Greenlight Reinsurance Ireland, Designated Activity Company

Solvency & Financial Condition Report

Year ended 31 December 2021

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Executive Summary

Approval by the Board of Directors

This report was reviewed and approved by the Board of Directors of Greenlight Reinsurance Ireland dac on March 30th 2022.

Independent auditors report

Narrative sections D, E.1, E.2, E.3 and E.6 of the Solvency and Financial Condition Report are subject to audit review by the Company's external auditors, Mazars.

The following Quantitative Reporting Templates ('QRTs'), which are included in the Appendix, are also subject to audit by Mazars.

Template ref	Template Name
S.02.01.02	Balance Sheet
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

The Company's reporting currency is US dollars.

Key Solvency II Metrics

The Company has complied with the solvency capital requirement throughout the reporting period.

	2021		2020	
	SCR	MCR	SCR	MCR
	(US$ in thousands)		(US$ in thousands)	
Capital Requirement	42,267	10,567	27,784	6,946
Basic Own Funds	65,217	65,217	56,724	56,724
Surplus capital	22,950	54,650	28,940	49,778
Solvency cover	154%	617%	204%	817%

Components of the SCR:	2021 (US$ in thousands)	2020 (US$ in thousands)
Market risk	8,766	9,083
Health underwriting	2,871	5,575
Non-Life underwriting	20,976	14,381
Counterparty default risk	15,073	8,075
Overall diversification effect	(12,180)	(11,589)
Basic SCR	35,506	25,525
Operational risk	6,761	2,259
Loss-absorbing capacity of deferred taxes	—	—
SCR	42,267	27,784

Business and performance

Greenlight Reinsurance Ireland, dac ("GRIL" or the "Company") is an Irish designated activity company licensed by the Central Bank of Ireland (CBI) to write all classes of non-life reinsurance business. The ultimate parent company is Greenlight Capital Re, Ltd ("GLRE" or the "Parent"), which is a reinsurance group registered on the NASDAQ exchange in New York.

The principal activity of the Company is that of a Property and Casualty reinsurance business. The Company is based in Dublin, Ireland and focuses mainly on serving clients based in the European and US market.

The Company produces annual financial statements in accordance with Financial Reporting Standard FRS 102 & 103 ('FRS'). On this basis, the Company produced a pre-tax income for the year ended 31 December 2021 of $4.0m compared to $(2.2)m loss in the prior period. Gross Premiums Written ("GPW") and Net Premiums Earned ('NPE') were $205.6m and $55.3m respectively compared to $77.5m and $25.2m in the prior period.

As at the period end the Company was rated 'A- Excellent' by A.M Best.

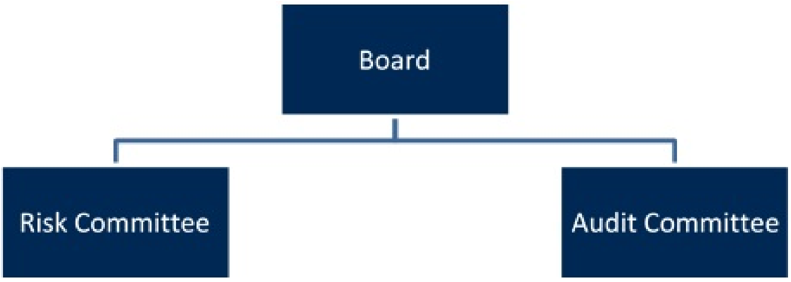
There were no material changes to the Company's business profile in 2021 or at the time of publication.

System of governance

The Company is subject to the various requirements set out by the CBI including the Corporate Governance Requirements for Insurance Undertakings 2015, the Probability Risk and Impact system ('PRISM') as well as those requirements imposed as part of the Greenlight Re Group.

The Company's Board of Directors sets corporate objectives and strategy and is responsible for ensuring that the Company's system of governance is appropriately maintained and delivered. The

Company has set up a governance structure comprising of the Board and sub-committees as follows:



The Board recognizes the importance of strong corporate governance and oversees the framework and operation of the system through its Audit and Risk sub-committees.

The Chief Executive Officer ('CEO') is responsible for the day to day management of risk control within the business operations as well as delivering the strategy set by the Board and optimising business performance within the governance and risk framework set by the Board.

The Chief Risk Officer ('CRO') and Compliance Officer ('CO') are functions independent from the operational departments and provide assurance to the Risk and Audit committees with regard to the overall operation and effectiveness of the risk management system and provide an independent assurance to the Board that the Company is conducting its business in a compliant manner.

Risk management, compliance, actuarial and internal audit are key functions in the Company's system of governance. Each of these functions reports regularly to the Board, Risk Committee and/or Audit Committee.

Annual audits are carried out by the Internal Audit function. These provide the Board with an independent review of the activities of the Executive Management and operational departments. Findings and recommendations are reported directly to the Audit Committee.

All persons who are either involved in the day to day running of the Company or hold positions in key functions are required to demonstrate that they meet the appropriate level of fitness and probity to fulfill the requirements of those roles. Those persons holding positions in key functions are subject to the CBI's Pre-Approved Control Function (PCF) regime, which requires pre-approval by the CBI before they can take up the position.

Other than the appointment of a group non-executive director and the Head of Underwriting, there were no material changes made to the Company's system of governance during 2021 or at the time of publication.

Risk profile

The Company maintains a risk register to identify and monitor all significant risks it is exposed to.

The Board of Directors set the Company's risk appetite and assesses the risk profile on a regular basis. The Company carries out an Own Risk and Solvency Assessment ('ORSA') at least annually and calculates its Solvency Capital Requirement ('SCR') at least quarterly using the SII Standard Formula model.

The Board considers that the following key risks could either separately or in aggregate cause material impairment to capital:

i. **Underwriting Risk**

Underwriting risk is the risk that the total cost of claims, claims adjustment expenses and premium acquisition expenses will exceed premiums received. It can arise as a result of numerous factors, including premium (pricing) risk, reserving risk, catastrophe risk and lapse risk (the risk of non-renewal of a material part of the portfolio).

ii. **Counterparty Risk**

Counterparty default risk is the risk that companies or individuals will be unable to make the required payments on their debt obligations.

iii. **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

These risks are monitored on a regular basis by our Risk Management function and more detail is described in Section C below.

The Company purchases both quota share and an aggregate stop loss reinsurance from a Group affiliated entity and at certain times purchases external reinsurance protection to limit risk exposure, reduce volatility and to maintain a level of capital above the Solvency II SCR, aligned to Board approved risk appetite. This level is set by the Risk Committee of the Board of Directors and is periodically reviewed in line with the Company's risk appetite and profile.

There were no material changes to the Company's risk profile during 2021.

In considering future changes to the Company's risk profile the Board has specifically considered the following risks:

COVID-19

The global pandemic related to the novel coronavirus (the "COVID-19 pandemic") is a material event for the property and casualty insurance and reinsurance industry. While many losses have now been settled, significant uncertainty remains as to the ultimate loss cost. The Company has limited direct exposure to some of the classes most impacted by the pandemic including event cancellation, business interruption and directors and officers liability. However, the Company has some exposure to these classes via its Funds at Lloyd's book ("FAL'), which is reduced by the inuring reinsurance the Syndicates purchase.

The operational impact on the Company of the global pandemic have been minimal with the Company continuing to operate normally with some staff availing of remote working.

Climate change

The Company monitors the underwriting environment to track changes in climate. Global warming has the potential to have a significant impact on weather patterns and loss events. The Company is exposed to Climate change primarily from its FAL book and a limited number of natural catastrophe reinsurance contracts it writes. In recent years we have seen elevated levels of cat activity:

- In Quarter 3 2017 we saw 3 major hurricanes (Harvey, Irma, and Maria) hit the US and the Caribbean within one month.
- 2020 had 30 named Atlantic storms, the most on record.
- 2021 had a variety of unusual cat events including Winter Storm Uri in Texas, Hurricane IDA and European windstorms and floods.

While it is not clear whether the above events are directly linked to climate change, it is clear that we have seen an elevated level of cat activity in recent years.

The Company will continue to closely monitor cat activity and amend its appetite for natural catastrophe business to reflect market conditions and climate change developments. As this business is predominantly short tail in nature, the Company can re-balance the portfolio quickly, if required.

Russian invasion of Ukraine

On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Company is closely monitoring the situation and has potential exposure to the conflict in its Aviation, Marine and Terror / Political Violence book. The Company's estimate is at a preliminary stage, but all risks are protected by a combination of the 80% Group Quota share and the Aggregate Stop Loss. The Directors will continue to monitor this ongoing situation for further developments which may impact the Company.

Valuation for solvency purpose

Assets, technical provisions and other liabilities are valued in the Company's Solvency II Balance Sheet according to the Solvency II Directive and related guidance. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The Company carried out a reconciliation of differences between the valuation of assets and liabilities made under FRS and Solvency II. These include the valuation of technical provisions and reinsurance recoveries and the exclusion of certain assets and liabilities. The reconciliation for the year ended 2021 is disclosed in section D.

There were no material changes to the Company's method of valuation for solvency purpose during 2021, or at the time of publication.

Capital management

The Company aims to hold sufficient own funds in order that it maintains a margin to cover the

Solvency Capital Requirement('SCR') and Minimum Capital Requirement ('MCR') in line with the Board approved risk appetite. Further details on capital management policies can be found in section E.

At 31 December 2021, the Company had Own Funds of US$65.2m (2020: US$56.7m) and a solvency capital requirement of US$42.3m (2020: US$27.8m), giving an SCR ratio of 154% (2020: 204%). The year over year increase in required capital can be primarily attributed to increased business in 2021 and some additional growth planned for 2022.

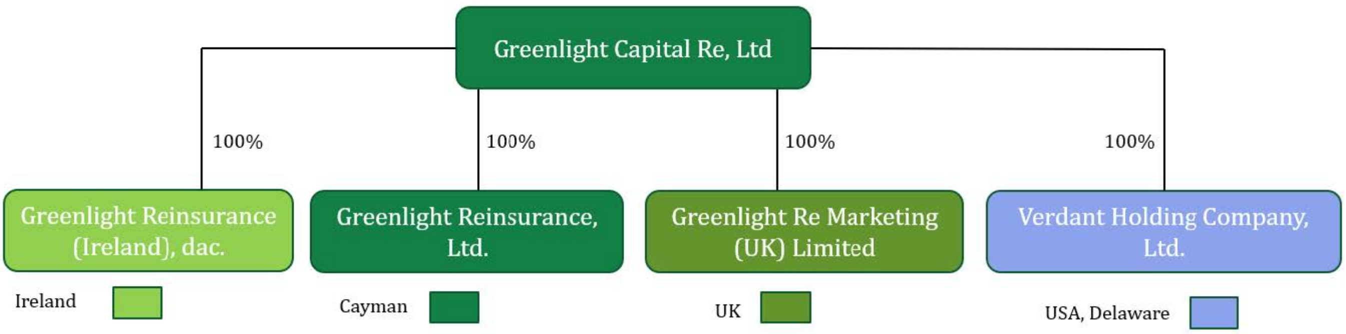
There were no material changes to the Company's method of capital management during 2021 or at the time of publication.

A. Business and Performance

A.1 Business

The Company was incorporated as a Private Limited Company under the Companies Acts 1963 to 2013 on September 7, 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The Company provides multi-line property and casualty reinsurance.

Corporate Structure



Greenlight Reinsurance Ireland, dac is owned by a single shareholder being its parent company Greenlight Capital Re Limited ("GLRE" or the "Parent"), which is the largest company in the Group. The Company also has three related sister companies:

i. Greenlight Reinsurance Ltd ("GRL" or the "Sister"), a Cayman based reinsurer;
ii. Greenlight Re Marketing (UK) Ltd. a UK services company, and
iii. Verdant Holding Company Ltd, A US holding company.

The audited consolidated financial statements of GLRE and GRL are publicly available on the website www.greenlightre.com.

The Company is licensed and regulated by the CBI. The CBI's contact details can be obtained below. GRL is licensed and regulated by the Cayman Islands Monetary Authority ("CIMA").

There were no significant business or events that occurred during the period under review that had a material impact on the undertaking.

The Company mainly underwrites risks emerging from the European Economic Area (EEA), the UK and the US.

A breakdown of the underwriting performance of the Company by material line of business and geographical area for the years ending 31 December 2021 and 2020 is disclosed in Section A.2 of this report.

The Company does not have any related undertakings within the meaning of Regulation 215 of S.I. No. 485 of 2015.
The number of full time equivalent employees for the financial year 2021 was eight (2020: seven).

Other business information

Registered Address

50 City Quay
Dublin 2
Ireland
D02 F588

External Auditors

Mazars
Statutory Audit Firm
Block 3
Harcourt Centre
Harcourt Rd
Dublin 2
D02 A339

Supervisor

Central Bank of Ireland
New Wapping Street
North Wall Quay
PO Box 559
Dublin 1
Ireland
D01 F7X3

A.2 Underwriting performance

During the year ended 31 December 2021, the Company reported net premiums written of US$59.8m (2020: US$34.3m), net premiums earned of US$55.3m (2020: US$25.2m) and net claims incurred of US$36.8m (2020: US$21.5m). Further detailed analysis of the Company's performance by Solvency II class of business and country is available in the forms S.05.01.02 and S.05.02.01 set out in Section F of this report.

The underwriting performance and combined ratios for the years ended 31 December 2021 and 31 December 2020 were as follows:

Underwriting performance	**Year ended 31 December**	
	2021	**2020**
	(US$ in thousands)	
Gross premiums written	205,607	77,455
Ceded premiums written	(145,765)	(43,173)
Net premiums written	59,842	34,281
Net premiums earned	55,304	25,176
Losses incurred	(36,830)	(21,496)
Profit / (loss) before tax	3,978	(2,629)
Loss ratio	66.6%	85.4%
Acquisition cost ratio	19.3%	17.7%
Composite ratio	85.9%	103.1%
Underwriting expense ratio	4.7%	6.6%
Combined ratio *	90.6%	109.7%

*Excludes corporate expenses or any foreign exchange gain or loss

Ratio Analysis

Due to the customised nature of our underwriting operations, the Company expects to report different loss and expense ratios from period to period depending on the mix of business.

The loss ratio is calculated by dividing loss and loss adjustment expenses incurred by net premiums earned.

The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. Acquisition costs are costs directly related to successfully binding a contract and generally includes ceding commissions, brokerage, and profit commissions relating to the contract.

The composite ratio is the ratio of underwriting losses incurred, loss adjustment expenses and acquisition costs, excluding underwriting related general and administrative expenses, to net premiums earned. The underwriting expense ratio is the ratio of underwriting related general and administrative expenses to net premiums earned.

The combined ratio is the sum of the composite ratio and the underwriting expense ratio. The combined ratio measures the total profitability of our underwriting operations and does not take into account corporate expenses, net investment income or any foreign exchange gain or loss.

Gross premiums written

During the year ended 31 December 2021, gross premiums written were US$205.6m compared to US$77.5m for the year-ended 31 December 2020. Gross premiums written increased by US$128.2m or 165.5% mainly as a result of growth in FAL business and London market specialty business, where the Company decided to increase volume to take advantage of improved market conditions.

The gross premiums written by lines of business during the years ending 31 December 2021 and 2020 were as follows:

GPW by Line of Business	**Year Ended 31 December**				
	2021		**2020**		
	US$ in thousands	**%**	**US$ in thousands**	**%**	**Movement**
Fire & Other Damage to Property	77,452	37.7%	13,846	17.9%	63,606
General Liability	49,213	23.9%	18,442	23.8%	30,771
Marine, Aviation & Transport	25,500	12.4%	9,633	12.4%	15,867
Motor Vehicle Liability	17,811	8.7%	9,489	12.3%	8,322
Medical Expense	15,610	7.6%	15,523	20.0%	87
NPR* - Marine, Aviation & Transport	10,134	4.9%	3,539	4.6%	6,595
NPR* - Property	4,320	2.1%	3,581	4.6%	739
Miscellaneous financial loss	2,973	1.5%	(24)	—%	2,997
Other Motor	1,493	0.7%	1,240	1.6%	253
NPR* - Casualty	1,040	0.5%	2,178	2.8%	(1,138)
Workers' Compensation	61	—%	7	—%	54
Total	205,607	100%	77,454	100%	128,153

** NPR - (Non-Proportional*

Ceded premiums

For the year ended 31 December 2021, ceded premiums written were US$145.8m compared to US$43.2m for the year ended 31 December 2020. The ceded premiums written included US$145.8m ceded to GRL, which is rated "A-" (Excellent) by A.M. Best, under two retrocession agreements (2020: US$42.5m).

The Company has entered into a quota share retrocession agreement with GRL whereby the Company cedes to GRL a quota share portion of certain specified reinsurance contracts written by the Company. For the year ended 31 December 2021, the Company ceded US$144.6m (2020: US$41.9m) of premiums written to GRL under this contract. In addition, the Company has entered into a retrocession agreement with GRL whereby GRL provides an aggregate stop-loss protection to the Company in return for premiums ceded by the Company to GRL. For the year ended 31 December 2021, the Company ceded US$1.2m (2020: US$0.6m) of premiums written to GRL under this contract.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2021, no provision for uncollectible losses recoverable was considered necessary.

Net premiums earned

For the year ended 31 December 2021, net premiums earned were US$55.3m compared to US$25.2m for the year ended 31 December 2020. Net premiums earned on the FAL business increased by US$13.3m along with an increase in the medical stop loss business in the current year of US$13.2m.

Losses incurred

Net losses incurred include losses paid and changes in loss reserves, including reserves for IBNR, net of actual and estimated loss recoverables. For the year ended 31 December 2021, loss and loss adjustment expenses incurred, net of retrocession, were US$36.8m (2020: US$21.5m). The losses incurred decreased to 66.6% for the year ended 31 December 2021 from 85.4% for the prior year.

The breakdown of the net losses incurred is provided in the following table:

Losses incurred	**Year ended 31 December**	
	2021	**2020**
	(US$ in thousands)	
Loss and loss adjustment expenses paid, net	31,592	15,623
Change in the provision for claims, net	5,238	5,873
Loss and loss adjustment expenses incurred, net	36,830	21,496

For the year ended 31 December 2021, net favourable loss development on prior year contracts amounted to US$5.2m compared to unfavourable development in 2020 of: US$2.0m based on updated data received from the cedants and a reassessment in connection with the reserve analysis conducted by the Company.

Underwriting expenses

For the year ended 31 December 2021, included in the Company's operating expenses of US$15.8m (2020: US$6.9m), were US10.7m of acquisition costs (2020: US$4.5m). The ratio of acquisition costs relative to the net premiums earned increased marginally to 19.3% for the year ended 31 December 2021 from 17.7% for the prior year.

Underwriting performance by geographical area

The Company's underwriting performance by geographical area is analysed below by location of the ceding undertaking:

2021 Geographical Performance	**Total**	**USA**	**EEA**	**Other Non-EEA**
	(US$ in thousands)			
Gross premiums written	205,607	27,687	3,355	174,565
Reinsurers' share premiums written	(145,765)	(2,190)	(2,684)	(140,891)
Net premiums written	59,842	25,497	671	33,674
Net movement in unearned premium reserves	(4,538)	8,165	(446)	(12,257)
Net premiums earned	55,304	33,662	225	21,417
Claims incurred net of reinsurance	(36,830)	(22,751)	(99)	(13,980)

2020 Geographical Performance	**Total**	**USA**	**EEA**	**Other Non-EEA**
	(US$ in thousands)			
Gross premiums written	77,455	24,989	321	52,145
Reinsurers' share premiums written	(43,174)	(658)	(257)	(42,259)
Net premiums written	34,281	24,331	64	9,886
Net movement in unearned premium reserves	(9,105)	(7,093)	(32)	(1,980)
Net premiums earned	25,178	17,238	32	7,907
Claims incurred net of reinsurance	(21,495)	(17,170)	57	(4,382)

A full breakdown of the Company's underwriting performance by material business line and geographical area is disclosed in forms S.05.01.02 and S.05.02.01 as set out in Section F of this report.

A.3 Investment performance

The Company records all realised and unrealised gains and losses in the statement of comprehensive income. A summary of net investment income for the financial years ended 31 December 2021 and 2020 is as follows:

Net Investment Income	**Year ended 31 December**	
	2021	2020
	(US$ in thousands)	
Gain from investment in related party investment fund	1,720	1,087
Interest and dividend income	12	190
Interest, dividend and other expenses	(18)	(8)
Investment advisor compensation	(422)	(219)
	1,292	1,050

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2021, investment income, net of all fees and expenses, resulted in a gain of 8.8% on the investment portfolio. This compares to a gain of 0.5% for the year ended 31 December 2020. For the years ended 31 December 2021 and 2020, the gross investment gain on the investment portfolio managed by DME Advisors, L.P. ("DME Advisors") (excluding investment advisor performance allocation) was 9.8% and 0.7%, respectively. These ratios can be analysed as follows;

Investment performance by class	**Year ended 31 December**	
	2021	**2020**
Long portfolio gains (losses)	25.9 %	14.1 %
Short portfolio (losses)	(8.0)%	(13.0)%
Macro gains (losses)	(6.0)%	0.3 %
Other income and expenses	(2.1)%	(0.7)%
Gross investment return	9.8 %	0.7 %
Net investment return	8.8 %	0.5 %

The investment gain for the year ended 31 December 2021 was driven by increases in the long positions offset by losses in the short positions.

The Company does not invest in securitisation investments.

A.4 Performance of other activities

The Company had no other activities during 2021.

A.5 Any other information

All material information regarding the Company’s business and performance has been disclosed in the above sections.

B. System of Governance

B.1 General information on the system of governance

Overview:

The Company is classified as a low risk firm under the CBI's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System and is subject to the CBI's Corporate Governance Requirements for Insurance Undertakings 2015.

<u>Board of Directors:</u>

The following were members of the Board as at 31 December 2021;

Bryan Murphy	(Non-Executive Director & Chairman)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Lesley Caslin	(Independent Non-Executive Director)
Michael Brady	(Independent Non-Executive Director)
Neil Greenspan (American)	(Non-Executive Director)

Edward Brady was the Company Secretary as at 31 December 2021.

The composition of the Board and Board succession are managed to maintain the range of skills and experience needed to direct and govern the affairs of the Company and to support and constructively challenge management. The Corporate Governance guidelines established by the Board of Directors provide a structure within which our Directors and management can effectively pursue the Company's objectives for the benefit of its shareholder. The Board intends that these guidelines serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. These guidelines should be interpreted in the context of all applicable laws. The principal activities of the Board include, but are not limited to, the following;

- Oversee management and evaluate strategy - exercise business judgment to act in what the Board reasonably believes to be the best interests of the Company and its shareholder;
- Monitor performance and ensure the Company operates in an effective, efficient and ethical manner;
- Select the Chairperson and Chief Executive Officer;
- Monitor and manage potential conflicts of interest;
- Ensure the integrity of financial information;
- Monitor and evaluate the effectiveness of Board governance practices;
- Prepare, review and adopt operating and investment guidelines; and
- Monitor and manage succession planning of senior management.

Board Committees

Board Committees include the Audit Committee and Risk Committee. Terms of Reference (including composition, objectives and responsibilities) of these committees are clearly defined and approved by the Board of Directors. The Committee's Terms of Reference are reviewed periodically, at least annually.

These Committees represent the Board sitting as sub-committees of the full Board. The Board receives regular reports on the activities of its Committees.

Audit Committee

The Audit Committee has been established to oversee the accounting and financial reporting processes of the Company and the audit of the Company's financial statements.

The primary responsibilities of the Committee are:

a. monitoring the effectiveness and adequacy of the entity's systems of internal control, internal audit and IT systems;
b. liaising with the external auditors particularly in relation to their audit findings;
c. reviewing the integrity of the entity's annual financial statements and ensuring that they give a "true and fair view" of the financial status of the entity;
d. reviewing financial and regulatory reports and recommending to the Board whether to approve the annual accounts;
e. reviewing the Actuarial Review on Technical Provisions (ARTP) and Actuarial Opinion on Technical Provision (AOTP) reports on an annual basis;
f. assessing external auditor's qualifications, independence and performance;
g. performing such other functions as the Board may from time to time assign to the Committee;
h. establishing the scope, authority and internal audit policy for the company and review and approval of the internal audit plan and all internal audit reports presented to the committee;
i. review the policies and procedures that the Company has implemented regarding compliance with all applicable laws and regulations and monitor the effectiveness of those policies, and recommend any appropriate changes to such policies and procedures to the Board; and
j. at least annually review with management the Company's various compliance programs.

The Audit Committee is comprised of 3 members, all of whom are non-executive directors with the majority being independent. The Chairperson is an independent non-executive director.

The Audit Committee meets as often as necessary but at least 3 times a year.

Risk Committee

The Risk Committee has been established for the purposes of providing oversight and advice to the Board on the current risk exposures of the Company and future risk strategy.

In addition to such other duties as the Board may from time to time assign, the Committee shall:

a. advise the Board on risk appetite taking into account the current financial situation of the Company and having regard to the work of the Audit Committee and the external auditor;
b. advise the Board on the risk tolerance for future strategy of the Company, taking account of the Board's overall risk appetite, the current financial position of the Company and, drawing on the work of the Audit Committee and the external auditor, the capacity of the Company to manage and control risks with the agreed strategy;

c. review the Company's Risk Register quarterly;
d. liaise regularly with the Chief Risk Officer ("CRO") to ensure the development and maintenance of an effective risk management system;
e. oversee the risk management function of the Company, which is managed on a day to day basis by the CRO;
f. review, evaluate and advise the Board on the effectiveness of strategies and policies in maintaining adequate internal capital and own funds to cover the risks of the Company;
g. review the Actuarial Function Report annually;
h. review the Own Risk and Solvency Assessment on at least an annual basis;
i. review the investment advisor evaluation on at least an annual basis;
j. discuss with management the policies with respect to risk assessment and risk management. The Committee should discuss guidelines and policies to govern the process by which risk assessment and control is handled and review the steps management has taken to monitor the Company's risk exposure;
k. review and approve any requested waivers by officers and directors of the Company's Code of Business Conduct and Ethics and recommend to the Board whether a particular waiver should be granted; and
l. liaise regularly with the CRO to ensure the development and on-going maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risk inherent in the business.

The Risk Committee is comprised of 3 members, with a majority of independent non-executive directors. The Chairperson is an independent non-executive director.

The Risk Committee meets as often as necessary but at least 3 times a year.

Information on Director's shares and interests during the reporting period

The directors and secretary, who held office at 31 December 2021, had no beneficial interest in the share capital of the Company or any other group Company at any time during the financial year except that certain directors had beneficial ownership in the parent company, Greenlight Capital Re, Ltd (the "Parent"), a NASDAQ listed publicly held company. Cumulatively the directors beneficial interest in the Parent included 184,417 restricted shares subject to forfeiture and 512,976 ordinary shares held directly.

Remuneration Policies & Practices

The Company offers a range of benefits to its employees, which include compensation based on salary, incentive compensation, health benefits, pension benefits, and group stock compensation in the form of restricted share units of the parent.

Remuneration plays an important behavioural role in the Company's risk management process. The Company's Remuneration Policy establishes a Remuneration Framework that attracts, rewards and retains high performing employees while at all times aligning the interests of such employees with those of shareholders in a manner consistent with business strategy and within our stated risk appetite. In particular, a portion of overall compensation is deferred and dependent on long-term financial performance.

The remuneration of the directors is set annually by the Shareholder and is externally benchmarked to ensure consistency with the market.

Further information on the following key functions can be found in the sections below;

- Risk Management Function (see Section B.3)
- Compliance Function (see Section B.4)
- Internal Audit Function (see Section B.5)
- Actuarial Function (see Section B.6)

B.2 Fit and proper requirements

The Company's Fitness and Probity policy has been aligned with the CBI's Guidance on Fitness and Probity Standards 2018 ("F&P Standards") and Part 3 of the Central Bank Reform Act 2010 (the 'Act').

The Board will satisfy itself on reasonable grounds that a person complies with the F&P Standards before appointing that person to a controlled function ("CF"). The Board will not appoint a person to a pre-approval controlled function ("PCF"), until the CBI has approved the appointment in writing.

The following factors are taken into account when deciding whether an individual is fit and proper:
- their honesty, integrity and reputation;
- their competence and capability; and
- their financial soundness.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and also periodically thereafter.

The Compliance Function will assist the Board to comply with the obligations set out in the Act, some of which include:
- due diligence;
- outsourcing;
- continuing obligations;
- compliance with the Minimum Competency Code 2017;
- ensuring that all PCF holders are pre-approved by the CBI prior to appointment;
- maintaining records of all persons performing CF's and PCF's; and
- verifying that persons in controlled functions have the necessary skills, experience and qualifications.

B.3 Risk management system including the own risk and solvency assessment

Risk Management System

Risk is not a concept that exists independently of people. We believe that our success will be determined by the strength of our people and we seek to employ a diverse array of talented and experienced people who perform well as a team. Our executive management team promotes a risk management culture and all staff are encouraged to be active participants in the management of risks faced by the Company.

We employ risk management as a continuous process to ensure we have an appropriate understanding of the nature and significance of the risks to which our business activities expose us, including our sensitivity to those risks and our ability to mitigate them. Risk management is used to provide a common 'risk language' within the Company. In particular, we transpose our business strategy into a Risk Appetite Statement that clearly captures the risks inherent in our strategy and our tolerance for those risks.

Risk Appetite Statement

The Risk Appetite Statement identifies the material risks, including emerging risks, inherent in our business strategy and model, and our appetite for those risks over a short, medium, and long-term horizon. The Risk Appetite Statement includes:

- Risk categories inherent in our business strategy and model, specifically;
    - Strategic
    - Governance
    - Risk management
    - Group support
    - Capital management
    - Underwriting
    - Investing
    - Reserving
    - Claims management
    - Counterparty default
    - Reputation
    - Regulatory
    - Operations
    - Legal
- Risk mitigation efforts to manage risk and aggregation of risk;
- Risk metrics and tolerances to measure risk;
- Solvency metrics to measure capital requirements arising from our planning and ORSA process; and
- Stress scenarios and the situations that would warrant ad-hoc stress tests.

Risk Management Policy

Annually, the Chief Risk Officer presents the Company's Risk Management Policy to the Board of Directors (the "Board") for review and approval. The goals of this policy are to:

- Set out the roles and responsibilities for:
    - Implementing and reviewing an effective Risk Management Framework;
    - Setting and communicating the risk appetite;
    - Instilling a risk culture within the Company;
    - Ensuring remuneration arrangements do not encourage excessive risk-taking;
    - Contingency planning;
    - Reviewing, approving and communicating of policies;
    - Putting appropriate controls in place;
    - The assessment and reporting of the Company's risk profile in relation to the risk appetite;
    - Escalated risks and remediation plans; and
    - Ensuring sufficient knowledge, expertise and resources are available, and adequate procedures and communication channels are in place for risk management purposes;
- Set out the rights and powers of the Risk Management Function;
- Set out the elements of the Risk Management Framework;
- Set out the structure and contents of the Risk Appetite Statement; and
- Set out the risk escalation procedure.

The Board of Directors has overall responsibility for ensuring there is an effective Risk Management Framework. The Board receives regular reporting updates from the Chief Risk Officer. The Risk Management Framework is also managed through the following functions:

<u>Risk Committee</u>
The Risk Committee is responsible for advising the Board on matters relating to the Company's Risk Management Framework.

<u>Group Remuneration Committee</u>
The remuneration strategy is overseen at a Group level and adopted by the Company's Board of Directors. The Group Remuneration Committee, in conjunction with the Risk Committee, is responsible for ensuring that remuneration arrangements do not encourage excessive risk-taking.

<u>Risk Management Function</u>
The Risk Management Function is responsible for monitoring and advising the Executive Management team and Risk Committee of the Company's risk profile in relation to its risk appetite. This is done quarterly, or as soon as practicable, if there is a material change to the risk profile.

<u>Other Functions and Organisational Units</u>
Other functions and organisational units, such as Internal Audit, Compliance, Actuarial, Finance, Operations and Underwriting, are responsible for performing risk management related tasks as needed and providing the Executive Management team and Risk Management Function with pertinent, accurate and timely information.

Rights and Powers of the Risk Management Function

The Risk Management Function is a key function within the Company. The Chief Risk Officer has overall responsibility for the Risk Management Function. As such, the Chief Risk Officer has the right and power to ensure that:

- The Risk Management Function has sufficient resources;
- There are sufficient resources for other functions and organisational units to be able to effectively perform risk management related tasks as well as business tasks; and
- There are adequate policies and procedures in place so that information required from other functions and organisational units within the Company is pertinent, accurate and timely.

Risk Management Framework

Risk management does not exist in a vacuum, but is used to allow for an appropriate understanding of the nature and significance of the risks inherent in the business strategy and model. The elements of the Risk Management Framework are:

- Risk Appetite Statement (see above);
- Risk culture (including remuneration);
- Policies (including procedures therein);
- Contingency plans;
- Internal controls;
- Reporting - the reporting of appropriate information to allow effective governance of risks and the Risk Management Framework;
- Communication - the communication of the risk appetite, contingency plans, policies and any other appropriate information within the Company as a whole;
- Governance;
- Compliance; and
- Internal audit.

Risk Escalation

The escalation of a risk is the responsibility of the Executive Management Team. A risk is escalated whenever deemed necessary by the Executive Management Team, but must be escalated in the event that a risk tolerance breaches the Red threshold (see Risk Appetite Statement). In the event of a risk escalation, the Executive Management Team shall determine if an ad hoc meeting of the Risk Committee is warranted, or if the risk can be considered at the next scheduled Risk Committee meeting. The Executive Management Team shall also draw up a remediation plan for the escalated risk and provide it to the Risk Committee.

The Risk Committee reviews and monitors any escalated risks. The Risk Committee will determine whether a risk should be escalated to the Board. Ultimately, the Board is responsible for determining if an escalated risk is a material breach of the Risk Appetite Statement. A material breach and appropriate remedy will be communicated to the Central Bank of Ireland within five business days of the Board becoming aware of the breach.

Risk Management Culture

The following activities were performed in 2021 to promote a risk management culture, and will continue to be performed in the future:

- Regular ‘Town Hall’ meetings were held;
- Training was provided to staff on IT security awareness;
- The Risk Appetite Statement and ORSA were shared with employees; and
- Background check and due diligence was carried on all new hires (including directors and PCF holders).

Own Risk and Solvency Assessment

The Company is responsible for completing an Own Risk and Solvency Assessment (“ORSA”), which is not only an integral part of the Company’s overall Solvency II regime, but also of the Company’s system of governance. The ORSA is reviewed and approved by the Board at least annually, or more frequently if there are significant changes to the Company’s risk profile. The main purpose of the ORSA is to evaluate all material risks faced by the Company and assess whether the level of capital is adequate to cover the risks presented.

The material risks are fully documented in our Risk Appetite Statement and the review of the risk environment of the ORSA closely follows the structure of the Risk Appetite Statement. The ORSA also collates work performed in other areas of the risk management system and ensures that proper evaluation and reviews are being conducted in line with regulatory guidelines.

As part of the ORSA process, the Company examines the significance with which the risk profile of the Company deviates from the assumptions underlying the Standard Formula and the impact of these deviations on the Own Solvency Needs of the Company. The ORSA reviews the level of surplus capital, produces reports and makes strategic recommendations on the adequacy of capital. The ORSA also applies stressed scenarios and considers adverse conditions the Company may face and determines measures to address the capital needs under these conditions.

While the Company feels that all material quantifiable risks are fully covered in the Standard Formula, certain underlying assumptions within the Standard Formula may not accurately reflect the risk profile of the Company. The most material differences that impact the Standard Formula are:

- Whole-account aggregate stop-loss - cannot be applied under the Standard Formula, in a manner which reflects the commercial effect of the cover
- Long-short equity investments - no credit is given for short positions or the ability to reallocate to other securities (such as cash or bonds) in a short time-frame.
- Funds withheld treatment - counterparty credit exposure to GRL is mitigated by the funds withheld nature of our FAL business, where we do not pay any reinsurance premium to GRL until the conclusion of the contract. We do not currently reflect this in the Standard Formula. We are currently seeking legal advice on the appropriateness and methodology of reflecting this in the Standard Formula moving forward.

The scope of the ORSA process includes, but is not limited to, the following list of inputs and procedures:

- Board evaluation of business strategy, objectives and draft business plan;
- Review of Risk Appetite Statement, risk profile and evaluation of key risks identified;
- Risk management system processes, policies and outputs;

- Consideration of the results of stress tests and pessimistic scenarios applied to each risk area;
- Deliberation on how additional capital can be sourced if required;
- The Company's investment strategy and risks;
- Consideration of how risk can be mitigated including through diversification;
- Review of the results of the SCR, MCR and appropriateness and compliance with the Standard Formula;
- Review of the competence and capability of the Actuarial and Risk Functions;
- Risk Committee review of risk tolerance limits set by the Board; and
- Decisions and action plans following the output of the ORSA process.

The results and conclusions from the ORSA process are communicated to senior management and key staff through the ORSA Report, following Board approval, and a copy is provided to the CBI. Following the ORSA assessments under the Solvency II regime, the Board has considered the level of capital held to be adequate.

B.4 Internal control system

The Company's Board has ultimate responsibility for the operation of the corporate governance framework. A corporate governance framework shall not remain effective unless it develops to take account of new and emerging risks, control failures, market expectations or changes in the Company's circumstances or business objectives. It is in this spirit that it is acknowledged that the effectiveness of the corporate governance framework needs to be reviewed on a continual basis.

The Board delegates its authority through a structure of committees and sub-committees which are there to facilitate the effectiveness and efficiency of operations and to assist in the compliance with laws and regulations. The committees of the Board currently comprise of the Audit Committee and the Risk Committee. However, despite delegating responsibilities, the overall Board has collective responsibility and accountability for the corporate governance of the Company and this cannot be delegated.

Whilst certain decisions are reserved exclusively for the Board, an effective control system of delegated authority operates from top to bottom, within the Company, through Terms of Reference (TOR) for the Board and sub-committees and through individual job descriptions. These TOR's are reviewed, at least annually, to ensure they remain relevant by taking into account the continually evolving business environment.

The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting. The internal controls over financial reporting includes policies and procedures relating to maintenance of financial records; accurate recording of transactions, authorised processing of receipts and payments; and the prevention or detection of unauthorised use, purchase or sale of the Company's assets.

The Company maintains and evaluates the effectiveness of the financial reporting and disclosure controls annually as part of the Group's annual assessment of internal control over financial reporting.

The Company's internal controls are part of its Risk Management Framework, being the first line of defence in the ‘three lines of defense’ model the Company has implemented:

<u>1. Business Operations - Internal Controls</u>

Internal controls are the measures that are incorporated into systems and processes to control day-to-day activities. The internal controls for the Company are based on the Committee of Sponsoring Organisations of the Treadway Commission’s (COSO’s) Internal Control - Integrated Framework (2013 COSO Framework).

The objectives of internal controls are:

- Effective and efficient operations, including safeguarding of assets against loss;
- Internal and external financial and non-financial reporting, in accordance with the Company’s policies and procedures; and
- Adherence to laws and regulations.

Components of internal controls include:

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

There are adequate controls implemented to ensure compliance and to highlight any significant breakdown in controls or inadequacy of process.

<u>2. Oversight Functions</u>

This includes the Compliance and Risk Functions. The Company has implemented policies which describe the Board’s approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfills its responsibilities.

<u>3. Independent Assurance Providers</u>

The Internal Audit function prepares, with the approval of the Audit Committee, a three-year audit plan which covers all the key areas of the Company over the three year period. Additionally, the Audit Committee has the ability to request ad-hoc reviews to be conducted at any point during the year.

In addition, the external auditors provide an independent opinion that the audited financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland (“Irish GAAP”) and that they have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities Regulations 2015.

The Compliance Function, in liaison with the Board, is responsible for ensuring that all Company policies are reviewed at least annually to make certain that they are still fit for purpose. Each relevant area of the business is responsible for ensuring that their procedure(s) are up to date and reflect how the business operates. All reviews are recorded and version control is maintained. All amendments to policies are submitted to the Board for approval.

There is a compliance monitoring programme in place to ensure that the Company has fulfilled all its legislative and regulatory requirements, and adheres to its policies and procedures. This is completed by the Compliance Function on a continuous basis and presented to the Board on a quarterly basis.

Compliance Function

The Company's Compliance Policy sets out the role and responsibilities of the Compliance Function and is reviewed by the Board on an annual basis. The role of the Compliance Function is to act as a defense, working alongside the Risk and Internal Audit Functions, for the business and its customers, and provide an independent assurance to the Board and Non-Executive Directors that the Company is conducting its business in a compliant manner. This is achieved by completing the following objectives:

- Developing a compliance plan to provide comfort to the Risk Committee on the Company's overall compliance with Board approved polices, the Companies Act 2014 ("the Act"), CBI requirements and other applicable legislation;
- Regular reporting to the Company's Risk Committee, senior management and Group personnel on compliance matters;
- Managing the Company's relationship with the CBI;
- Reviewing and developing policies required under the Corporate Governance Code and/or EIOPA guidelines for Board approval;
- Assisting the Company in complying with Solvency II requirements with a focus on Pillar 2 and Pillar 3 requirements; and
- Reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and advising on steps necessary to ensure compliance.

The Board supports the Compliance Function, makes available such resources as is necessary, and provides access to all relevant documentation and information from the business, in order that the Compliance Function can meet its objectives.

B.5 Internal audit function

The Company supports Internal Audit as an independent and objective assurance activity designed to add value and improve the Company's operations. It assists the Company in accomplishing its objectives by bringing an independent, systemic and disciplined approach to the process of evaluating and improving the effectiveness of the Company's risk management, control and governance processes.

Internal Audit derives its authority from the Board through the Audit Committee. The Internal Auditor reports functionally to the Audit Committee and administratively to the Chief Executive Officer ("CEO"). The Internal Auditor meets with the Audit Committee and the CEO to discuss all audits. The Internal Auditor operates with independence and authority in relation to audits carried out and has unrestricted access to the Chairman, the Executive Management Team and the Chairs of the Audit and Risk Committees. Internal Audit is authorised to examine any of the activities of the Company and has unrestricted access to all records, assets and personnel necessary to discharge its responsibilities.

The Company's Internal Audit function has been outsourced to EisnerAmper Ireland ("EisnerAmper"). A Partner at EisnerAmper is approved by the CBI for the PCF-13 (Head of Internal Audit) role. EisnerAmper prepares, with the approval of the Audit Committee, a three-year audit plan which covers all the key areas of the Company over the three year period. Additionally, the Audit Committee has the ability to request ad-hoc reviews to be conducted by EisnerAmper. EisnerAmper works closely with management and any outsourced service provider of the Company and reports directly to the Audit Committee.

The purpose, scope, authority and responsibilities of the Internal Audit function are set out in full within the Internal Audit Policy, which has been approved by the Board of Directors and which is reviewed and updated on an annual basis, or more frequently, if required. There have been no significant changes to the policy in the current year.

B.6 Actuarial Function

The Actuarial services to support the business are partially conducted internally and partially outsourced to a combination of:

a) Group Actuarial Department in GRL; and

b) Allied Risk Management.

The activities of the Actuarial Department are split between those involved in pricing and GAAP reserving, performed by the Company, the Group Actuarial Department in GRL and those activities of the Actuarial Function, performed by the Head of Actuarial Function (HoAF), who provides independent oversight and validation. The role of the Head of Actuarial Function (HoAF) is outsourced to Allied Risk Management.

The Actuarial Function derives its authority from the Board through the Audit Committee. The Head of Actuarial Function (HoAF) reports functionally to the Audit Committee and administratively to the Chief Executive Officer (CEO).

The objective of the Actuarial Function is to ensure a standard and appropriate calculation of reserves, consistent with our business strategy and within our stated risk appetite. The detailed objectives are to:

- Coordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the Board of the reliability and adequacy of the calculation of technical provisions;
- Oversee the calculation of technical provisions in cases where there is insufficient data quality (as set out in Article 82 of the Directive);
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and,
- Contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

Each of these activities is undertaken on at least an annual basis and the outcome reported to the Board in an internal actuarial report.

In addition to responsibilities in relation to the technical provisions, and the requirements to express opinions on underwriting policy and reinsurance arrangements, the HoAF contributes to the effective implementation of the risk management system of the Company. In particular:

- In relation to the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), the HoAF reviews the output of the model used by the Company to calculate the SCR and MCR. Specifically, any perceived or possible inconsistencies or issues identified in the model results are raised.
- The HoAF provides an Actuarial Opinion on the ORSA process annually. The opinion addresses the following:
  - The range of risks and the adequacy of stress scenarios considered as part of the ORSA process.
  - The appropriateness of the financial projections included within the ORSA process.
  - Whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

B.7 Outsourcing

The Company recognises the need for an Outsourcing Policy which is consistent with and promotes sound and effective risk management and enables the Company to identify, manage, monitor and report on such outsourcing risk to which it is or might be exposed. The Board have adopted this policy and it:

- Sets out the roles and responsibilities within the Company in relation to outsourcing;
- Sets out those functions which may be outsourced by the Company;
- Provides clarity on the set of principles on which the Company outsources material functions;
- Describes the processes and procedures that the Company carries out prior to outsourcing, including the assessment and impact of the outsourcing on its business; and
- Describes the processes and procedures post outsourcing, including the level of review, reporting and monitoring required by the Company.

The following is a list of the critical or important operational functions the Company has outsourced together with the jurisdiction in which the service providers of such functions or activities are located. The person within the Company with responsibility for these outsourced functions is the Chief Executive Officer. The Company will not outsource a critical or important function where the outsourcing would materially impair the quality of the Company's system of governance, unduly increase operational risk, impair the ability of the CBI to review the Company's compliance with its obligations or undermine the continuous and satisfactory service to policyholders (Article 49(2) of the SII Directive).

Name of Service/Function	Name of Service Provider (SP)	Jurisdiction
External Outsourcing:		
Investment Advisor	DME Advisors, L.P.	USA
Head of Actuarial Function	Allied Risk Management	Ireland
Internal Audit	EisnerAmper Ireland	Ireland
Outsourcing to Group:		
GAAP Reserving	Greenlight Reinsurance Ltd	Cayman Islands
IT Management Function	Greenlight Reinsurance Ltd	Cayman Islands
Claims Function	Greenlight Reinsurance Ltd	Cayman Islands
Middle Office Function	Greenlight Reinsurance Ltd	Cayman Islands
Underwriting and Pricing Services	Greenlight Reinsurance Ltd	Cayman Islands

The Company has in place a number of controls which seek to mitigate the risks of outsourcing both critical and non-critical functions and activities:

- Due diligence is performed on all outsourced providers with enhanced requirements for critical functions;
- Both the CBI and the Board of Directors of the Company are required to approve the outsourcing of any critical functions and activities;
- Contractual arrangements are in place with each outsourced providers;
- An annual review of all outsourcing providers is carried out and presented to the Board of Directors of the Company; and,
- A log of outsourced activities is maintained and all outsourcing activities are monitored.

B.8 Any other information on governance

The Company has included all relevant information relating to its systems of governance and is satisfied with the adequacy of the system of governance, considering the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile

Risk Management

The goal of the Company's management of risk is to set out the level of risk the Company is willing to assume in implementing its business strategy. The Company's business strategy cannot be implemented without taking risks. The Company seeks to comprehensively quantify all risks inherent in the business strategy through scenario testing and ad hoc stress tests, and where necessary apply risk mitigation techniques.

The Company implements appropriate polices, contingency plans and controls as part of the Company's overall risk management system. Further information is detailed in Section B.3 above.

C.1 Underwriting risk

The Company has a broad underwriting appetite for Property and Casualty business providing the pricing and risk selection is appropriate. In general, the Company will write business selectively and in those areas of the market believed to have the best risk-adjusted returns.

<u>Risk mitigation</u>
The Company has entered into two retrocession contracts with its sister company, GRL:

1. An 80% quota share on non-U.S. business; and
2. An unlimited aggregate stop-loss which limits underwriting losses (including expenses, reserve deterioration, counterparty default and collateral drawdown) to 5% of the Company's Shareholders Equity.

The Company has also entered into some external retrocession contracts including:
1. A 50% quota share agreement with a non-affiliated retrocessionaire rated "A (Excellent)" by A.M. Best on a specific motor contract with effect from 1 July 2017 to 30 June 2019.
2. A $20m x/s $10m excess of loss contract to protect the Company's Marine, Energy and Terror book. This is placed with a number of non-affiliated retrocessionaires, Rated A- or better.

<u>Line of business</u>
See Section *A.2. Underwriting Performance* for a breakdown of the lines of business the Company wrote in 2021 and 2020.

<u>Geography</u>
See Section *A.2. Underwriting Performance* for a breakdown of the geographies the Company wrote in 2021.

<u>Target profitability</u>
We seek to underwrite a portfolio that is profitable and contributes to book value per share.

See Section *A.2. Underwriting Performance* for breakdown of the Company's 2021 and 2020 underwriting performance.

Underwriting process

The assessment and pricing of reinsurance risk are key components of the Company's underwriting process. Each submitted transaction is underwritten and priced by an underwriting team consisting of at least one underwriter and actuary. If the underwriting team wishes to write the transaction, then a deal meeting with senior management, including the Chief Executive Officer, Head of Underwriting, and Group Chief Risk Officer, is held to obtain approval before binding. The Board plays an active role in overseeing underwriting. The Board approves the Underwriting Plan and Underwriting Guidelines annually and is required to authorise deals which meet specific criteria. An underwriting update is provided to the Board quarterly.

Risk factors

Underwriting inherently involves assuming reinsurance risk. Potential external risk factors that could impact our current or future underwriting portfolio are:

1. Rating
2. Climate change
3. Emerging risks

Rating

In August 2021, the AM Best rating of the Company and its sister company, Greenlight Reinsurance Ltd. ("GRL") was re-affirmed at A- rating and AM Best returned the rating outlook to stable from negative. AM Best highlighted that Greenlights financial strength remains "very strong" and that "the group's operating performance will continue to benefit from the recent re-underwriting and investment actions taken to stabilize results".

A downgrade below "A-" is likely to have a significant negative impact on the Company and its ability to underwrite London market specialty business.

Climate change

The Company monitors the underwriting environment to track changes in innovation, climate, and the political environment. Some of the initial emerging risks identified include:

a. Climate change – Global warming has the potential to have a significant impact on weather patterns and loss events. The Company is exposed to Climate change primarily from its FAL book and a limited number of natural catastrophe reinsurance contracts it writes.
b. We have seen elevated levels of cat activity in recent years:
    i. In Quarter 3 2017 we saw 3 major hurricanes (Harvey, Irma, and Maria) hit the US and the Caribbean within one month.
    ii. 2020 had 30 named Atlantic storms, the most on record.
    iii. 2021 had a variety of unusual cat events including Winter Storm Uri in Texas, Hurricane IDA and European windstorms and floods.

It is not clear whether these events are directly linked to climate change, however it is clear that we have seen an elevated level of cat activity in recent years.

The Company will continue to closely monitor cat activity and amend its appetite for natural catastrophe business to reflect market conditions and climate change developments. As this business is predominantly short tail in nature, the Company can re-balance the portfolio quickly, if required.

As a small specialty reinsurer our strategy is primarily to be nimble and to position ourselves to take advantage of market opportunity. We do not have any long-term commitments to any particular class, and we consider our strategy annually, as part of our annual planning process. If climate change significantly impacts the profitability of certain classes, we can amend our strategy accordingly.

The Company is also exposed to a certain amount of operational risk linked to cat exposures, as certain services are outsourced to GRL, which is based in the Cayman Islands, which are exposed to Atlantic hurricanes. GRL has a robust Business Continuity Plan which is designed to respond to a major hurricane event. In particular, all IT systems are backed up outside the Cayman Islands and the Company has concluded that the services provided by GRL will not be significantly impacted in the event of a major hurricane hitting the Cayman Islands.

Emerging risks

Emerging risks are newly developing or changing risks which are difficult to quantify and which may have a major impact. The Company monitors the underwriting environment to track changes in innovation, climate, and political environment. Some of the initial emerging risks identified include:

- Geopolitics - The Company is reliant on the support of its parent and sister companies who are both domiciled in the Cayman Islands. Any clamp down on offshore jurisdictions could impact the Cayman Islands and, as a result, the Company. The Company will continue to monitor developments in this area.

  On 24 February 2022, Russia commenced an invasion of Ukraine. The invasion has had a significant impact on a number of financial markets. The Company is closely monitoring the situation and has potential exposure to the conflict in its Aviation, Marine and Terror / Political Violence book. The Company's estimate is at a preliminary stage, but all risks are protected by a combination of the 80% Group Quota share and the Aggregate Stop Loss. The Directors will continue to monitor this ongoing situation for further developments which may impact the Company.

- Cyber risks - Cyber risk is considered as a major disruptor to financial services. Cyber risk threatens data integrity and business continuity in an ever-interconnected financial system. The use of cloud and the dependency on external service providers also adds to the complexity of managing this risk. The Company and its parent have agreed to implement the National Institute of Standards and Technology ("NIST") Cybersecurity Framework. The Company is strengthening its IT controls with a view to being compliant with the NIST Cybersecurity Framework.

- Autonomous vehicles - Historically the Company wrote a material amount of US non-standard auto contracts. The US motor insurance industry is likely to change significantly over the next ten to twenty years, with the introduction of self-driving or driverless cars. The Company is also underwriting marine business and potentially is exposed to autonomous ships. The Company does not believe the trend towards autonomous vehicles will have a significant impact on its book, over the next five years, but we will continue to monitor progress in this area.

- Sustainability risks - The Company may be exposed to potential changes in regulations relating to sustainability in relation to its investments in SILP. The Company has investment concentration guidelines in place which ensure the equity portfolio remains diversified and currently the portfolio has limited exposure to equities which have a direct correlation to climate change.

- Inflation - In recent months we have seen an increase in inflationary pressures. Initially these pressures were linked to supply chain issues and the fallout from Covid-19 and were expected to be temporary. This issue has been escalated by the Russian invasion of Ukraine. It is possible that inflation could remain elevated for some time. Higher than anticipated inflation could lead to an increase in loss costs and the need to strengthen loss reserves. The impact of inflation on loss costs will likely be more pronounced for longer tail business lines, where it takes a period of time to finalise and settle claims. In general, the Company's underwriting book is skewed towards shorter tail classes and therefore the impact should be less pronounced.

C.2 Market risk

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realised upon the sale of its holdings, as well as the amount of net investment income reported in the statements of comprehensive income. Management has regular dialogue with the Company's investment advisor to monitor the Company's positions and changes in market conditions.

Equity Price Risk

As of 31 December 2021, the Company's investment portfolio consisted primarily of an investment in SILP, which holds underlying equity securities and equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2021, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a loss of US$572k.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect of net income and capital when measured in the Company's functional currency. The Company's cash flows and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of the Company's global reinsurance program. The Company's principal transactions are carried out in US dollars though it has exposure to foreign exchange risk principally with respect to Sterling and Euro.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually monitors the exposure to potential foreign currency losses and would consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended December 31, 2021:

Foreign Currency	Assets	Liabilities and Equity	Surplus / (Deficiency)
	(US$ in thousands)	(US$ in thousands)	(US$ in thousands)
British Pound	230,862	230,422	440
Euro	8,966	9,139	(173)
United States Dollar	173,837	174,014	(177)
Other	3,839	3,929	(90)
Total	417,504	417,504	—

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against foreign currencies would have on the Company as of December 31, 2021:

	10% increase in U.S. dollar	10% decrease in U.S. dollar
Foreign Currency	Change in fair value	Change in fair value
	(US$ in thousands)	(US$ in thousands)
British Pound	44	(44)
Euro	(17)	17
Other	(9)	9
Total	18	(18)

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

Interest Rate Risk

The Company’s investment in SILP includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the market value of the Company's long fixed-income portfolio falls, and the opposite is also true as interest rates fall. Additionally, some derivative investments may also be sensitive to interest rates and their value may indirectly fluctuate with changes in interest rates.

As of December 31, 2021, a 100 basis points increase or decrease in interest rates would have no meaningful impact on the value of our Investment Portfolio.

Prudent Person Principle

Our investment strategy seeks long term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. Investments are to be selected and monitored to balance the goals of safety, stability, liquidity, growth and after-tax total return with the need to comply with regulatory investment requirements.

We recognise that under the Solvency II Prudent Person Principle, assets held to cover the technical provisions must be invested “in a manner appropriate to the nature and duration” of the liabilities, and “in the best interest of all policyholders and beneficiaries taking into account any disclosed policy objectives” (Reg.141(2)(c) of S.I. 485 of 2015). Therefore, the assets covering the technical provisions takes account of the type of business carried on by the Company in such a way as to secure the safety, yield and marketability of its investments, which the Company will ensure are diversified and adequately spread. The Company, where applicable, and in accordance with A. 132(2) of the SII Directive, only invests in assets whose risks it can properly identify, measure, monitor, control, report and take into account in its ORSA.

Our equity portfolio consists primarily of long and short equities. The Investment Advisor seeks to achieve capital appreciation by buying securities with trading values materially lower than their intrinsic values and by selling short securities with trading values materially higher than their intrinsic values. The portfolio aims to achieve high absolute rates of return while minimising the risk of capital loss. We seek to combine the analytical discipline of determining intrinsic value with a practical understanding of markets. We seek to invest in mispriced securities where we can ascertain the reason for the market’s mispricing. Our approach is rooted in fundamental analysis and rigorous examination of financial statements.

At 31 December, 2021, the Company’s net GAAP reserves are held in cash and cash equivalents. In 2020, GRIL introduced a restriction that investments in equities may not exceed 50% of Shareholders Equity.

We believe the investment guidelines continue to be appropriate and reasonable and meet the Prudent

Person Principle, as they currently restrict the level of long/short equity investing, promote a lower level of investment fees correlated with current and past investment performance, curtail excessive concentration in a small number of investments whilst enabling the Company to participate in higher Assets Under Management and yields through active management of the portfolio.

<u>Emerging risks</u>
As part of investing and overall portfolio management, global financial events are monitored and considered. Discussions were held with the investment manager on events such as Covid 19, Brexit, the US\China trade war and the Ukraine/Russia conflict. The Company's investment strategy is based on a value orientated investing strategy (i.e. buy undervalued securities (longs) and sell overvalued securities (shorts)). As such the portfolio is generally not heavily correlated with specific global events or market trends.

C.3 Credit risk

The Company conducts business with multiple external counterparties of various types. The unlimited aggregate stop-loss purchased from GRL limits the loss of default or collateral drawdown by clients, brokers, third party administrators and any other underwriting-related counterparties to 5% of the Company's Shareholders Equity. However, the Company still seeks to reasonably minimise the risk of financial loss from counterparty default.

The Company's counterparty risk comes from various sources:

<u>Investment and banking</u>

- Prime brokers; and
- Derivative counterparties.

<u>Client-related</u>

- Letters of credit ("LOCs") provided to clients;
- Premiums receivable from clients;
- Commission adjustments on contracts with clients; and
- Retrocession.

<u>Third party services</u>

- Reinsurance intermediaries; and
- Claims funds with third party claims administrators.

The Company does not solely rely on the credit assessments of external rating agencies when assessing the credit worthiness of counterparties.

<u>Prime brokers</u>
Prime brokerage is the generic name for a bundled package of services offered by investment banks and securities firms to professional investors needing the ability to borrow securities and cash. The prime broker provides a centralised securities clearing facility for the investor so the investor's collateral

requirements are netted across all investments handled by the prime broker. The SILP closely and regularly monitors its concentration of credit risk with each prime broker and if necessary, will transfer cash or securities between prime brokers to diversify and mitigate its credit risk.

Derivative counterparties

The SILP will enter into derivative transactions, such as equity swaps and currency options, with financial counterparties. The counterparties are typically large banks. The Company requires that any net exposure to a derivative counterparty is cash collateralised and collateral adjustments are made on a frequent basis.

Letters of Credit and Trusts

The Company's sister company, GRL, issues LOCs on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these LOCs is also provided by GRL. In the event that the Company's insureds draw upon any LOCs, the Company shall be obligated to reimburse GRL the amount of the LOCs drawn by the insured. As of 31 December 2021, US$15.0m (2020: US$10.7m) of LOCs were issued by GRL on behalf of the Company and no LOCs were drawn by the Company's insureds for the year ended 31 December 2021. In the event that GRL was unable to pledge its assets as security, the Company may have to pledge its own assets as security relating to the LOCs.

The LOCs are usually unconditional in that the client may drawdown the LOC at their sole option. The Company periodically amends the size of issued LOCs to ensure they do not materially exceed the size of the Company’s obligations to clients. If a client were to inappropriately drawdown a LOC, the Company would offset its obligations against the amount drawn down, while seeking legal remedy for the unauthorised drawdown.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of 31 December 2021, collateral of US$14.6m (2020: US$28.7m) was provided to cedents in the form of regulatory trust accounts.

Deposits to Cedants

The Company participates on FAL deals and has posted cash to support these deals. The Funds are held in Trust at Lloyd’s and are invested in a Money Market Fund that is denominated in US dollars. The FAL can be used to offset the loss reserves underwritten by the Company and the FAL balance can be offset against these liabilities. The Lloyd’s Market is strongly capitalised with total capital, reserves and subordinated loan notes of £36.5bn at 30 June 2021 with a solvency ratio of 218% based on the Lloyd’s Internal Model (approved by the PRA). The FAL deals are 80% retroceded to our sister Company Greenlight Reinsurance Ltd. They have provided 80% of the required FAL cash to support the 2021 and 2022 year of account.

Premiums receivable from clients

The Company’s reinsurance contracts include the right to offset losses against unpaid premium. The aggregate stop-loss agreement with GRL includes coverage for the risk of default by a client of the Company.

Commission adjustments on contracts with clients

On certain contracts, the client is paid a provisional commission which is adjusted at a pre-determined later date based on the actual losses incurred. The adjustment may result in commission becoming due back from the client. If the client is rated "A-" (Excellent) or higher by A.M. Best, collateral may not be requested. If the client is rated lower than "A-" (Excellent) or unrated, the client may be required to post collateral for the potential possible downward adjustment in commission.

Retrocession

Retrocession falls into one of three categories:

1. The retrocession is with a third party and is tied to an inwards transaction;
2. The retrocession is with a third party and stands alone; and
3. The retrocession is internal between the Company and its affiliates.

The retrocession is with a third party and is tied to an inwards transaction

The third party may or may not be affiliated with the client. If the retrocessionaire is affiliated with the client then the arrangement will usually be for the purposes of aligning the client's interest with that of the Company's, and the retrocessionaire will often be a captive.

The retrocession is with a third party and stands alone

The third party will typically be a professional reinsurer and the retrocession is likely to be on a segment of the Company's portfolio. The Company will assess the financial strength of any such counterparty as part of its counterparty due diligence.

The retrocession is internal to the Company

The Company purchases a quota share and unlimited aggregate stop-loss protection from its sister company, GRL.

Reinsurance intermediaries

Remittances payable and receivable under a reinsurance contract are typically made via a reinsurance intermediary. Usually, the contract specifies that payments by the insured to the reinsurer are deemed paid once the payment is received by the reinsurance intermediary, and payments made by the reinsurer to the insured are only deemed paid once the reinsurance intermediary has forwarded that payment to the insured.

The Company's exposure to intermediary counterparty risk is small owing to the following reasons:

- Payments are typically processed by intermediaries every month
- Payments are made on a net basis (premium less losses)
- The Company's business is primarily with large, well-established intermediaries.

The internal aggregate stop-loss includes coverage for the risk of default by an intermediary.

Claims funds with third party claims administrators

The Company will sometimes pre-fund claims accounts with third party claims administrators in order to make the claims payment process more efficient. Pre-funding amounts are restricted to 2-3 months of expected claims activity.

C.4 Liquidity risk

As of 31 December 2021, the majority of the Company's investments in SILP were valued based on quoted prices in active markets for identical assets (Level 1). Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions should also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's investments in SILP are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

The Expected Profits In Future Premiums ("EPIFP") US$10,991k and does not impact the Company's liquidity risk.

C.5 Operational risk

Operational

The Company's operational structure is designed to support our strategic objectives. It provides sufficient resources and clearly set out responsibilities and authorities in order that the operational structure is effective. Operational risks facing the Company include, but are not limited to, failures or weaknesses in financial reporting and controls, regulatory non-compliance, reliance on outsourced service providers, fraud, and breach of information technology and data privacy security. The Company also monitors legal and compliance risks as a separate category outside of operational risk.

The Company categorises its operational risks as follows: IT (including cyber risk), human resources, outsourcing, finance, and other (general). The Company also monitors emerging risks which may relate to operational risks. The Company manages operational risks through policies and guidelines setting out appropriate procedures and internal controls and the periodic assessment of adherence to these procedures and controls by Internal Audit. Operational risk is monitored and reported to management, the Risk Committee and the Board. Matters are escalated to the Board as required and mitigating actions are assigned to bring elevated risks back within tolerance.

There were no material weaknesses identified in any of the operational risk categories.

C.6 Other material risks

Group Support

We rely upon the support of our parent company, GLRE, and our sister company, GRL, to pursue our business activities. In August 2021, the AM Best rating of the Company and its sister company, Greenlight Reinsurance Ltd. (“GRL”) was re-affirmed at A- rating and AM Best returned the rating outlook to stable from negative. AM Best highlighted that Greenlights financial strength remains “very strong” and that “the group’s operating performance will continue to benefit from the recent re-underwriting and investment actions taken to stabilize results”. The financial position of GRL remains strong. Proactive monitoring of the financial strength of the Group will continue with the Company proactively monitoring its exposure to reinsurance recoverables from GRL.

Capital

GLRE is our source of capital. Capital is Tier 1 common equity.

Rating

A.M. Best provides the Group with a group rating that applies to both GRL and the Company. The group rating is mostly derived from GRL as it is a much larger company. In August 2021, the AM Best rating of the Company and its sister company, Greenlight Reinsurance Ltd. (“GRL”) was re-affirmed at A- rating and AM Best returned the rating outlook to stable from negative.

Retrocession

The Company has two retrocession contracts with GRL and two retrocession contracts with non-affiliated retrocessionaires as discussed in Section C.1. Remittances under the reinsurance agreements are made quarterly. GRL is required to provide collateral for any reinsurance recoverables as follows:

- None if it has an A.M. Best rating of “A”- or higher;
- 50% collateralisation if it has an A.M Best of “B++” or “B+”; and
- 100% collateralisation if it has an A.M Best of “B” or lower.

Services

Group provides the Company with various services, including legal, underwriting, actuarial, reserving, marketing and IT. This arrangement is formalised in a Service Level Agreement.

COVID-19

The ongoing coronavirus pandemic ("COVID-19") is a risk that has had an adverse impact on the property and casualty insurance and reinsurance industry over the last two years. The Company continues to monitor the situation closely. The Company has included in the loss and loss adjustment reserves its best estimate of losses arising from the COVID-19 pandemic as outlined in note 3.6. The Company has limited direct exposure to some of the classes most impacted by the pandemic including event cancellation, business interruption and directors and officers liability. However, the Company has some exposure to these classes via its FAL book, which is reduced by the inuring reinsurance the Syndicates purchase. Accordingly, estimates used in the preparation of the Company's financial statements, primarily those associated with the estimations of loss and loss adjustment expense reserves may be subject to adjustments in future periods.

Brexit

The United Kingdom left the European Union ("Brexit") on 31 January 2020 on the basis of the Withdrawal Agreement agreed by the European Council on 17 October 2019. The transition period ended on 31 December 2020 and the UK is now no longer part of the EU's Single Market and Customs Union. We face risks associated with the potential uncertainty and consequences that may follow Brexit, including with respect to volatility in financial markets, exchange rates and interest rates. These uncertainties could increase the volatility of, or reduce, our investment results in particular periods or over time.

Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions and regulatory agencies. Brexit could also lead to legal uncertainty and differing laws and regulations between the U.K. and the EU, and could impair or adversely affect the ability of the Lloyd's market and the wider London market to transact business in EU countries.

These uncertainties could affect the operations, strategic position or results of insurers or reinsurers on whom we ultimately rely to access underlying insured coverages. Any of these potential effects of Brexit, and others we cannot anticipate, could materially and adversely affect our results of operations or financial condition. The U.K.'s exit from the EU could materially and adversely impact our results of operations or financial condition.

The Company will continue to monitor events closely.

C.7 Any other information

Anticipated/future risk exposures are not expected to be different from current exposures disclosed in Section C of this report (A.309(2)(a) of the SII Directive).

We use risk scenarios to stress our core underwriting (including reserving) and investment activities, counterparty recoverables and operational activities, in order to determine the impact on capital. Full details of the scenarios used and the impact on the Company's projected capital are set out in full in section E.1 of this report.

Risk scenarios

We use risk scenarios to stress our core underwriting (including reserving) and investment activities, counterparty recoverables and operational activities, in order to determine the impact on capital.

For the purposes of the scenarios, risks are divided into five categories:

1. Investing
2. Underwriting
3. Reserves
4. Counterparty
5. Operational

For each risk category, there are three stress levels:
1. No stress – expected risk levels
2. Adverse stress – 'unlikely but not remote' risk levels
3. Severe stress – 'remote' risk levels

Selected risk scenarios

There are five risk scenarios, comprising different combinations of stress factors, which are applied to the current and projected risk profiles.

<table>
<tr><th></th><th colspan="5">Stress Levels</th></tr>
<tr><th>Scenario</th><th>Investments</th><th>Underwriting</th><th>Reserves</th><th>Counterparty</th><th>Operational</th></tr>
<tr><td>1 (Base)</td><td colspan="5">None</td></tr>
<tr><td>2</td><td colspan="3">Adverse</td><td>None</td><td>Adverse</td></tr>
<tr><td>3</td><td>Severe</td><td colspan="4">None</td></tr>
<tr><td>4</td><td colspan="3">None</td><td>Adverse</td><td>None</td></tr>
<tr><td>5</td><td colspan="5">Adverse</td></tr>
</table>

Scenario 1 is the three-year business plan, and we aim to have a SCR ratio in excess of 130% in each year. Scenarios 2, 3 and 4 represent scenarios where we expect to have a SCR ratio in excess of 100% for the year in which the stress occurs.

In scenario 5 which applies a stress to underwriting/reserving combined with a stress to counterparty recoverables, including a 10% write off of uncollateralised reinsurance recoverables whilst assuming a notch downgrade and the subsequent impact on the credit quality step, we may not have an SCR ratio in excess of 100%.

We apply the full stress to each year individually in all of the above scenarios.

Selected stress factors

Risk scenarios and stress factors were chosen after internal dialogue with underwriters, actuaries, senior management, and directors. The Risk Committee meeting held on September 2nd, 2021, and the Board meeting held on September 13th 2021 discussed risk scenarios and stress factors in detail. The selection focused on historical Greenlight and industry performance (the Company has performed detailed analysis of historical underwriting and investment performance), combined with expert judgement.

Investments

Adverse: 15% loss to the investment in SILP; 0% loss to the cash and fixed income portfolio.
Severe: 30% loss to the investment in SILP; 0% loss to the cash and fixed income portfolio.

Underwriting
Adverse: A non-catastrophe net composite ratio of 107.5% for the next 12 months and a 1-in-100-year occurrence natural catastrophe loss, before internal reinsurance.
Severe: A non-catastrophe net composite ratio of 120% for the next 12 months and a 1-in-200-year aggregate natural catastrophe loss, before internal reinsurance.

Reserves
Adverse: 10% deterioration in net reserves, before internal reinsurance.
Severe: 20% deterioration in net reserves, before internal reinsurance.

Example events that could lead to the severe losses chosen (reserves)
Historically the Company's portfolio was primarily weighted towards Non-Standard Auto business, in recent times this has changed as we increase our exposure to FAL. However, for FAL business we can take some comfort in the detailed review of reserves conducted by each syndicate and the strong Lloyd’s oversight.

The following table provides some context to the potential reserve deterioration.

Reserves net of external reinsurance

Reserves net of external retro at 31/12/2021		115,056
10% deterioration in reserves		11,506
20% deterioration in net reserves		23,011
Historic reserve deterioration / (release)		
	2021	(8,453)
	2020	9,307
	2019	(4,742)
	2018	1,241
	2017	1,681

The aggregate stop loss (ASL) cover would be triggered in the event of a combined underwriting and reserve shock. This limits the exposure of the shock to 5% of the opening Shareholders Equity in the year.

Counterparty
Adverse: 10% credit loss in relation to uncollateralised reinsurance recoverables (GRL).
Severe: 20% credit loss in relation to uncollateralised reinsurance recoverables (GRL).

Operational
Adverse: US$500,000 additional expense due to operational failure.
Severe: US$1,000,000 additional expense due to operational failure.

Capital risk thresholds

Our capital risk appetite is to maintain a SCR coverage ratio in excess of 100% in going-concern scenarios. Under risk scenario 5 we may fall below 100%. This scenario is considered to be extreme as it contains a combination of adverse stresses including a counterparty default stress.

Dependencies between Risk Modules

The Company uses the Standard Formula model to calculate the SCR. The quantitative data necessary for determining the dependencies between risk modules and sub-modules of the BSCR are included in the model.

D. Valuation for Solvency Purposes

D.1 Assets

The Company's financial statements for the year ended 31 December 2021, are prepared in accordance with Generally Accepted Accounting Practice in Ireland "Irish GAAP", FRS 102 and FRS 103.

Assets held by the Company as at 31 December 2021 and 2020 were as follows:

Assets	2021 GAAP Accounting Basis	2021 SII Valuation Principles	2021 Difference in Valuation	2020 GAAP Accounting Basis	2020 SII Valuation Principles	2020 Difference in Valuation
	(US$ in thousands)			(US$ in thousands)		
Investments	12,239	12,239	—	15,878	15,878	—
Deposits other than cash equivalents	14,554	14,554	—	28,699	28,699	—
Reinsurance receivables	25,361	—	25,361	22,071	—	22,071
Reinsurance recoverables	159,456	118,189	41,267	67,968	55,359	12,609
Deposits to cedants	182,686	182,686	—	94,193.4	94,193	—
Cash & cash equivalents	19,362	19,362	—	4,404	4,404	—
Receivables (trade, not insurance)	1	1	—	—	—	—
Any other assets, not elsewhere shown	491	67	424	374	108	267
Deferred acquisition costs	2,855	—	2,855	3,606	—	3,606
Deferred tax assets	500	500	—	500	500	—
Fixed assets	—	—	—	16	16	—
Total assets	417,505	347,598	69,907	237,709	199,157	38,552

Investments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39"). The Company's financial instruments are carried at fair value, and all unrealised gains or losses are included in investment income in the statement of comprehensive income.

Deposits other than cash equivalents

The Company has established regulatory trust arrangements for certain cedents.

Reinsurance receivables

Amounts receivable from reinsurance operations are valued at settlement amount and reviewed for impairment under FRS 102. At 31 December 2021 there were no provisions required. These assets are reclassified to net technical provisions for Solvency II purposes, and discounted at the risk-free rate to the present value.

Reinsurance recoverables

Reinsurance recoverables form part of the reinsurers share of technical provisions under Solvency II, and are covered under the technical provisions note below.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at a non-US bank and cash and cash equivalents held with prime brokers. All cash equivalents have an original maturity of three months or less.

Other Assets

Other assets include profit commissions receivable, prepayments, accrued income and deposits to cedents. For Solvency II purposes, profit commissions receivable have been excluded from other assets as they form part of technical provisions. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deferred acquisition costs

Deferred acquisition costs are commissions and brokerage costs directly related to writing business. These costs are amortised over the term of the related contract. Under Solvency II valuation rules, these costs are not recognised an asset.

Deferred tax assets

Deferred tax assets are calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position, where transactions or events result in an obligation to pay less tax in the future. These obligations are recalculated based on the Solvency II Balance Sheet which gives rise to a different deferred tax asset or liability. Deferred tax assets have been recognised on the basis that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a forecast consistent with the operational plans prepared by the Company, which is subject to internal review and challenge. See Section D.3 for deferred tax liability recognised on Solvency II Balance Sheet.

Fixed assets

Fixed assets are measured at cost when acquired, less accumulated depreciation using a straight-line method.

D.2 Technical provisions

The technical provisions consist of the Best Estimate of the Liabilities and the Risk Margin. At 31 December 2021 the technical provisions split by line of business were:

Line of Business (SII)	**Gross Best Estimate Liability**	**Risk Margin**	**Recoverables from Reinsurance contracts and SPVs**	**Total Technical Provisions net of Recoverables**
		(US$ in thousands)		
Fire and other damage to property insurance	52,108	967	43,843	9,231
General liability insurance	37,371	1,104	31,719	6,757
Marine, aviation and transport insurance	15,075	946	13,697	2,324
Motor vehicle liability insurance	14,668	436	7,987	7,117
Non-proportional marine, aviation and transport reinsurance	8,984	366	6,471	2,879
Non-proportional casualty reinsurance	8,864	186	7,196	1,854
Non-proportional property reinsurance	5,413	146	4,180	1,380
Other motor insurance	2,193	69	1,132	1,131
Miscellaneous financial loss	1,656	36	1,333	359
Medical expense insurance	628	383	284	727
Workers compensation insurance	424	7	367	63
Credit and suretyship insurance	(66)	10	(21)	(36)
Total	**147,318**	**4,658**	**118,189**	**33,787**

** Any differences between totals and the individual items in the table above are due to rounding*

At 31 December 2020 the technical provisions split by line of business were:

Line of Business (SII)	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance Contracts and SPVs	Total Technical Provisions net of Recoverables
		(US$ in thousands)		
Fire and other damage to property insurance	5,925	491	7,277	(861)
General liability insurance	12,454	538	11,695	1,297
Marine, aviation and transport insurance	8,644	483	7,600	1,527
Motor vehicle liability insurance	15,339	574	5,175	10,738
Non-proportional marine, aviation and transport reinsurance	7,765	235	6,542	1,458
Non-proportional casualty reinsurance	9,899	174	8,222	1,851
Non-proportional property reinsurance	7,572	147	6,241	1,478
Other motor insurance	3,855	92	1,853	2,094
Miscellaneous financial loss	484	29	465	48
Medical expense insurance	2,854	638	(118)	3,610
Workers compensation insurance	508	12	408	112
Total	**75,301**	**3,413**	**55,359**	**23,354**

** Any differences between totals and the individual items in the table above are due to rounding*

Technical provisions are calculated on a treaty-by-treaty basis. Future premium estimates are provided by the Company in accordance with the Company's calendarised plan, as used for budgeting, the Company's ORSA process and the premium volume measure in the Company's SCR calculation.

Motor vehicle liability insurance and other motor insurance is quota share reinsurance of US non-standard auto business. For US non-standard auto business not in run-off, the claim provisions were reviewed and validated by the Actuarial Function using a variety of actuarial methods - Chain Ladder, Bornhuetter Ferguson, Cape Cod and Average Cost per Claim - applied to paid and incurred loss triangles, segmented by business line.

Marine, Aviation and Transport, Fire and other damage to Property insurance, General Liability insurance and Non-proportional Casualty reinsurance arise from a number of reinsurance treaties of multi-line insurance/reinsurance companies. The claim provisions are based on a combination of the losses reported by the cedants (including cedant estimates of IBNR), benchmark data and the Company's actuaries' view of the expected loss for these treaties. As the treaties mature more weight has been placed on the reported losses.

Non-proportional marine, aviation and transport reinsurance and non-proportional property reinsurance is characterised by large losses with short reporting delays and the claim provision is mainly based on reported claims. This business is written on both an open market basis and assumed indirectly through our FAL account.

Reserving for FAL business is based on the syndicate quarterly reports, supplemented by syndicate and market information and validated by the Actuarial function.

A loading for Events not in Data (ENID) is applied to the claim and premium reserves, and payables and receivables not past due are allocated to the technical provisions.

Risk Margin

The Risk Margin is in addition to the Best Estimate of Liabilities to ensure that the value of the technical provisions as a whole is equivalent to the amount that an insurance undertaking would be expected to require to take over and meet the insurance obligations of the Company.

The Company uses Method 1 listed in Guideline 62 of EIOPA's Guidelines on the valuation of technical provisions to calculate its risk margin; this is the most sophisticated of the simplifications permitted.

Difference in Bases of Valuation for Solvency Purposes and for the Financial Statements

The financial statement Irish GAAP reserves are used as the starting point for the claim provision.

The UPR in the financial statements is multiplied by the expected loss ratio (by treaty) to derive the premium provision in respect of written premium. Other adjustments included in the Solvency II technical provisions include:

- Inclusion of Written but not Incepted treaties;
- Inclusion of payables and receivables that are not past due, including future premiums;
- Addition of loading for ENID;
- Adjustment for retrocession default;
- Inclusion of profit commission reserve; and
- Discounting.

The Solvency II technical provisions are discounted at the EIOPA-prescribed risk-free interest rate.

Uncertainty associated with Best Estimate of Liabilities

Projections of future ultimate losses and loss expenses for claim provisions are subject to considerable uncertainty, particularly for liability classes. The losses are affected by many factors, including emergence of latent claims, or new types of claims, claims inflation, changes in court awards, legal judgements and reporting delays. To the extent that these factors are present in the historical data (including benchmark data) they are allowed for in the projections; in other cases, an additional loading for ENID is added where appropriate.

Premium provisions are subject to greater uncertainty - in addition to the factors above which apply equally to premium provisions, the premium provisions relate to future exposure periods and so are exposed to loss events, including catastrophe events, fire, windstorm, flood, hail, freeze etc. An additional loading for ENID is added where appropriate.

Other sources of uncertainty include payments being faster or slower than expected, expenses being different than expected or failure of a retrocession counterparty.

Claims Provisions

The main risks to the Company's claim provisions are:
- The emergence of large losses;
- Deterioration of existing losses; and
- Deterioration of reserves on existing treaties.

Premium Provisions

The main risks to the Company's premium provisions are:
- Catastrophes/large losses on catastrophe transactions; and
- Performance of the London market transactions being worse than expected.

Changes in Technical Provisions

There have been no material changes in the level of technical provisions other than organic changes as some treaties have run-off and other new business has been written or renewed. There have been no material changes in the relevant assumptions made in the calculation of the Technical Provisions compared to the calculation of Technical Provisions for the 2020 year-end.

Adjustments and Transitional Measures

The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Furthermore, the extrapolation of the risk-free interest rate term structure referred to in Article 77a of Directive 2009/138/EC is not applicable. Therefore, the assessments referred to in points (a), (b) and (c) of the first subparagraph of Article 44 of Directive 2009/138/EC were not necessary.

The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Retrocession Recoverables

The recoverables from reinsurance (retrocession) contracts in the Technical Provisions are from a number of Quota Share treaties and are calculated by application of the ceded proportion.

D.3 Other liabilities

Other liabilities held by the Company as at 31 December 2021 were as follows:

Other Liabilities	2021 GAAP Accounting Basis	2021 SII Valuation Principles	2021 Difference in Valuation	2020 GAAP Accounting Basis	2020 SII Valuation Principles	2020 Difference in Valuation
	(US$ in thousands)			(US$ in thousands)		
Reinsurance payables	19,696	—	19,696	11,330	—	11,330
Payables (trade, not insurance)	1,039	1,039	—	3,829	3,829	—
Deposits from reinsurers	128,216	128,216	—	59,327	59,327	—
Deferred tax liability	—	1,150	(1,150)	—	563	(563)
Total other liabilities	**148,951**	**130,405**	**18,546**	**74,486**	**63,719**	**10,767**

** Other liabilities does not include Technical Provisions (see Section D2)*

Reinsurance payables

Reinsurance payables are reclassified to net technical provisions for Solvency II purposes, and discounted at the risk-free rate to the present value. Under Irish GAAP reinsurance payables are held at amortized cost.

Payables (trade, not insurance)

Trade payables comprise of trade accruals and other sundry payables not related to insurance. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deposits from reinsurers

Deposits from reinsurers comprise of funds withheld pledged as collateral on reinsurance arrangements. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deferred tax liability

Deferred tax liabilities are calculated on all timing differences that have originated but not reversed at the reporting date. These obligations are recalculated based on the Solvency II Balance Sheet and may give rise to an additional deferred tax asset or liability.

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information for valuation

All material information regarding the Company’s valuation for solvency purposes is disclosed in the above sections.

E. Capital Management

E.1 Own funds

The Company's ordinary share capital and share premium is owned by a single shareholder being the immediate and ultimate parent of the Company. There were no restrictions on the availability of the Company's own funds to support the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR"). Own funds comprises the following tier structure;

	Basic Own Funds 31 December 2021				
	Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
	(US$ in thousands)				
Ordinary share capital (gross of own shares)	10,000	10,000	—	—	—
Share premium account related to ordinary share capital	70,500	70,500	—	—	—
Share-based payment reserves	1,739	1,739	—	—	—
Reconciliation reserve	(17,022)	(17,022)	—	—	—
An amount equal to the value of net deferred tax assets	—	—	—	—	—
Total Basic Own Funds	**65,217**	**65,217**	**—**	**—**	**—**

	Basic Own Funds 31 December 2020				
	Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
	(US$ in thousands)				
Ordinary share capital (gross of own shares)	10,000	10,000	—	—	—
Share premium account related to ordinary share capital	70,500	70,500	—	—	—
Share-based payment reserves	1,336	1,336	—	—	—
Reconciliation reserve	(25,111)	(25,111)	—	—	—
An amount equal to the value of net deferred tax assets	—	—	—	—	—
Total Basic Own Funds	**56,726**	**56,725**	**—**	**—**	**—**

During the year ended 31 December 2021, US$403,190 (2020: US$351,128) of the group share based benefit expense was recognised in the Company's equity as capital contribution from the parent.

No additional capital contributions (2020: US$20,500,000) were received from Greenlight Capital Re, Ltd. in 2021.

The total eligible amount of basic own funds to cover the SCR and MCR is as follows:

	2021		**2020**	
	SCR	**MCR**	**SCR**	**MCR**
	(US$ in thousands)		**(US$ in thousands)**	
Capital Requirement	42,267	10,567	27,784	6,946
Basic Own Funds	65,217	65,217	56,724	56,724
Surplus capital	22,950	54,650	28,940	49,778
Solvency cover	154%	617%	204%	817%

The reconciliation between equity in the financial statements and the basic own funds for solvency purposes, as at 31 December 2021 and 2020, is presented in the following tables:

Reconciliation between Equity & Basic Own Funds	**2021**	**2020**
	(US$ in thousands)	
Ordinary share capital (net of own shares)	10,000	10,000
Share premium account related to ordinary share capital	70,500	70,500
Share-based payment reserves	1,739	1,336
Surplus funds	(25,073)	(29,051)
Total equity in the financial statements	**57,166**	**52,784**
Differences in valuation of technical provisions	**9,201**	**4,503**
Differences in valuation of deferred tax asset	**(1,150)**	**(563)**
Total differences	**8,051**	**3,940**
Total basic own funds under Solvency II	**65,217**	**56,724**

There are no restrictions on the availability of the Company's own funds and no deductions have been applied. The Company does not hold any ancillary own funds and none of the Company's basic own funds are subject to transitional arrangements. The Company does not plan any material changes in the make-up of it's own funds over the future planning period. There were no dividends paid during the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31 December 2021, the Company has an SCR of US$42.3m and MCR of US$10.6m. The Company has used EIOPA's Solvency II Standard Formula in determining the calculation of the SCR. The following table comprises the components of the SCR as at 31 December 2021 and 2020:

Components of the SCR:	**2021 (US$ in thousands)**	**2020 (US$ in thousands)**
Market risk	8,766	9,083
Health underwriting	2,871	5,575
Non-Life underwriting	20,976	14,381
Counterparty default risk	15,073	8,075
Overall diversification effect	(12,180)	(11,589)
Basic SCR	35,506	25,525
Operational risk	6,761	2,259
Loss-absorbing capacity of deferred taxes	—	—
SCR	42,267	27,784

The Company uses the Standard Formula calculation as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them to be appropriate for the Company. The Company has not used any simplified calculations or applied any Company specific parameters, and there were no capital add-ons requiring justification by the CBI.

The SCR has increased from US$27.8m at 31 December 2020 to US$42.3m at 31 December 2021. The non-life risk charge has increased by US$6.6m due to the expansion of the business portfolio in the FAL and specialty markets. Health Underwriting risk has decreased compared to the prior year as a result of a non-renewal of a medical stop loss contract in 2021. The counterparty risk charge has increased by US$7.0m primarily due to the increase in the FAL and specialty business as they are 80% ceded to GRL an A-rated reinsurer.

The table below shows the inputs into the MCR calculation and the Absolute Floor of the Minimum Capital Requirement ("AMCR") 31 December 2021 and 2020:

	2021 (US$ in thousands)	**Parameters % of SCR**	**2020 (US$ in thousands)**	**Parameters % of SCR**
AMCR	4,095		4,402	
Cap	19,020	45%	12,503	45%
Floor	10,567	25%	6,946	25%
MCR	10,567		6,946	

The AMCR is the US$ equivalent of €3.6m, as defined for reinsurance undertakings in Article 129 (1d) (iii) of the Solvency II Directive. The MCR is the result of a specified linear formula subject to a floor of 25% and a cap of 45% of the SCR calculated based on the standard formula model. As at 31 December 2021, the Company's MCR is equal to the floor of the linear formula, being 25% of the SCR (2020: 25%).

E.3 Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

The Company applies the Standard Formula model and does not use an internal model to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has been continuously compliant with both the MCR and the SCR throughout the reporting period. The Company has reviewed the possibility of non-compliance under several stresses in Section C.7. In all non runoff scenarios the Company's SCR and MCR remains in excess of 100%.

E.6 Any other information on capital management

Risks not covered by the Standard Formula Model

While the Company feels that all material quantifiable risks are fully covered in the Standard Formula, certain underlying assumptions within the Formula may not accurately reflect the risk profile of the Company. The most material differences that impact the Standard Formula are:

- Whole-account aggregate stop-loss - cannot be applied under the Standard Formula in a manner which reflects the commercial effect.
- Long-short equity investments - no credit is given for short positions or the ability to reallocate to other securities (such as cash or bonds) in a short time-frame.
- Funds withheld treatment - counterparty credit exposure to GRL is mitigated by the funds withheld nature of our FAL business, where we do not pay any reinsurance premium to GRL until the conclusion of the contract.

All other material information on capital management has been disclosed.

F. Public Quantitative Reporting Templates

Annex I

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	500
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	26,793
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	364
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	364
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	11,875
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	14,554
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	118,189
Non-life and health similar to non-life	**R0280**	118,189
Non-life excluding health	**R0290**	117,538
Health similar to non-life	**R0300**	651
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	182,686
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	1
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	19,362
Any other assets, not elsewhere shown	**R0420**	67
Total assets	**R0500**	347,598

Annex I
S.02.01.02
Balance sheet

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	**R0510**	151,976
Technical provisions – non-life (excluding health)	**R0520**	150,534
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	146,266
Risk margin	**R0550**	4,268
Technical provisions - health (similar to non-life)	**R0560**	1,442
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	1,052
Risk margin	**R0590**	390
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	128,216
Deferred tax liabilities	**R0780**	1,150
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	1,039
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	282,381
Excess of assets over liabilities	**R1000**	65,217

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								Line of business for:			Total
		Medical expense 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	Miscellaneous financial loss	Casualty	Marine, aviation, transport	Property	
		C0010	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0120**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written													
Gross - Direct Business	**R0110**												
Gross - Proportional reinsurance accepted	**R0120**	15,610	61	17,811	1,493	25,500	77,452	49,213	2,973				190,114
Gross - Non-proportional reinsurance accepted	**R0130**									1,040	10,134	4,320	15,493
Reinsurers' share	**R0140**	749	51	7,419	23	20,578	62,039	39,489	2,381	882	8,358	3,796	145,765
Net	**R0200**	14,861	10	10,392	1,470	4,922	15,413	9,724	593	157	1,776	524	59,842
Premiums earned													
Gross - Direct Business	**R0210**												
Gross - Proportional reinsurance accepted	**R0220**	22,959	30	14,950	1,582	15,855	46,344	31,050	1,826				134,596
Gross - Non-proportional reinsurance accepted	**R0230**									1,727	9,026	4,054	14,807
Reinsurers' share	**R0240**	632	26	4,560	23	12,830	37,073	24,835	1,479	1,469	7,536	3,636	94,099
Net	**R0300**	22,328	4	10,390	1,558	3,025	9,271	6,215	347	258	1,490	418	55,304
Claims incurred													
Gross - Direct Business	**R0310**												
Gross - Proportional reinsurance accepted	**R0320**	17,679	31	6,660	436	10,935	33,743	20,134	1,118				90,736
Gross - Non-proportional reinsurance accepted	**R0330**									449	4,156	-9	4,596
Reinsurers' share	**R0340**	398	25	1,765	-197	8,748	26,996	16,199	894	359	3,325	-11	58,501
Net	**R0400**	17,281	6	4,894	633	2,187	6,748	3,935	223	90	831	2	36,830
Changes in other technical provisions													
Gross - Direct Business	**R0410**												
Gross - Proportional reinsurance accepted	**R0420**												
Gross - Non- proportional reinsurance accepted	**R0430**												
Reinsurers'share	**R0440**												
Net	**R0500**												
Expenses incurred	**R0550**	7,671	1	3,088	475	-900	2,976	877	251	746	692	330	16,209
Other expenses	**R1200**												
Total expenses	**R1300**												16,209

Annex I

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	US	KY	AE	IN	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	2,522	152,970	24,941	3,541	1,988	843	186,805
Gross - Non-proportional reinsurance accepted	R0130		8,029	2,747	2,113	807	1,115	14,812
Reinsurers' share	R0140	2,018	128,800	2,197	5,768	2,236	1,566	142,585
Net	R0200	504	32,200	25,490	-113	559	392	59,032
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	587	94,656	33,228	1,530	1,369	1,833	133,203
Gross - Non-proportional reinsurance accepted	R0230		8,781	2,144	1,453	800	1,027	14,205
Reinsurers' share	R0240	469	82,586	1,717	3,671	1,735	2,332	92,511
Net	R0300	117	20,850	33,655	-689	434	529	54,896
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	352	62,612	21,061	902	954	913	86,795
Gross - Non-proportional reinsurance accepted	R0330		3,656	1,886	-158	132	-1,104	4,413
Reinsurers' share	R0340	282	53,016	1,509	596	869	-153	56,119
Net	R0400	70	13,252	21,438	149	217	-38	35,088
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550	16	4,848	11,507	-140	-11	-32	16,187
Other expenses	R1200							
Total expenses	R1300							16,187

Annex I
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	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	Miscellaneous financial loss	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0130	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010													
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050													
Technical provisions calculated as a sum of BE and RM														
Best estimate														
Premium provisions														
Gross	R0060	-673	-85	2,780	39	-1,640	15,897	7,350	-66	627	-165	-2,027	-432	21,605
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-25	-42	2,012	0	658	15,311	8,045	-21	516	-128	-2,382	-466	23,477
Net Best Estimate of Premium Provisions	R0150	-648	-43	768	39	-2,298	586	-695	-45	111	-37	355	34	-1,872
Claims provisions														
Gross	R0160	1,301	509	11,888	2,154	16,715	36,211	30,021		1,029	9,029	11,010	5,845	125,713
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	309	410	5,976	1,132	13,040	28,532	23,673		817	7,325	8,853	4,646	94,712
Net Best Estimate of Claims Provisions	R0250	992	100	5,912	1,023	3,676	7,679	6,348		212	1,705	2,158	1,199	31,001
Total Best estimate - gross	R0260	628	424	14,668	2,193	15,075	52,108	37,371	-66	1,656	8,864	8,984	5,413	147,318
Total Best estimate - net	R0270	344	57	6,681	1,062	1,378	8,265	5,653	-45	323	1,668	2,513	1,233	29,129
Risk margin	R0280	383	7	436	69	946	967	1,104	10	36	186	366	146	4,658
Amount of the transitional on Technical Provisions														
Technical Provisions calculated as a whole	R0290													
Best estimate	R0300													
Risk margin	R0310													
Technical provisions - total														
Technical provisions - total	R0320	1,011	431	15,104	2,262	16,022	53,075	38,476	-56	1,692	9,051	9,350	5,559	151,976
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	284	367	7,987	1,132	13,697	43,843	31,719	-21	1,333	7,196	6,471	4,180	118,189
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	727	63	7,117	1,131	2,324	9,231	6,757	-36	359	1,854	2,879	1,380	33,787

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]

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

		Development year												In Current year	Sum of years (cumulative)
	Year		1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											-27	R0100	-27	45,294
2012	R0160	193	27,233	30,657	3,016	814	1,000	32	-312	-25	41		R0160	41	62,649
2013	R0170	74	15,383	15,737	1,414	327	-125	-87					R0170		32,723
2014	R0180	3,643	28,956	23,537	4,753	6,238	2,326	6,371	988				R0180	988	76,814
2015	R0190	6,222	27,269	8,521	4,495	3,266	-1,253	243					R0190	243	48,763
2016	R0200	8,488	34,946	10,679	4,345	39	240						R0200	240	58,738
2017	R0210	4,830	23,308	44,579	10,692	3,299							R0210	3,299	86,707
2018	R0220	2,556	7,324	11,735	4,571								R0220	4,571	26,186
2019	R0230	3,046	13,883	10,389									R0230	10,389	27,319
2020	R0240	3,812	22,294										R0240	22,294	26,105
2021	R0250	6,675											R0250	6,675	6,675
												Total	R0260	48,713	497,975

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
	Year		1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											-35	R0100	-35
2012	R0160					1,222	181	152	-1	53	30		R0160	30
2013	R0170				1,020	-7	124	-111	-113	-4			R0170	-4
2014	R0180			9,638	5,075	21,272	8,957	7,884	9,262				R0180	9,130
2015	R0190		17,535	12,096	3,047	2,617	1,489	506					R0190	504
2016	R0200	16,518	26,896	4,114	5,164	3,128	317						R0200	316
2017	R0210	13,333	10,826	17,973	13,020	8,239							R0210	8,203
2018	R0220	8,475	15,769	21,143	18,463								R0220	18,027
2019	R0230	7,116	15,817	8,657									R0230	8,603
2020	R0240	14,351	22,719										R0240	22,439
2021	R0250	59,783											R0250	58,500
												Total	R0260	125,713

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	10,000	10,000			
Share premium account related to ordinary share capital	R0030	72,239	72,239			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-17,021	-17,021			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	65,217	65,217			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	65,217	65,217			
Total available own funds to meet the MCR	R0510	65,217	65,217			
Total eligible own funds to meet the SCR	R0540	65,217	65,217			
Total eligible own funds to meet the MCR	R0550	65,217	65,217			
SCR	R0580	42,267				
MCR	R0600	10,567				
Ratio of Eligible own funds to SCR	R0620	154.30%				
Ratio of Eligible own funds to MCR	R0640	617.20%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	65,217
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	82,239
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-17,021
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	10,991
Total Expected profits included in future premiums (EPIFP)	R0790	10,991

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	8,766		
Counterparty default risk	**R0020**	15,073		
Life underwriting risk	**R0030**			
Health underwriting risk	**R0040**	2,871		
Non-life underwriting risk	**R0050**	20,976		
Diversification	**R0060**	-12,180		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	35,506		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	6,761
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	42,267
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	42,267
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

Annex I
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
MCR_{NL} Result	**R0010**	8,606

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	344	14,861
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**	57	10
Motor vehicle liability insurance and proportional reinsurance	**R0050**	6,681	10,392
Other motor insurance and proportional reinsurance	**R0060**	1,062	1,470
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	1,378	4,922
Fire and other damage to property insurance and proportional reinsurance	**R0080**	8,265	15,413
General liability insurance and proportional reinsurance	**R0090**	5,653	9,724
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	323	593
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**	1,668	157
Non-proportional marine, aviation and transport reinsurance	**R0160**	2,513	1,776
Non-proportional property reinsurance	**R0170**	1,233	524

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	8,606
SCR	**R0310**	42,267
MCR cap	**R0320**	19,020
MCR floor	**R0330**	10,567
Combined MCR	**R0340**	10,567
Absolute floor of the MCR	**R0350**	4,095
		C0070
Minimum Capital Requirement	**R0400**	10,567