacy of the reinsurance arrangements.

The independent review of the underwriting and reinsurance arrangements has been performed in accordance with the requirements of Article 272 of the Solvency II Directive, and confirmed that there were no issues arising from the review.

FMIE has committed to completing a formal review of the technical provisions on an annual basis. A formal review by WTW took place during the second half of 2022. The team involved in the review had previously performed similar reviews for other insurance companies, as well as for FMIE, providing them with sufficient expert judgement to review the calculation.

The review concluded that overall FMIE's technical provisions met the validation requirements as set out in Article 264 of the Delegated Act. None of the recommendations made by WTW were classified as high priority. The recommendations will be considered as part of a process review and improvement cycle.

B.7 Outsourcing

There is a comprehensive Outsourcing policy in place within FMIE which is used to ensure outsourcing contracts do not add risk to the Company. This is available to any member of staff who may be involved in setting up an outsourcing arrangement and provides guidelines on the levels of agreement that are acceptable to FMIE.

The policy details the steps that should be taken to ensure the potential service provider has the ability, capacity and authority to perform the required function.

FMIE outsources certain functions or activities in compliance with its Outsourcing policy. The majority of outsourced critical or important operational functions or activities are outsourced within FMG.

As noted on page 13, FMIE outsources investment management to FMIC, however the investment strategy and asset allocation placed in debt securities or equity investments is approved by the FMIE Board when approving the investment policy. Investment reports received monthly by FMIE are reviewed and issues are acted on. Utilising the parent company to manage the investments means FMIE can benefit from economies of scale and thereby reduce costs and maximise returns. The investments are held in US Dollars which increases market risk. This results in an increased exchange risk when reporting in Euro, compared to FMIE holding the assets in Euro, however it does reflect the international nature of the business; a number of policies are transacted in US Dollars. The assets have been included in US Dollars in the SF model and management and the Board consider this to have an acceptable level of risk. FMIE also receives certain finance and accounting support from FMIC and FMI.

The actuarial function is partially outsourced to Deloitte Tax & Consulting (registered as Professionnels du Secteur des Assurances in Luxembourg and regulated by the CAA). This enables FMIE to take advantage of expertise not available within the business. Any data used by the actuary is provided by FMIE and the results are scrutinised by the capital modelling team of the Company. The partial outsourcing of this function does not increase the risk to FMIE. If Deloitte Tax & Consulting was no longer available, a similar provider could be found with minimal interruption to the running of the regulatory reporting. FMIE's actuarial function relies on WTW's Igloo software platform for capital modelling purposes and on FMIC for the provision of data analytics support.

In addition, elements of IT services, access to relevant applications, system support and backup are outsourced to FMIC and FMI; these are coordinated by suitably knowledgeable personnel within FMIE.

FMIC also provides limited compliance (i.e. sanctions screening) as well as reinsurance structuring and product and pricing (technical guidance) support to FMIE.

B.8 Any Other Information

FMIE has a robust governance system. All the relevant points have been detailed in this report and there are no further disclosures required at this time.

C. Risk Profile

C.1 Non-Life Underwriting Risk

Underwriting risk within FMIE is accepted and managed within the agreed risk parameters. As a result, this area is very closely monitored and regulated through:

- Clear and specific underwriting guidelines;
- Well defined systems of training and monitoring;
- Regular process audits;
- General business controls as detailed in the Internal Control section of this document; and
- Regular risk appetite monitoring.

This allows the business strategy to ensure exposures are managed and maintained within FMIE's risk appetite.

FMIE has a significant reinsurance program, with a number of treaties available which provide additional cover for those risks that expose FMIE to potentially significant claims outside of their risk appetite. In addition, FMIE has the ability to purchase facultative reinsurance, as necessary.

Due to the wide geographical spread of the FMIE business the potential for a concentration of risks to significantly affect capital levels is limited. On a local level the pricing structure is set to take into consideration the concentration of clients, and reinsurance is used to limit FMIE's exposure. The risk exposures for any new clients are considered alongside the existing exposures and any concentrations of risk are taken into account.

The underwriting risk within the SF calculation is generating a capital charge of €105m in 2022 (2021: €77m). The following table shows the 2022 elements of the non-life underwriting capital charge that forms part of the SCR:

	2022 €000s	2021 €000s	Variance €000s
Lapse risk	1,698	1,394	304
Catastrophe risk	74,513	52,870	21,643
Premium & Reserve risk	57,545	44,896	12,649
Diversification	(28,826)	(21,702)	(7,124)
Total underwriting risk	**104,930**	**77,458**	**27,472**

The increase in the underwriting risk is driven by the premium risk, reserve risk, and catastrophe risk. The premium risk increased due to the net earned premium increase, reflecting the rate and insurable value increases and programme structure changes on retained business, as well as new business written. There is also an increase in budgeted net earned premium for the year ending 31 December 2023 which was partially offset by the decrease on the reserve risk, due to the large volume of claims settled during the year. The catastrophe risk increased due to the increase in budgeted net earned premium compared to the prior year's budgeted net earned premium. The results also incorporate the stop loss treaty in place with FMIC, which limits the catastrophe risk to 25% of the budgeted net earned premium.

There are strong controls around the calculation of the underwriting risk within the SF including the review of inputs and parameters by management, sensitivity testing, and the review of the results.

C.2 Market Risk

Market risk is the most sensitive area of the FMIE SF model due to the number of currencies FMIE transacts in and due to the level of US Dollars investments that are held. Both of these items could potentially lead to significant losses in any underwriting year.

Market risk is rated medium on the risk register and is monitored closely by the RMC. Several sensitivity tests have been run on this area of the model and any large investment decisions are run through the SF and the ORSA model to assess the impact. The results of this sensitivity testing can then be compared to the risk appetite of FMIE, so the Board can evaluate the effect of the potential risk. As FMIE does business in a variety of countries and therefore deals with a large range of currencies, a certain level of market risk is unavoidable. Strict guidelines are in place regarding levels of currency, asset/liability matching and investment practices.

The type of assets held by FMIE are a key driver of the capital charge and an area where management decisions have a significant effect. There is no current plan to change the asset mix.

The following table shows the SF capital charge in respect of the market risk:

	2022 €000s	2021 €000s	Variance €000s
Interest rate risk	24,467	18,050	6,417
Equity risk	81,505	123,949	(42,444)
Spread risk	21,865	21,801	64
Currency risk	170,639	168,343	2,296
Concentration risk	22,863	17,650	5,213
Diversification	(95,639)	(99,481)	3,842
Total market risk	**225,700**	**250,312**	**(24,612)**

The decrease of the market risk is attributable to the equity risk, which is partly offset by the increase in the interest rate risk, concentration risk and the currency risk. The equity risk charge, which decreased by €42m, is driven by the symmetric adjustment factor and the level of equity investments held by the Company. The symmetric adjustment factor changed from 6.9% to -3.0% during the year, which generated a reduction in the risk charge of €27m, before factoring in any decrease in asset value. In addition, the decrease in the market value of the equity investments, the rebalancing of the asset mix between equity investments and debt securities, as well as the movement in foreign exchange between Euro and US Dollars, as those equity investments are denominated in US Dollars but reported in Euro, generated a reduction in the risk charge of €15m as of 31 December 2022.

The change in the symmetric adjustment (issued by EIOPA) and its impact on equity investments is calculated monthly throughout the year. A significant change to this factor could have a material impact on the Solvency Ratio. The symmetric adjustment is a mechanism to smooth the volatility of the markets. This can range from -10% to +10% and in December 2022 was -3.0% (2021: 6.9%). The potential impact of change in this factor from the current value is tested through stress testing of the calculation.

The interest rate risk increase is mainly driven by the movement in net asset values included within the calculation of this risk (debt securities and net technical provisions) reflecting a decrease of the net technical provision compared to prior year, following the large volume of claims settled during the year and an increase of debt securities following purchases made during the year. This is further emphasised by the increase of interest rates.

The currency risk charge is calculated for each currency in which the Company has assets and/or liabilities. The change in the level of currency risk charge is mainly driven by a mismatch between the assets and the liabilities.

Investments are also the key driver of the concentration risk capital charge, with the lower value of investments at the year-end leading to an increase in the concentration risk charge compared to 2021.

Although the market risk capital charge may be considered high compared to the total level of assets, there is sufficient capital to cover this charge and the FMIE Board are comfortable with the total capital charge calculated. As discussed above, the excess capital held at FMIE and the funds related to this excess capital are invested in US Dollars, in equity investments and debt securities, due to FMIE's total return investor strategy.

C.3 Counterparty Risk

This is a lower risk area for FMIE due to the highly rated reinsurers with whom business is placed. The FMIE policy is to only use reinsurers that meet a specified surplus threshold who have an acceptable credit rating, unless an exception has been granted by Staff Underwriting. Historically, FMG has not experienced instances of significant reinsurer default. FMIE's largest single reinsurer is FMIC who are rated AA (Very Strong) by Fitch Ratings, A+ (Superior) by AM Best, and A+ (Strong) by Standard and Poor's; therefore, considered unlikely to fail.

The only non-rated reinsurance entities used by FMIE are captives that are used at the request of the client. As these entities do not have ratings there are contracts in place to specify that the monies must be received from the captive before FMIE pays the client. As a result, there is no counterparty risk on these balances.

Although the reinsurers are generally well capitalised and resistant to a certain level of catastrophes, several large events would stretch their overall capacity which could lead to their failure and as a result increase the capital charge within the SF. The total counterparty default charge within the SF is €95m (2021: €100m).

The decrease in 2022 is mainly due to a lower level of the reinsurers' share of claims outstanding compared to the prior year, as only a limited portion of the reinsurance recoveries on the losses settled in December remained outstanding as of the end of the year 2022.

C.4 Liquidity Risk

This is not considered a key risk area for FMIE as the investment policy requires that cash in the relevant currency is held against any large outstanding claims. To assist in managing this on a day to day basis a 12 month rolling cash flow forecast for each individual currency (where FMIE holds a bank account) is used to predict claims payments along with income and reinsurance receipts due. This information is then used to ensure any premium or reinsurance recoveries received are retained to match against any claims outstanding. Where no income is expected in a specific currency, external advice is sought on the best time to purchase the currency required, prior to the date of the claims payment. The cash flow will also incorporate any other income and expenses expected within the next 12 months, such as operating expenses. Expected profits included in future premium are €73m at 31 December 2022. Refer to the reporting template S.23.01.01 included in the appendices for further detail.

There is also an arrangement in place with FMIC which provides that, if required, the reinsurance due from FMIC will be paid in advance, to fund the payment to the client. This facility is considered on a claim by claim basis. Historically, a similar arrangement has proven to be very effective for other group entities following significant catastrophe events.

C.5 Operational Risk

This risk area represents the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. The key risk areas are monitored through the risk register and the risk appetite framework. They are reviewed at RMC meetings to ensure management are aware of the risks, they are being adequately controlled and mitigation is in place, if deemed necessary.

There is very little concentration of risks within the operational risk area of the capital modelling as these are mostly very disparate events with little or no correlation with each other. As a result, the individual elements of this risk area are not very sensitive and a change to one will not have a significant effect on the overall operational risk charge for the ORSA model.

The SF charge for operational risk is a straightforward calculation based either on the technical provisions or earned premium. The total operational charge from the SF model for 2022 is €29m (2021: €27m).

The charge is calculated on the higher of 3% of gross earned premium and 3% of gross technical provisions. In 2022, the operational risk charge increased due to the higher level of gross earned premium reflecting rate and insurable value increases, programme structure changes on retained business, and new business written.

C.6 Other Material Risks

The only risk areas not mentioned above are that of group risk and the evolving risk of climate change.

The group risk is not considered a high risk to FMIE, as FMIC is very highly rated and unlikely to fail within a 99.5% confidence level. As at 31 December 2022, FMG has US$18.5bn in capital.

If FMIC were to fail this would be the most extreme scenario for FMIE as it would mean the loss of many international clients and therefore is also likely to cause FMIE to fail. This is considered as part of the reverse stress testing as it is such an extreme scenario and outside the parameters of the model calculations.

The main risk for FMIE is that FMIC does not meet their financial obligations as they are FMIE's largest reinsurer. As noted above, FMG is very highly rated indicating they are unlikely to default and held US$2.1bn of available cash on their balance sheet at 31 December 2022. In addition, defaulting on FMIE would mean losing their international base of operations which would alter FMG's business model. The risk of FMIC defaulting on its reinsurance balances with FMIE is included within the counterparty risk section of the model in the same way as for any external reinsurer.

FMIC provides support services to FMIE, including investment management and system support, however the Company could continue to function in the short term using local resources, until new contracts were agreed. As the likelihood of FMIC not meeting their financial obligations is low and there are strong controls and mitigation in place, the overall rating of this risk is rated low and therefore it is not separately modelled within the ORSA.

All services provided by FMIC are covered by a group risk on the risk register which is reviewed at least annually by the RMC. In addition, the reinsurance exposure of FMIE to FMIC is monitored monthly as part of management reporting and is included in the risk appetite monitoring control sheet, which is distributed to the RMC.

The ORSA capital model has been built to take into consideration the fact that the failure of FMIC will also mean the default of the stop loss treaty. If a simulation has calculated that FMIC will go into default, then the stop loss and amount ceded on expenses is also considered unrecoverable. A large capital charge for this scenario is generated within the extreme tail of the model.

The SF model does not have the facility to fully account for the stop loss treaty. The stop loss is only included within the catastrophe risk calculation included in the underwriting risk component in the SF. The catastrophe risk element is capped at the limit of the stop loss treaty which generates a high level of reinsurance due from FMIC. This is then included within the counterparty default charge for which the calculation is based on the balances and ratings. The remainder of the SF calculation does not include any further adjustments for the stop loss. The Board understands that this generates a higher SCR however they are comfortable that there is sufficient capital in place and the SF remains appropriate for the Company.

During 2022, FMG appointed a Chief Sustainability Officer and has established an Environmental, Social and Governance (ESG) steering committee to fully integrate the Company's ESG strategy within the business.

As a market leader in property loss prevention, FMG will continue to evaluate climate change and its evolving risk. FMG continues to invest in scientific research and innovative technologies and deliver leading property loss prevention engineering solutions, loss prevention and engineering standards and natural hazard risk maps for the policyholders and others to use and act upon when managing evolving property risks.

To better understand climate-related risk, FMG has more than 125 researchers evaluating the potential for natural and technological catastrophes, developing innovative methods and tools to predict and prevent property damage, and providing technically sound and cost-effective loss prevention engineering solutions to clients. As climate change evolves, the Group develops solutions coupled with risk-informed underwriting to continue to help protect clients' assets and manage investments. Risks associated with climate change are incorporated into the location-based approach to underwriting, our research, and the risk assessments carried out by the engineers. These risks are priced into the business and as a market leader in property loss prevention, FMG continually evaluates risk associated with climate change.

The evolving risk of climate change has been regularly discussed by the RMC and considered by the Board of Directors, including the inclusion of a climate change scenario within the ORSA. The two largest natural hazard exposures for FMIE have been identified by the data analytics team and are included within the ORSA model. Risks associated with climate change are incorporated into the location-based approach to underwriting, research and the risk assessments carried out by FMG engineers. The potential effect of horizontal risk further increases the frequency and severity of the natural hazard exposures, a driver of which could be climate change. The RMC therefore feel this scenario appropriately captures the primary risks to the business from climate change as part of the 2022 ORSA. The RMC and the Board of Directors will continue to review the risks of climate change and incorporate these into the capital modelling and scenarios as appropriate.

C.7 Any Other Information

A large number of sensitivity and scenario tests are undertaken during the modelling process to assist in both understanding the effect of movements within a specific risk area and illustrating the interaction of the risk areas within the overall capital charge.

The stressed model parameters are recommended by the Solvency II modelling team and agreed with the RMC, based on areas considered to be key risks for FMIE. The testing affecting individual risk areas has been discussed previously in this report. The tests performed on the ORSA model differ from those within the SF model.

The sensitivity testing completed on the SF model includes the following:

- Converting equity investments into debt securities;

- Reducing all counterparty ratings by one credit quality level;
- Reducing FMIC's rating by one credit quality level; and
- Adjusting the market risk parameters.

The results of these tests reflect the significance of each area on the capital charge and offer management information to review business decisions and take a strategic view. A summary of the sensitivities are as follows:

	2022 Final submission	2022 Converting US Dollars equity investments into debt securities	2022 Reduce all counterparties by 1 credit level	2022 Reduce only FMIC by 1 credit level	2022 Adjust market risk parameters
	€000s	€000s	€000s	€000s	€000s
Non-Life risk	104,930	104,930	104,930	104,930	104,930
Market risk	225,700	191,042	225,700	225,700	244,958
Counterparty risk	94,866	94,866	152,610	135,595	94,866
Operational risk	28,941	28,941	28,941	28,941	28,941
Diversification	(103,857)	(98,356)	(122,245)	(117,358)	(106,465)
Total SCR	**350,580**	**321,423**	**389,936**	**377,808**	**367,230**
Solvency II Available Own Funds	**636,341**	**636,341**	**636,341**	**636,341**	**636,341**
Solvency ratio	**181.5%**	**198.0%**	**163.2%**	**168.4%**	**173.3%**

The sensitivity tests above show equity investments are a key driver of the solvency capital charge. The scenario providing the greatest capital coverage for FMIE would be to convert the equity investments to debt securities which, even if kept in US Dollars, would result in a decrease of the SCR to €321m and an increase in the solvency ratio to 198.0%, as shown above.

The scenario with the most negative impact would be the scenario of reducing the ratings of all counterparties by one credit level. This scenario would result in an increase of the SCR to €390m and a decrease in the solvency ratio to 163.2%. This is an area management review regularly and there are strict rules in place for utilising new reinsurers. The majority of the counterparty risk arises from the reinsurance on catastrophes and a large part of that is the Excess of Loss treaty ("EOL"). The reinsurers on the EOL treaty are all very secure reinsurers and their credit risk is reviewed annually.

Reducing only FMIC's rating also has a significant effect on the counterparty risk as there is a large amount due from the parent company due to the reinsurance program in place.

D. Valuation for Solvency Purposes

D.1 Assets

The valuation of the assets is based on the bases prescribed by the Delegated Acts. The following table reflects the values and differences to those recorded in the LuxGAAP FS as at 31 December 2022.

	LuxGAAP €000s	Solvency II €000s	Difference €000s
Deferred acquisition costs	3,187	-	3,187
Deferred tax assets	-	8,747	(8,747)
Property, plant & equipment	15,903	51,911	(36,008)
Investments	550,053	544,014	6,039
Reinsurance recoverables	568,197	470,244	97,953
Insurance receivables	204,737	-	204,737
Reinsurance receivables	183,629	1,087	182,542
Receivables (trade, not insurance)	49,757	49,757	-
Cash and cash equivalents	123,032	123,032	-
All other assets	72,671	57,272	15,399
Total assets	**1,771,166**	**1,306,064**	**465,102**

As at 31 December 2021

	LuxGAAP €000s	Solvency II €000s	Difference €000s
Deferred acquisition costs	5,016	-	5,016
Deferred tax assets	-	-	-
Property, plant & equipment	20,493	64,460	(43,967)
Investments	524,221	599,899	(75,678)
Reinsurance recoverables	932,724	796,307	136,417
Insurance receivables	169,901	-	169,901
Reinsurance receivables	76,252	473	75,779
Receivables (trade, not insurance)	31,356	31,356	-
Cash and cash equivalents	188,448	188,448	-
All other assets	101,953	81,520	20,433
Total assets	**2,050,364**	**1,762,463**	**287,901**

Deferred acquisition costs are not recognised under the Delegated Acts and therefore the Solvency II balance sheet value is nil.

The bases of valuation for the material classes of assets are provided below:

Property, plant & equipment

The assets held under LuxGAAP are held at cost less depreciation and this method, due to the nature of the assets, equates to market value under Solvency II. In accordance with the principles of IFRS 16 all material lease commitments have been capitalised and included in this category on the balance sheet.

Investments

Investments comprise of equity investments held under LuxGAAP at the lower of acquisition or market value amounting to €196m (2021: €203m) and high-grade debt securities held under LuxGAAP at amortised cost for €354m (2021: €321m).

Investments under Solvency II are valued at fair value and comprise of equity investments of €227m (2021: €271m) and high-grade debt securities for €317m (2021: €328m) including €1m of accrued interest.

The investments are measured on a market value basis, consistent with Article 10(2) of the Delegated Acts.

Equity investments are financial assets that are measured by reference to published quotes in an active market, with quoted prices readily and regularly available from an exchange, dealer, or broker and those prices representing actual and regularly occurring market transactions on an arm's length basis.

Debt securities are financial assets measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions. Debt securities are priced by an independent vendor using evaluated market pricing models.

Under Solvency II, accrued interest is disclosed as part of the investment valuation. By comparison under LuxGAAP it is disclosed separately as part of other assets.

Reinsurance Recoverables

Details related to the valuation of technical provisions are provided in Section D.2.

Insurance and Reinsurance Receivables

Debtors receivables are recorded at transaction price. Due to the short-term nature of the balances they are held at an undiscounted amount. Under Solvency II the portion of debtors not yet due for collection are reclassified into the technical provisions.

Receivables

Receivables in the balance sheet are comprised of other debtors.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand.

Deferred Tax Assets

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Under Solvency II, deferred tax is calculated based on the temporary differences between the Solvency II values and tax values.

All Other Assets

Included within all other assets is an amount of €57m relating to the amount recoverable on a reinsurance contract covering obligations arising from the Company's German defined benefit pension scheme. The value of the reinsurance contract has been determined using an alternative valuation method, linked to the underlying pension obligations covered by the contract.

D.2 Technical Provisions

The technical provisions represent a best estimate of future technical cashflows, discounted to present value.

Under Solvency II, the value of technical provisions is expected to correspond to the amount an insurance or reinsurance undertaking would have to pay if it transferred its contractual rights and obligations immediately to another undertaking, and should comprise a best estimate and a risk margin.

For non-life undertakings, the best estimate is the sum of the following:

- Claims provision - a provision relating to events that have already occurred; and
- Premium provision - a provision relating to events on unexpired risks at the balance sheet date within the contract boundaries.

The best estimate technical provisions on the Solvency II basis are supplemented by the risk margin, representing the cost of capital which a third party would incur in taking over and running the existing obligations to expiry. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current insurance obligations over their lifetime.

A Technical Provisions policy is in place to outline the requirements under Solvency II and ensure each set of calculations are performed consistently. In addition, detailed procedures are available to ensure the calculation can be re-performed, if required.

Under Solvency II the technical provisions are based on the calculation specified in Section 3 of Chapter III of Title 1 of the Delegated Acts. This requires certain additional elements which are not included under the LuxGAAP valuations used in the FMIE annual accounts. Within the premium provision the value of premium arising from those contracts which have been bound but not incepted (BBNI) at the year-end date, is added. Events not in data ("ENIDs") have been included based on the FMIE specific modelled catastrophes, which is performed by FMIC. The future cash in-flows and out-flows from insurance receivables and payables are included in the premium provision value before discounting. Values relating to premium and overheads are included in the gross or reinsurance premium provision as relevant and those related to claims are included in the claims provision workings. The portion of premium due on the EOL treaty that FMIE participates in is included within the technical provisions, offsetting future reinsurance recoverables.

For both the premium and claims provisions an adjustment for reinsurer default has been included to account for the possibility that all reinsurance may not be recovered. This has been calculated based on counterparty risk factors within the SF. The claims provision will also include the cash in-flows from the reinsurance receivables as per the Delegated Acts.

The discounting is calculated by currency based on the risk-free rates published by EIOPA.

Future claims experience is dependent on the external environment, which is subject to uncertainty, including that related to legislative, social and economic change. The impact of uncertain external factors is considered throughout the reserving exercise and through sensitivity testing including in the predicted profit ratios. External factors, future client behaviour and management actions are considered when preparing the strategic plan. The external environment is monitored and where relevant predicted changes to the market and potential impacts are included in the provision, or considered through sensitivity testing. The results of testing this year can be found in section C.7.

The payment of future claims is dependent on historical payment patterns and are used in the best estimate reserving.

The table below reflects the consolidated technical provisions by type, as shown in template s.17.01.02, and compares these to the LuxGAAP values as at 31 December 2022.

2022	LuxGAAP €000s	Solvency II €000s	Difference €000s
Premium Provision:			
Gross	377,478	72,026	305,452
Reinsurance	280,135	11,395	268,740
Net	97,343	60,631	36,712
Claims Provision:			
Gross	345,974	324,389	21,585
Reinsurance	288,062	458,849	(170,787)
Net	57,912	(134,460)	192,372
Total best estimate – gross	**723,452**	**396,415**	**327,037**
Total best estimate – net	**155,255**	**(73,829)**	**229,084**
Risk margin	**-**	**20,664**	**(20,664)**

2021	LuxGAAP €000s	Solvency II €000s	Difference €000s
Premium Provision:			
Gross	352,335	85,980	266,355
Reinsurance	257,907	11,661	246,246
Net	94,428	74,319	20,109
Claims Provision:			
Gross	782,386	778,505	3,881
Reinsurance	674,817	784,646	(109,829)
Net	107,569	(6,141)	113,710
Total best estimate – gross	**1,134,721**	**864,485**	**270,236**
Total best estimate – net	**201,997**	**68,178**	**133,819**
Risk margin	**-**	**19,027**	**(19,027)**

The difference between the LuxGAAP and Solvency II balances is primarily due to the Solvency II reporting using discounted cash flows on the future obligations each reporting period. In addition, there are several additional provisions included within the Solvency II balances (e.g. risk margin) that are required per the Delegated Acts.

One of the most significant of these is the inclusion of debtor and creditor balances as cash in-flows and out-flows respectively. In 2022, there is a large balance of debtors arising from reinsurance of €210m (2021: €118m) which under Solvency II regulations are included within the claims provision as a future cash in-flow. This has led to a decrease of the net provision compared to the LuxGAAP provision. The negative net provision is mainly due to timing differences as a result of the inclusion of reinsurance debtor balances related to gross settlements on larges losses made to clients in December 2022.

Under Solvency II regulations, there is a large balance of insurance payables amounting to €180m (2021: €153m) which are included within the reinsurance premium provision as future cash out-flows, resulting in a lower balance when compared to LuxGAAP. This is offset by a large balance of insurance receivable amounting to €206m (2021: €170m) which are included in the gross premium provision as a future cash in-flow.

Template S.17.01.02 in the appendices gives further detail on the technical provisions, including a breakdown of the gross and net technical provisions, including the risk margin by line of business. The table below shows an extract of the template:

Premium Provision €000s	MAT	Fire and Other Damages	Miscellaneous Financial Loss	Non-proportional Property	Total Non-life
Gross – Total	**138**	**52,445**	**19,923**	**(480)**	**72,026**
Gross – direct business	138	52,445	19,923	-	72,506
Gross – accepted	-	-	-	(480)	(480)
Reinsurance	12	8,502	2,869	12	11,395
Net Best Estimate	**126**	**43,943**	**17,054**	**(492)**	**60,631**

Claims Provision €000s	MAT	Fire and Other Damages	Miscellaneous Financial Loss	Non-proportional Property	Total Non-life
Gross – Total	**1,039**	**160,504**	**161,034**	**1,812**	**324,389**
Gross – direct business	1,039	160,504	161,034	-	322,577
Gross – accepted	-	-	-	1,812	1,812
Reinsurance	553	185,922	272,374	-	458,849
Net Best Estimate	**486**	**(25,418)**	**(111,340)**	**1,812**	**(134,460)**

The net best estimate for the claims provision is impacted by the cash in-flow relating to the uncollected portion of the reinsurance recoveries following the settlement of large losses in December 2022.

No transitional provisions or long-term guarantee measures are used by FMIE. There have been no material changes to the basis of measurement.

D.3 Other Liabilities

Other than technical provisions and the pension obligations, liabilities are valued for Solvency II purposes at approximate market value due to their short-term nature. This is comparable to the LuxGAAP valuation used in the annual accounts.

2022	LuxGAAP €000s	Solvency II €000s	Difference €000s
Technical provisions	723,452	417,079	306,373
Pension benefit obligation	86,772	72,851	13,921
Provisions other than technical provisions	66,603	66,603	-
Deferred tax liabilities	-	-	-
Insurance payables	161,011	10,350	150,661
Payables (trade, not insurance)	40,795	40,795	-
All other liabilities	42,877	62,045	(19,168)
Total liabilities	**1,121,510**	**669,723**	**451,787**

2021	LuxGAAP €000s	Solvency II €000s	Difference €000s
Technical provisions	1,134,721	883,512	251,209
Pension benefit obligation	128,670	109,539	19,131
Provisions other than technical provisions	34,063	34,063	-
Deferred tax liabilities	-	18,871	(18,871)
Insurance payables	122,866	12,609	110,257
Payables (trade, not insurance)	29,722	29,722	-
All other liabilities	41,080	71,304	(30,224)
Total liabilities	**1,491,122**	**1,159,620**	**331,502**

Pension Benefit Obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The prescribed accounting valuation method is consistent with the permitted Solvency II valuation method. Additional details on the valuation method are provided in Note 4.9.1 on page 17 of the LuxGAAP FS.

Deferred Tax Liabilities

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax liabilities are recognised to the extent that it is regarded as more likely to be incurred.

Under Solvency II the deferred tax liabilities are calculated based on the temporary differences between the Solvency II and tax values.

Insurance Payables and Payables

Creditors payables are recorded at transaction price. Due to the short-term nature of the balances, they are held at an undiscounted amount. Under Solvency II the cash out-flow from creditors not yet due for payment are included in the technical provisions.

All Other Liabilities

The uncertainty of liability valuations and judgements are as set out in Note 3, on page 15, of the LuxGAAP FS.

D.4 Alternative Methods for Valuation

No alternative valuation methods have been used.

D.5 Any Other Information

No further disclosures are required.

E. Capital Management

E.1 Own Funds

All shares are owned by FMIC, and no dividends or distributions are due to be paid in the period of the strategic plan. If any changes are proposed to the own funds, the Board will ensure they are in accordance with Articles 41 and 93 of the Solvency II Directive. As of 31 December 2022, FMIE has no plans to change the nature of the own funds or issue new own fund items.

FMIE is committed to managing its exposure to loss of capital in accordance with the agreed risk appetite which is detailed in the risk appetite framework. The Capital Management policy in place is intended to ensure the Company has sufficient own funds to cover the regulatory capital required over the period of the strategic plan. For FMIE, this is a period of three years. In the future, the only factor anticipated to affect the own funds value would be profits or losses made in future years.

FMIE's own funds are predominantly made up of ordinary share capital. The assets are held in debt securities, equity investments and cash at bank that are available as required. FMIE does not have preference shares or subordinated liabilities which restrict the availability of capital.

The tables below represent the detail of the own funds as well as the SCR and solvency ratios for the years ended 31 December 2022 and 2021:

31 December 2022:	Total €000s	Tier 1 €000s	Tier 2 €000s	Tier 3 €000s
Ordinary share capital		451,000	-	-
Share premium account		4,000	-	-
Reconciliation reserve		172,594	-	-
Deferred tax assets		-	-	8,747
Total available own funds	636,341	627,594	-	8,747
SCR	350,580			
MCR	87,645			
Ratio of own funds to SCR	181.5%			
Ratio of own funds to MCR	716.1%			

31 December 2021:	Total €000s	Tier 1 €000s	Tier 2 €000s	Tier 3 €000s
Ordinary share capital		451,000	-	-
Share premium account		4,000	-	-
Reconciliation reserve		147,843	-	-
Total available own funds	602,843	602,843	-	-
SCR	355,926			
MCR	88,981			
Ratio of own funds to SCR	169.4%			
Ratio of own funds to MCR	677.5%			

As at 31 December 2022 the ordinary share capital was €451m and share premium was €4m. The reconciliation reserve represents the excess of assets over liabilities that is not accounted for by issued instruments, including adjustments discussed below to be in compliance with the Solvency II Directive and includes the Luxembourg legal reserve of €45m.

There is no requirement to raise additional capital and it is not anticipated this will be required in the foreseeable future.

As at December 2022 the total LuxGAAP available funds were €650m (2021: €559m) and the Solvency II available funds were €636m (2021: €603m). The difference between LuxGAAP reserves and Solvency II own funds is mainly due to the discounted cash flows and the valuation difference on investments. In addition, the elimination of deferred acquisition costs and the capitalisation of lease assets represent contributing factors to the change.

FMIE's own funds are classified as Tier 1 under the Delegated Acts and are therefore fully available for matching against the regulatory capital requirement. Deferred tax assets are reported within Tier 3. FMIE has no Tier 2 own funds which are composed of hybrid debt.

E.2 Capital Requirements

The SCR and MCR are calculated annually and when there is a significant change in risk profile. The SF is the prescribed method of calculating the SCR and MCR for a firm which does not have an approved internal model or approval to use undertaking specific parameters. The SF calculation conducted by the capital modelling team, using the Igloo software platform which contains the latest technical specifications, is in accordance with the requirements of the Delegated Acts.

The detailed data required is generated from FMIE's internal systems and internally generated documents. Where relevant, the same data used for the ORSA calculation is utilised to ensure parity between the models.

As mentioned previously, the method of calculation for the SF is prescribed by EIOPA and there is no ability to make adjustments to the core calculation, except for simplification options in the calculation of the risk margin. Due to this prescription, FMIE is unable to fully incorporate into the SF the total benefit of the stop loss treaty with FMIC. It is applied only within the catastrophe risk calculations, as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMIE in a volatile calendar year.

The following table is a breakdown of the SF SCR, for December 2022, compared to the 2021 breakdown:

	2022 €000s	2021 €000s	Variance €000s
Risk Modules:			
Non-Life	104,930	77,458	27,472
Market	225,700	250,312	(24,612)
Counterparty	94,866	99,665	(4,799)
Operational	28,941	26,568	2,373
Diversification	(103,857)	(98,077)	(5,780)
Total SCR	**350,850**	**355,926**	**5,346**
Capital Requirements	350,580	355,926	5,346
Eligible Own Funds	636,341	602,843	33,498
Excess Eligible Funds Over Required	285,761	246,917	38,844
SCR ratio	181.5%	169.4%	(12.1%)

Using the SF approach the SCR is €351m (2021: €356m). The current capital levels give a coverage of 181.5% (2021: 169.4%).

The MCR is calculated as prescribed in the Delegated Acts, using inputs of net best estimate liability and net written premium (on a Solvency II basis), subject to minimum and maximum values by reference to the SCR. In the current year, the minimum value has applied, setting the MCR equal to 25% of the SCR. The minimum capital requirement is calculated as €88m (2021: €89m), which provides a coverage of 716.1% (2021: 677.5%) when compared to eligible own funds.

No significant developments to these values are expected over the time horizon of the planning period.

The final amount of the SCR is subject to CAA supervisory assessment.

E.3 Duration-Based Equity Risk Sub-Module

A duration-based equity risk sub-module is not used in the calculation of the SCR. The SCR is calculated including a symmetric adjustment to the equity capital charge applied to cover the risk arising from the changes in the level of equity prices, per the Delegated Acts.

E.4 Differences between SF and Any Internal Model Used

FMIE uses the SF to calculate the SCR and therefore no differences exist.

E.5 SCR and MCR Non-Compliance

There have been no instances of non-compliance throughout the year. The compliance is monitored continuously to ensure there is no period where FMIE lacks sufficient capital to cover the SCR.

E.6 Any Other Information

The SCR is calculated at a gross level. The regulations allow for the calculation of a net value which includes the 'loss-absorbing capacity of deferred taxes'. This is not utilised by FMIE as the level of complexity is disproportionate to the limited benefit that could be derived.

There are no further disclosures to be made at this time.

Appendices

Glossary

Board	FMIE Board of Directors.
CAA	Commissariat aux Assurances.
COSO	Committee of Sponsoring Organisations of the Treadway Commission.
Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
EEA	European Economic Area.
EIOPA	European Insurance and Occupational Pensions Authority.
ENID	Events Not in Data.
EOL	Excess of Loss Treaty.
FINMA	Swiss Financial Market Supervisory Authority.
FMG	FM Global, the group consisting of FMIE, FMI, FMIC and its subsidiaries and affiliates.
FMI	FM Insurance Company Limited (UK entity).
FMIC	Factory Mutual Insurance Company (US entity), the parent company.
FMIE	FM Insurance Europe S.A. (Luxembourg entity).
INED	Independent Non-Executive Director.
KRA	Key Result Area.
Luxembourg Insurance Law	Luxembourg Law of 7 December 2015 on the Insurance sector.
LuxGAAP	The accounting framework applicable to FMIE for its statutory annual financial statements.
LuxGAAP FS	The audited financial statements of FMIE.
MCR	Minimum Capital Requirement.
NED	Non-Executive Director (employed by FMIC).

ORSA	Own Risk and Solvency Assessment, Solvency II method of assessing the Company's risk and capital requirement.
RI	Reinsurance arrangements.
RMC	Risk Management Committee, FMIE Executive Committee.
SCR	Solvency Capital Requirement.
SF	Standard Formula for calculating the SCR.
SFCR	Solvency and Financial Condition Report.
Stop Loss	Internal reinsurance arrangement in place with FMIC which caps FMIE's combined ratio to 125% in any calendar year.
Staff Underwriting	Senior underwriters based in FMIC Corporate office.
UK	United Kingdom.
UW	Underwriting arrangements.
WTW	Willis Towers Watson.

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Reporting Templates

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

FM Insurance Europe S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in EUR thousands)

General information

Undertaking name	FM Insurance Europe S.A.
Undertaking identification code	222100GPK3TXH3YGOB37
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	8,747
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	51,911
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	544,014
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	127,049
R0110	*Equities - listed*	127,049
R0120	*Equities - unlisted*	0
R0130	*Bonds*	317,256
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	221,299
R0160	*Structured notes*	0
R0170	*Collateralised securities*	95,957
R0180	*Collective Investments Undertakings*	99,709
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	470,244
R0280	*Non-life and health similar to non-life*	470,244
R0290	*Non-life excluding health*	470,244
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	1,087
R0380	Receivables (trade, not insurance)	49,757
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	123,032
R0420	Any other assets, not elsewhere shown	57,272
R0500	**Total assets**	1,306,064

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	417,079
R0520	*Technical provisions - non-life (excluding health)*	417,079
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	396,415
R0550	*Risk margin*	20,664
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	66,602
R0760	Pension benefit obligations	72,851
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	10,350
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	40,797
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	62,043
R0900	**Total liabilities**	669,723
R1000	**Excess of assets over liabilities**	636,341

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						844	612,267					363,275					976,385
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted															0	6,228	6,228
R0140	Reinsurers' share						284	430,038					297,049			0	3,567	730,938
R0200	Net						559	182,229					66,225			0	2,662	251,675
	Premiums earned																	
R0210	Gross - Direct Business						1,027	609,336					348,235					958,598
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted															0	6,117	6,117
R0240	Reinsurers' share						292	435,645					275,062			0	2,980	713,979
R0300	Net						735	173,691					73,173			0	3,137	250,736
	Claims incurred																	
R0310	Gross - Direct Business						1,087	151,743					308,513					461,343
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted															0	5	5
R0340	Reinsurers' share						87	95,814					265,070			0	2	360,972
R0400	Net						1,001	55,929					43,443			0	3	100,375
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0	0					0			0	0	0
R0550	**Expenses incurred**						63	31,299					21,304			0	294	52,960
R1200	**Other expenses**																	50,559
R1300	**Total expenses**																	103,519

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			NL	DE	FR	CH	IT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	522,605	222,080	135,075	33,663	20,934	934,357
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	3,799	1,684	0	0	5,484
R0140	Reinsurers' share	0	393,426	154,913	104,722	27,353	17,316	697,730
R0200	Net	0	129,179	70,966	32,038	6,310	3,618	242,110
	Premiums earned							
R0210	Gross - Direct Business	0	492,881	219,742	139,909	33,978	19,604	906,115
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	78	1,595	0	720	2,392
R0240	Reinsurers' share	0	374,732	152,230	107,938	27,402	17,110	679,412
R0300	Net	0	118,150	67,590	33,566	6,576	3,213	229,094
	Claims incurred							
R0310	Gross - Direct Business	0	218,905	107,379	48,145	417	739	375,585
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	5	0	0	0	5
R0340	Reinsurers' share	0	186,535	77,566	31,247	347	1,581	297,276
R0400	Net	0	32,370	29,819	16,898	70	-842	78,314
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	28,167	12,174	7,371	1,814	1,128	50,655
R1200	**Other expenses**							48,359
R1300	**Total expenses**							99,013

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0					0			0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						138	52,445					19,923			0	-480	72,026
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						12	8,502					2,869			0	12	11,395
R0150	**Net Best Estimate of Premium Provisions**						126	43,944					17,054			0	-492	60,631
	Claims provisions																	
R0160	Gross						1,040	160,504					161,034			0	1,812	324,389
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						553	185,922					272,374			0	0	458,849
R0250	**Net Best Estimate of Claims Provisions**						487	-25,418					-111,341			0	1,812	-134,460
R0260	**Total best estimate - gross**						1,178	212,949					180,956			0	1,332	396,415
R0270	**Total best estimate - net**						613	18,526					-94,287			0	1,320	-73,829
R0280	**Risk margin**						61	11,133					9,401			0	69	20,664
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						1,239	224,081					190,358			0	1,401	417,079
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						565	194,423					275,243			0	12	470,244
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						674	29,658					-84,886			0	1,389	-53,165

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year	**Development year**												**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior														
R0160	2013														
R0170	2014														
R0180	2015														
R0190	2016														
R0200	2017														
R0210	2018														
R0220	2019														
R0230	2020														
R0240	2021														
R0250	2022														
R0260													**Total**		

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
	Year	**Development year**												**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior													
R0160	2013													
R0170	2014													
R0180	2015													
R0190	2016													
R0200	2017													
R0210	2018													
R0220	2019													
R0230	2020													
R0240	2021													
R0250	2022													
R0260													**Total**	

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	451,000	451,000		0	
R0030	Share premium account related to ordinary share capital	4,000	4,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	172,594	172,594			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	8,747				8,747
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	636,341	627,594	0	0	8,747
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	636,341	627,594	0	0	8,747
R0510	Total available own funds to meet the MCR	627,594	627,594	0	0	
R0540	Total eligible own funds to meet the SCR	636,341	627,594	0	0	8,747
R0550	Total eligible own funds to meet the MCR	627,594	627,594	0	0	
R0580	**SCR**	350,580				
R0600	**MCR**	87,645				
R0620	**Ratio of Eligible own funds to SCR**	181.51%				
R0640	**Ratio of Eligible own funds to MCR**	716.06%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	636,341
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	463,747
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	172,594
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	73,269
R0790	**Total Expected profits included in future premiums (EPIFP)**	73,269

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	225,700		
R0020	Counterparty default risk	94,866		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	104,930		
R0060	Diversification	-103,857		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	321,639		

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	28,941
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	350,580
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	350,580
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	23,965

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	613	339
R0080	Fire and other damage to property insurance and proportional reinsurance	18,526	164,546
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	75,374
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	1,320	2,080

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

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	23,965
R0310	SCR	350,580
R0320	MCR cap	157,761
R0330	MCR floor	87,645
R0340	Combined MCR	87,645
R0350	Absolute floor of the MCR	2,700
R0400	**Minimum Capital Requirement**	87,645