

Lloyd's Insurance Company S.A. SFCR 2022

(Solvency and Financial Condition Report 2022)

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INTRODUCTION

This is the fifth Solvency and Financial Condition Report (SFCR) for Lloyd's Insurance Company SA (hereafter "LIC"), authorised and regulated by the National Bank of Belgium (NBB) and regulated by the Financial Services & Markets Authority (FSMA).

LIC's corporate strategy is to offer non-life insurance and reinsurance to policyholders throughout the EU and EEA. It does this through a network of EU/EEA authorised intermediaries or through the activities of its own underwriters.

This SFCR therefore gives an overview of the company as at 31 December 2022 through its:

- Business and Performance
- System of Governance
- Risk Profile
- Valuation for Solvency Purposes
- Capital Management

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 Name and legal form of undertaking

Lloyd's Insurance Company S.A (hereafter "LIC") is a limited liability insurance company under the Belgian law. LIC is headquartered at Bastion Tower, Place du Champ de Mars 5, 1050 Ixelles and is also known under the commercial name 'Lloyd's Europe'.

A.1.2 Supervisory authority responsible for financial supervision

LIC's activity is conducted according to Solvency II and to Belgian legislation and regulation. LIC is an insurance company authorised and regulated by the National Bank of Belgium (NBB) under Number 3094. The address of the NBB is as follows:

National Bank of Belgium
Boulevard de Berlaimont 14
1000 Brussels

A.1.3 External auditor of the undertaking

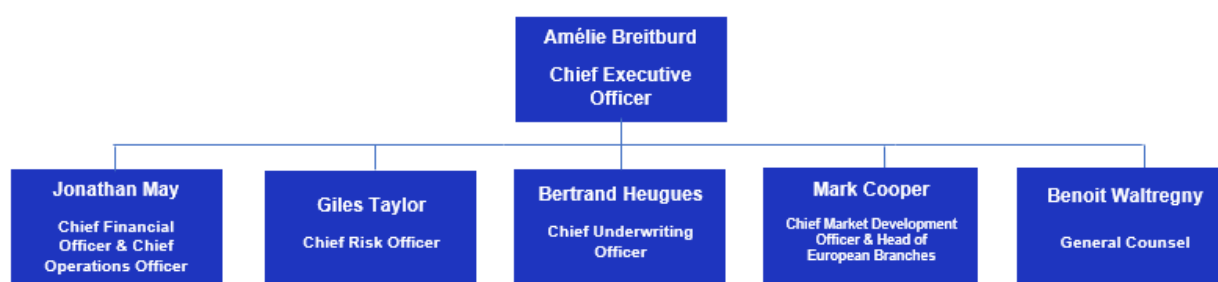
The independent auditors of LIC are:

PwC Bedrijfsrevisoren BV / PwC Réviseurs d'Entreprises SRL
Culliganlaan 5
1831 Diegem
Belgium

A.1.4 Structure of undertaking

LIC is headquartered in Brussels with the following management committee:

Figure A.1: Management committee as at year end 2022



LIC does not have any material related undertakings.

A.1.5 Material lines of business and geographical areas

LIC offers non-life insurance and reinsurance for risks located in the European Economic Area (EEA), the UK and Monaco.

The type of business written by the company is a diverse mix of (re)insurance business focussed mainly on specialty property and casualty classes of business. LIC's business focus reflects the reputation of its parent as a marketplace for specialist underwriting skills for large and complex commercial risk. LIC operates across the EEA through Freedom of Establishment and / or Freedom of Services permissions.

The company is also authorised by the Ministry of Finance in Monaco to write insurance risks located in Monaco.

LIC currently has offices and employees in the following jurisdictions: France, Germany, Ireland, Italy, the Netherlands, Poland, Spain and Sweden. It also has a branch in the UK, authorised by the PRA and FCA under the UK Temporary Permissions Regime, and with a pending application for full third country branch authorisation.

LIC's authorisations are held in the following classes of business:

| | | | |
|---|--------------------------------------------------|----|----------------------------------------------------------|
| 1 | Accident | 10 | Motor vehicle liability |
| 2 | Sickness | 11 | Aircraft liability |
| | | | Liability for ships (sea, lake, river and canal vessels) |
| 3 | Land vehicles (other than railway rolling stock) | 12 | |
| 4 | Railway rolling stock | 13 | General liability |
| 5 | Aircraft | 14 | Credit |
| 6 | Ships (sea, lake, river and canal vessels) | 15 | Suretyship |
| | Goods in transit (inc. merchandise, baggage and | | |
| 7 | other goods | 16 | Miscellaneous financial loss |
| 8 | Fire and natural forces | 17 | Legal expenses |
| 9 | Other damage to property | 18 | Assistance |

In addition, LIC participates in public tender bids for public sector insurances in a small number of EEA countries. Owing to the size and diversity of the company's underwriting strategy, the market segments addressed range across the whole spectrum of customers, from reinsureds to large commercial policyholders to individual retail customers, and a wide-ranging portfolio of business.

100% of all risks written are reinsured by LIC to Lloyd's Syndicates.

A.1.6 Significant events during the reporting period

The important events that occurred during the reporting period are stated in the table below:

Table A.1: The following significant events occurred during the reporting period:

| | |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Implementation of IDD Operating Model | As from January 2022, LIC has implemented a new operating model for the activities that fall into the scope of the Insurance Distribution Directive. |
| Integration of local office in Europe | In 2022, the Italian office was legally integrated into LIC. |
| Ukraine aviation claims | <p>The conflict in Ukraine and related claims continue to be actively monitored by Lloyds Insurance Company to provide assurance that risks are appropriately reserved for as the situation evolves. Our industry continues to work closely with governments and regulators across the world to monitor and ensure we interpret and enact sanctions requirements, together with other legal and regulatory obligations, appropriately.</p> <p>Specifically, Lloyds Insurance Company is monitoring claims in relation to aircraft lessors, and has received notification of legal proceedings. These legal proceedings are at an early stage.</p> |
| Heightened inflationary environment | The heightened inflationary environment impacts various risks including reserves. The Society of Lloyd's has established a cross-functional working group to collate inflation estimates across all classes of business at Lloyd's market level. This thematic review has been mapped appropriately to LIC business lines to factor excess inflation into the reserving decisions. |
| Strategic asset allocation | The investment strategy has been reviewed and updated in 2022 in order to better reflect the nature of LIC's business and manage the underlying risks whilst generating a return on the portfolio by investing in investment funds and in different currencies. LIC holds investments to meet its expense and capital requirements and follows a conservative investment strategy targeting 70% short-term, high quality, government and corporate bonds along with around 30% equity type assets and a non-EUR currency allocation of 35%. In today's economic environment equity type assets allow a natural hedge to inflation which complements the fixed income portfolio. |

A.1.7 Business objectives

LIC's business objectives are in pursuit of maintaining its position as one of the leading insurers across the EEA. The overarching objective of LIC's market development function is two-fold. First, LIC aims to sustainably maintain and grow its business in Europe and second, it aims to reduce the cost of accessing LIC. The successful achievement of these two objectives in tandem will support the development of an insurance platform that provides superior value to its customers and distribution partners.

LIC's underwriting objective is to ensure that it writes profitable business in lines and areas that add value to our clients and stakeholders focussing where possible on Speciality lines - something for which the Lloyd's market is renowned.

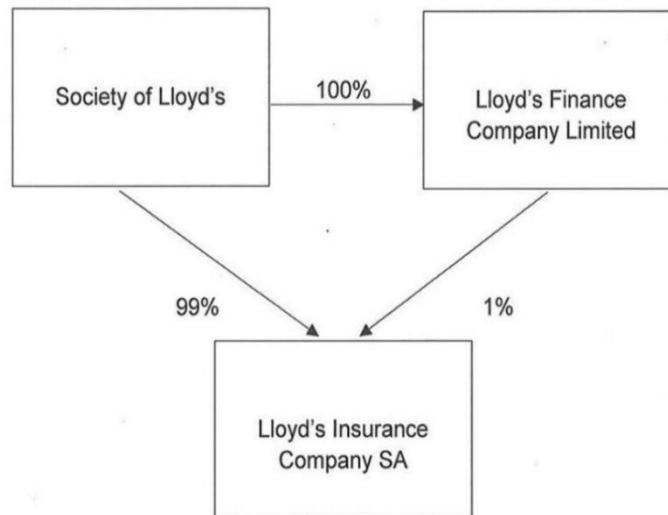
From a distribution perspective LIC continues to work across its main stakeholder groups – Customers, Coverholders, Risk Managers and Brokers.

A.1.8 Details of group structure

99% of the share capital in LIC is directly owned by The Society Incorporated by Lloyd's Act 1871 By The Name of Lloyd's ("Society of Lloyd's"), with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.

1% of the share capital in LIC is directly owned by Lloyd's Finance Company Limited, a limited liability company incorporated in England and Wales, registered under number 10896 566 (LFCL), with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.

100 % of the share capital in LFCL is directly owned by the Society of Lloyd's.



LIC's parent organisation, the Society of Lloyd's, operates a global insurance marketplace of underwriting members.

The Lloyd's market consists of underwriting members that form syndicates. Each syndicate is run by a managing agent, to whom all underwriting and other authority is granted by each underwriting member. The (re)insurance business written at Lloyd's is placed by brokers and coverholders with specialist syndicates, whose – for non-IDD business - underwriting staff price and underwrite the risks. For Open market IDD business, the underwriting activities are either undertaken by staff of the LIC UK Branch who are seconded by Managing Agents, or via delegated Service Companies who are registered and authorized in the EEA. Much of the insurance capacity available at Lloyd's is provided on a subscription basis, i.e., where Lloyd's syndicates co-insure risks. This type of structure, combined with the choice, flexibility and financial security of the market, makes Lloyd's the world's leading specialist insurance marketplace.

A.2 Underwriting Performance

A.2.1 Performance overview

LIC prepares its financial statements in accordance with BEGAAP, the table below presents the underwriting performance for the year ended 31 December 2022 together with comparative information.

LIC is 100% reinsured, therefore net earned premium and net claims are nil and LIC's income consists of reinsurance commission. LIC's underwriting performance is the excess/deficit of earned reinsurance commission over incurred expenses. Reinsurance commission is included as an offset in expenses incurred reported here.

Table A.2: Performance over current and previous reporting periods

| | 2022 mEUR | 2021 mEUR |
|------------------------------|----------------------|----------------------|
| Gross written premium | 3,736.4 | 3,093.1 |
| Gross earned premium | 3,330.7 | 2,795.5 |
| Net earned premium | 0.0 | 0.0 |
| Gross claims incurred | 2,758.6 | 1,421.6 |
| Net insurance result | 0.0 | 0.0 |
| Gross combined ratio | 107% | 76% |

The year 2022 saw material premium growth largely due to inflation of exposure, which is in line with the inflationary economic environment, as well as hardening of insurance rates that are in-line with the current insurance cycle. Before the invasion of Ukraine in February 2022, several casualty, aviation and property reinsurance lines exhibited rate hardening, the latter as a response to the storms and floods in Europe in June and July 2021 together with tightening of reinsurance conditions.

LIC has underwritten aviation lessors' contingent and possessed insurances in favour of aircraft lessors under which claims have been made arising from aircraft and engines in Russia or Ukraine or aircraft and engines that could not be repossessed so far by lessors outside Russia. In addition to aviation exposure, LIC has underwritten vessels war and confiscation insurances in favour of shipping companies under which claims have been made arising from vessels stuck in Black Sea ports and shipyards.

A multi-year trend of growing Cyber insurance in Europe continued during 2022.

Lloyd's Europe underwrote several property excess-of-loss reinsurance policies during 2021 in favour of European mostly insurance and reinsurance companies. Claims related to the storms and floods in Europe in June and July 2021 matured in 2022 with several payments being made. Lloyd's Europe's known exposures are in the order of EUR230m.

On 15 January 2022, an underwater oil pipeline caused a spill when a European-flagged tanker, was unloading. Lloyd's Europe underwrote a marine liability policy which gave rise to two large claims. The claims are close to being finalised with liability to Lloyd's Europe in the order of EUR220m.

A.2.2 Performance by Solvency II line of business

The tables below provide a summary of the key performance indicators for the material Solvency II lines of business underwritten by LIC for the current and prior year. The values in the tables are consistent with BEGAAP and are prepared on the same basis as QRT S.05.01.01.

Table A.3: Performance in 2022 by Solvency II line of business

| 31 December 2022 mEUR | General liability insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | Income protection insurance | Credit and suretyship insurance | Other | Total |
|--------------------------|-----------------------------|------------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|--------|----------|
| Gross written premium | 1,371.82 | 1,027.04 | 484.31 | 121.67 | 348.86 | 382.70 | 3,736.40 |
| Gross earned premium | 1,245.44 | 840.67 | 470.40 | 133.63 | 277.29 | 363.22 | 3,330.65 |
| Net earned premium | - | - | - | - | - | - | - |
| Gross claims incurred | 517.18 | 1,515.30 | 164.54 | 52.91 | 82.76 | 425.95 | 2,758.63 |
| Net insurance result | - | - | - | - | - | - | - |

Table A.4: Performance in 2021 by Solvency II line of business

| 31 December 2021 mEUR | General liability insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | Income protection insurance | Credit and suretyship insurance | Other | Total |
|--------------------------|-----------------------------|------------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|--------|----------|
| Gross written premium | 1,171.46 | 663.35 | 449.94 | 130.64 | 317.70 | 360.07 | 3,093.15 |
| Gross earned premium | 1,013.87 | 638.36 | 436.37 | 146.07 | 244.48 | 316.38 | 2,795.53 |
| Net earned premium | - | - | - | - | - | - | - |
| Gross claims incurred | 820.98 | 132.93 | 158.65 | 38.92 | 84.83 | 185.23 | 1,421.55 |
| Net insurance result | - | - | - | - | - | - | - |

In both tables above lines of business non-proportional casualty, marine, aviation, transport and property are included in the Other category.

A.2.3 Performance by material geographical areas

Underwriting performance within LIC's material geographical areas are shown in the table below. The results are prepared on the same basis as QRT S.05.02.01, i.e. by a mix of risk location and location from which premium is written.

Table A.5: Performance in 2022 by material country

| 31 December 2022 mEUR | France | Germany | Ireland | Netherlands | Italy | Home Country |
|--------------------------|--------|---------|---------|-------------|--------|-----------------|
| Gross written premium | 482.59 | 622.81 | 353.00 | 318.24 | 435.88 | 91.74 |
| Gross earned premium | 437.81 | 525.33 | 336.28 | 298.34 | 400.23 | 86.92 |
| Net earned premium | - | - | - | - | - | - |
| Gross claims incurred | 262.36 | 419.48 | 897.31 | 106.10 | 236.04 | 22.94 |
| Net insurance result | - | - | - | - | - | - |

Table A.6: Performance in 2021 by material country

| 31 December 2021 mEUR | France | Germany | Ireland | Netherlands | Italy | Home Country |
|--------------------------|--------|---------|---------|-------------|--------|-----------------|
| Gross written premium | 441.98 | 448.58 | 359.75 | 298.30 | 357.45 | 98.13 |
| Gross earned premium | 377.40 | 392.61 | 311.53 | 285.43 | 345.98 | 89.80 |
| Net earned premium | - | - | - | - | - | - |
| Gross claims incurred | 183.92 | 146.41 | 225.39 | 131.30 | 313.41 | 26.52 |
| Net insurance result | - | - | - | - | - | - |

The proportion of premium written in Germany increased during 2022. This is largely due to a migration of German inward reinsurance business to Lloyd's Europe at the end of the Brexit transition period.

A.3 Investment Performance

At the reporting date the Company's investments of 452.6 mEUR were held in 26% government bonds, 41% corporate bonds and 33% investment funds. An investment loss of 38.5 mEUR was made in the year 2022. Investment management expenses were at 0.5 mEUR leading to a net loss of 39.0 mEUR.

At 2021 year-end the Company had an investment portfolio of 498.4 mEUR on which it had made an investment loss of 3.9 mEUR and a net loss of 4.4 mEUR for the year 2021.

The investment strategy has been reviewed by the end of 2022 in order to better reflect the nature of LIC's business and manage the underlying risks generating a return on the portfolio by investing in investment funds and in different currencies.

LIC has no investment in securitisation or financial lease agreements, nor did it have at 2021 year-end.

A.4 Performance of other activities

The Company does not carry out any activities which are not directly connected to the provision of insurance.

A.5 Any other information

The Company does not have any other material information to disclose regarding business and performance.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 Management Bodies

B.1.1.1 Board of Directors

This chapter describes the composition, organisation, roles and responsibilities of the Board of Directors of Lloyd's Insurance Company SA (LIC).

Membership

The Board of Directors ("the Board") shall ordinarily comprise a minimum of seven and a maximum of nine natural persons provided that the majority of directors shall be non-executive and shall ordinarily include:

- The Chief Executive Officer, Chief Financial Officer, and Chief Risk Officer (the executive directors); and
- Minimum four non-executive directors, at least the majority shall be independent non-executive directors.

Functions, responsibilities and powers of the Board of Directors

The purpose of the Board is to undertake all actions necessary to achieve the objectives of the company, except for those which are reserved by law to the shareholders.

The Board created

- an Audit and Risk Committee, for which it has defined the competencies, which include at least the missions described in the Solvency II Law and the Company Law.
- a Nomination and Remuneration Committee, for which it defined the competencies.

The Board of Directors can also create from time to time any other consultative committees, whose missions it will define.

The Board shall perform the following functions and exercise the following powers:

General Company Policy

1. Setting the objectives, budget and strategy of the company;
2. Setting the company's economic requirements;
3. Approval of solvency reporting and the consolidated financial statements for the company including the annual report and accounts, interim accounts and social balance report;
4. Appointing members of the committees of the Board and determining their terms of office;

The Board shall also consider any matter referred to it by the Chief Executive Officer or the Management Committee including any major new business areas proposed, major projects or items of significant expenditure.

Risk Management

5. Considering and approving the risk appetite framework and annual ORSA report;

6. Approval of risk management policies;

The Board has the final responsibility for the effectiveness of the risk management system, for establishing the risk appetite and general risk tolerance limits of the company approving the main strategies and policies for risk management.

Supervision of management

7. Approval of the policy on reporting to the National Bank of Belgium ("NBB");
8. Approval of the Solvency and Financial Conditions Report and the Regulatory Supervisory Report;
9. Perform an annual assessment of the effectiveness of the system of governance, the internal audit function, the systems for operational and financial controls, to report the outcome of the governance review to the NBB and ensure that the Management Committee takes the necessary measures to remedy any shortcomings;
10. Oversee the performance of the Management Committee in the delivery of its functions including the achievement of the company's objectives, the implementation of general company policy, the internal risk and mitigation control systems, the financial reporting process, and compliance with applicable law, regulations best practice and internal policies;
11. Determine the measures defined as a response to Internal Audit findings;
12. Assess the yearly compliance report and associated actions and approve the compliance planning after advice from the Audit and Risk Committee.

Members of the Board should attend the Annual General Shareholders' Meeting of the company, unless this is held by written resolution.

The Board can request to receive the minutes of the Management Committee.

The Board shall review and reassess its Terms of Reference on an annual basis.

B.1.1.2 Audit and Risk Committee

Membership

Members of the Audit and Risk Committee ("ARC") are appointed by the Board, on proposal by the Nomination and Remuneration Committee.

The ARC shall ordinarily comprise a minimum of three and a maximum of five members who are non-executive directors, a majority of whom are independent non-executive Board directors.

The ARC members must have collective expertise in the field of the company's activity as well as in the area of audit and accounting. At least one of the independent non-executive Board directors shall have recent and relevant financial experience and competence in accounting and/or auditing. The ARC members shall individually possess the necessary knowledge, expertise, experience and proficiency to understand and comprehend the company's risk strategy and risk tolerance and must possess the necessary professional or academic background to be able to approach the subjects handled by the ARC with a critical mind.

Functions, responsibilities and powers of the Audit and Risk Committee

The purpose of the ARC is to assist the Board in its oversight duties in respect of the identification of and control by the management of material risks to the objectives of the company and to ensure that the financial activities of the company are subject to independent review and audit.

The ARC has an essential role to play as regards the supervisory function carried out by the Board and is responsible for the following tasks:

1. Notifying the Board of the results of the statutory audit of the annual accounts as well as clarifying the manner in which the statutory audit of the annual accounts contributed to the integrity of the financial reporting, and specifying the role of the audit committee in this process;
2. Review the annual report, the financial statements and interim financial statements prior to presentation to the Board and review and report to the Board on significant financial reporting issues and judgments which those statements contain having regard to matters communicated to it by the auditor;
3. Monitoring the financial reporting process and formulating recommendations or proposals to guarantee its integrity;
4. Monitoring the effectiveness of the company's internal control and risk management systems and monitoring the internal audit and its efficiency if there is any;
5. Monitoring the statutory audit of the annual accounts, which includes following-up on the questions and recommendations formulated by the statutory auditor;
6. Making recommendations to the Board with regards to the appointment of the statutory auditor, the termination or renewal of this mandate, and the audit fee;
7. Monitoring the company's relationship with its external auditors;
8. Discussing with the statutory auditor, before the audit commences, the nature and scope of the audit and to review the external audit plan;
9. Reviewing and monitoring the statutory auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Belgian professional and regulatory requirements;
10. Assessing and monitoring the independence of the statutory auditor and, particularly regarding the merit of providing additional non-audit services to the company. Developing and implementing a policy on the engagement of external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
11. Monitor and review the objectivity and effectiveness of the internal audit function in particular through reviewing and approving the annual internal audit plan, to consider any material matters which the internal auditors may wish to discuss (in the absence of management where necessary);
12. Where the ARC is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board;

In addition, the ARC provides advice to the Board on all aspects connected to the current and future risk strategy and risk tolerance, provides information to enable the Board to form an opinion as to the effectiveness of the risk management system set up by the Management Committee and support the

Board in exercising supervision of the implementation of that strategy by the Management Committee. More specifically, the tasks of the ARC consist of the following:

The risk strategy:

13. Giving its opinion to the Board on:
 - a) the sufficiency of the organisation of the resources available and powers for the identification, measurement, control and reporting of the main risks to which the company is exposed;
 - b) the appropriateness of the procedure for monitoring the risks on the basis of the challenges for the company in its various areas of business and especially of the segregation between the executive and control functions;
14. Providing advice to the Board on all aspects relating to the current and future risk strategy and risk tolerance;
15. Overseeing that the strategic decisions of the Board take into account the risks incurred by the company in view of its business model and risk strategy (including the reputational risks) that could arise from the types of products that are offered to clients;
16. Determining the nature, scale, form and frequency of the risk information that must be forwarded to the ARC;
17. Working with the NRC, in particular to supervise that the total amount allocated for variable compensation and the performance targets included in the remuneration policy are compatible with the company's risk profile;

The operation of the risk management function:

18. Research the procedures used by the company in accordance with the strategy laid down by the Board, to provide for hedging the risks associated with its assets, transactions, and its liability as a result of amended insurance policies;
19. Requesting all necessary information (at least the annual report) from the risk management and compliance function and finding out about the action plan and the follow-up of this plan by the risk management and compliance function;
20. Listening to the Chief Risk Officer and Chief Compliance Officer, providing advice to the Board on the organisation of the risk management and compliance function and finding out their work program; where applicable asking the Board to impose specific tasks to the risk management and/or compliance function;
21. Reviewing at least annually the risk appetite and risk limits and make recommendations as to their appropriateness to the Board;
22. Bring emerging risks to the attention of the Board;
23. Review and make recommendations to the Board regarding the company's economic capital requirements;
24. On a quarterly basis, review and annually recommend to the Board for approval the ORSA report;

25. Review and recommend for approval to the Board the annual risk plan and to monitor the progress against the plan respectively;
26. Review and approve annual compliance plan and ensure that appropriate arrangements are in place to ensure that the company's activities are in compliance with relevant laws and regulations;
27. Consider and approve the remit of the risk management function and ensure it has adequate independent appropriate access to resources and information to enable it to perform its functions effectively and in accordance with the relevant professional standards.

The Internal controls and risk management systems

28. Review the company's systems of control and approve the compliance statement and in particular to review:
 - a) The procedures for identifying business and market risks and controlling the financial impact on the company;
 - b) The company's policies for preventing and detecting fraud;
 - c) The operational effectiveness of the policies and procedures; and
 - d) Review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.
29. Ensure that appropriate arrangements are in place by which employees may, in confidence, raise concerns relating to possible improprieties relating to the company including in relation to financial matters.

The ARC shall be accountable to the Board for properly performing its functions and shall report to the Board on its tasks.

The ARC shall review its Terms of Reference on an annual basis.

B.1.1.3 Nomination and Remuneration Committee

Membership

Members of the Nomination and Remuneration Committee ("NRC") are appointed by the Board. The NRC shall ordinarily comprise a minimum of three Non-Executive Board Directors, at least one of whom is an independent Director of the Board.

The NRC committee must be composed in such a way so as to be able to form a competent opinion on the remuneration and nomination policies and supervision thereof.

The NRC shall appoint one of its members as the Chair. In the absence of the NRC Chair, the remaining members present shall elect one of themselves to chair the meeting.

Functions, responsibilities and powers of the Nomination and Remuneration Committee

In its role as **Nomination Committee**, the following responsibilities apply to the NRC:

1. Recommending to the Board, clear policies and standards for membership of the Board. Such policies shall be approved by the Board of Directors;

2. Prepare a written description of the role and capabilities for “Covered Person” (as defined in the Fit & Proper policy) appointments within the scope of the NRC, as defined on the Nomination Policy;
3. Satisfy itself with regard to succession planning, that processes and plans are in place with regard to the Management Committee, Board of Directors and independent control functions, taking into account the challenges and opportunities facing LIC;
4. Review a candidate’s other commitments and ensure that on appointment, a candidate has sufficient time to undertake the role;
5. Review that every Covered Person (as defined in the Fit & Proper policy) for the Management Committee, Board of Directors and independent control functions have and retains the required capabilities and qualifications including a review of skills and expertise (individual and collective);
6. Annually assess the external functions and conflicts of interest of all Covered Person (as defined in the Fit & Proper policy) for the Management Committee, Board of Directors and independent control functions.

In its role as **Remuneration Committee**, the NRC shall provide advice to the Board so that the incentives created by the remuneration policy are not of a nature so as to induce excessive risks being taken within the company, or behaviour that pursues interests other than the interest of the company and its stakeholders. In accordance with the Solvency II Law, the remuneration committee has the following tasks:

7. Giving advice on the company’s remuneration policy;
8. Preparing decisions on remuneration, in particular decisions that have consequences for the risks and risk management of the company and on which the board of directors must decide; and
9. Exercising direct supervision of the remuneration of those responsible for the independent control functions.

Remuneration Policy

10. To approve the list of “identified” Solvency II staff and ensure that the remuneration policy incorporates specific arrangements for Solvency II staff which meet the relevant criteria set out in the Solvency II regulation and any associated guidance from the National Bank of Belgium (“NBB”);
11. Within the terms of the remuneration policy and in consultation with the Board, the Chair of the Board and/or the Chief Executive Officer, as appropriate, to set the total remuneration package, including any bonuses and incentive payments for the Chief Executive Officer, each executive director, any other direct reports of the Chief Executive Officer and such other members of the executive management or other persons as it is designated to consider or where their remuneration levels are above such thresholds as the Committee may from time to time determine;
12. To obtain reliable, up to date information about remuneration in other companies that constitute a relevant benchmark for the type of activities and organization undertaken by LIC in EEA. In this regard LIC may appoint remuneration consultants or commission or purchase any relevant reports;

Incentive schemes

13. To oversee the operation of and make any amendments to any incentive schemes operated by the Company and agree any new schemes.
14. To examine whether the incentives created by the remuneration policy, including the promotion system, are not such as to encourage excessive risk-taking within the Company or promote

behaviour which pursues interests other than those of the Company and its stakeholders. Nor may a remuneration policy give rise to conflicts of interest, in particular to the detriment of clients to whom certain products are offered. The Committee may rely on information provided by the risk committee to propose changes to the decision of the management body relating to the variable remuneration;

Pensions and other benefits

15. To consider the policy for, and scope of, pension arrangements for the Chief Executive Officer, each of the executive directors, and any other direct reports of the Chief Executive Officer and such other members of the executive management or other persons as it is designated to consider or where their remuneration levels are above such thresholds as the Committee may from time to time determine;
16. To advise on any major changes in employee benefits structures throughout the Company and to review any proposed annual percentage increase in salary for all Company employees;

Appointment and Termination

17. To oversee any contractual terms on the appointment and termination of the Chief Executive Officer, an executive director or any other direct report of the Chief Executive Officer, and any payments made, to ensure that they are fair to the individual, and the company and that failure is not rewarded;

Evaluation

18. To review annually the performance the Chief Executive Officer, the executive directors, any other direct reports of the Chief Executive Officer and such other members of the executive management or other persons as it is designated to consider or where their remuneration levels are in line with such thresholds as the Committee may from time to time determine;
19. To annually decide on the evaluation of the independent control functions and determine their level of bonus

Other advice

20. Remuneration of members of the Board and members of their committees (other than where those members are executive directors) is decided upon by the shareholders. The Chair of the Board and the Chief Executive Officer may liaise and consult with the shareholders in this regard as they think appropriate;

The NRC shall consider such other matters as the Board may from time to time refer to the NRC.

B.1.1.4 Management Committee

This section describes the composition, organisation, roles and responsibilities of the Management Committee ("ManCo") of LIC, in line with the general company policy and strategy set by the Board of Directors and its members, as well with the obligations and relation to other company committees and corporate bodies.

Membership

The membership of the ManCo shall ordinarily comprise a minimum of three and a maximum of six natural persons and shall include the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the Chief Risk Officer ("CRO"), who are also members of the Board of Directors.

Appointments to ManCo are made by the Board from among the executive managers of the company or selected through an external selection process, and are subject to the approval of the NBB.

The ManCo is chaired by the CEO. In the absence of the CEO, the remaining members present shall elect one of themselves to chair the meeting.

Besides the CEO, CFO & COO and CRO, the members of the ManCo currently include the Chief Market Development Officer, the Chief Underwriting Officer and the General Counsel.

Functions, responsibilities and powers of ManCo

The purpose of ManCo is to ensure that the day to day management of the company's business activities are conducted in accordance with the general company policy set by the Board of Directors.

The functions of the ManCo shall be:

Objectives and strategy

1. The implementation of the strategy defined by, and the policies approved by, the Board of Directors by incorporating them into processes and procedures;
2. The management of the company's activities in accordance with the strategic objectives determined by the Board of Directors and in line with the risk tolerance limits and operational budget defined by the Board of Directors;
3. The submission of proposals and opinions, and giving advice, to the Board of Directors with a view to shaping the company's general policy and strategy;

Risk management

4. The incorporation of the risk appetite framework and overall risk management policy as defined by the Board of Directors into processes and procedures and overseeing the implementation of those policies and procedures;
5. To receive and review reports from the risk management function and the independent control functions to ensure that all of the relevant risks to which the company is exposed are identified, measured, managed, controlled and reported in an appropriate manner with appropriate internal controls in place;
6. Approving, recommending and reviewing policies and guidelines governing the company's underwriting risk, as well the processes and procedures relating to these;
7. Approving, recommending and reviewing policies and guidelines governing the company's counterparty risk, as well the processes and procedures relating to these;

Performance and operations

8. The implementation, monitoring and oversight of an organisational structure, including suitable internal controls, designed to support the strategic objectives and to conform with the risk appetite framework by specifying the powers, responsibilities, reporting lines and reporting procedures of each department;
9. The implementation of the organisational policies defined by the Board of Directors;

10. To ensure timely communication to the Board of Directors and/or where appropriate its sub-committees, all relevant information and data to enable the Board and its committees to monitor the company's activities and take informed decisions;
11. The prioritisation and allocation of resources in accordance with the budget set by the Board of Directors;
12. Ensuring compliance with relevant legislation and regulations and ensuring that the information and reporting requirements of the regulator and statutory auditor are met including but not limited to the provision, on an annual basis, of the solvency certification required under the Solvency II Act.

UK Branch and EU branches

13. In addition to its EEA branches, LIC is operating a branch in the United Kingdom. Next to the activities it undertakes towards the UK market, the LIC UK branch provides support to LIC in underwriting EEA risks where the policyholder is domiciled in the EEA;
14. Because of the unique nature of the LIC UK branch in the overall LIC structure, the ManCo ensures that there is a specific and effective control and oversight framework in place. Regular reports are provided to ManCo on the UK branch operations.

The ManCo acts as a collegial body and all decisions are made on the basis of a simple majority. In case a majority is not achieved, the CEO has the deciding vote.

Sub-committees to the ManCo

The ManCo has created four sub-committee to support and strengthen the ManCo in its functioning.

The ManCo appoints the Chairperson and the members of these sub-committees and establishes their Terms of Reference. Members may be staff working at LIC or at Lloyd's, working in the domain of expertise of the sub-committee. The Chairperson of each sub-committee reports on the findings of the sub-committees, for decision by the ManCo.

The four sub-committees of the ManCo are

- The Underwriting Committee
- The Outsourcing Committee
- The Data Management Committee
- The Reserving Committee

Duties of the ManCo and its members

The Chairperson shall be responsible for chairing and overseeing the performance of the ManCo in accordance with its Terms of Reference.

The ManCo shall review and reassess its Terms of Reference on an annual basis.

The ManCo holds its meetings during the meetings of the Executive Committee ("ExCo"), which is a broader and informal governance body. The members of the Executive Committee are all the members of the ManCo, together with a number of other key functions that are not necessarily requiring prior approval by the NBB. The rules as described in this document for the ManCo, shall also apply to the Exco when relevant and compatible with applicable laws and regulations.

B.1.2 Remuneration

LIC operates a total reward and recognition approach, which is designed to meet employee and company needs by providing rewards that are linked to individual performance and the delivery of LIC's objectives.

The total reward approach is supported by the following practices:

- The approach looks beyond base salary to the value of the total reward package in meeting the needs of officers and employees;
- It recognises and rewards superior performance;
- The remuneration practices are designed to promote and reward sound and effective risk management

LIC's remuneration approach is based on providing a package of rewards (salary plus benefits) that is business-driven, competitive, fair and flexible. It is also founded on the proposition that the ultimate source of value in the business is people.

B.1.2.1 Scope

A remuneration policy applies to all LIC employees.

A specific focus is put on all identified staff. 'Identified staff' are defined as all staff that have a material impact on the risks and results of LIC. This is defined as:

- Board of Directors (incl. Audit and Risk Committee), including Non-Executive Directors
- Management Committee
- Heads of the Key Functions (independent control functions)

"Risk-takers": The Human Resources Department annually initiates a process to analyse the professional profiles that may fall under the category called "Risk-Takers". Specific requirements can be defined for identified staff. This includes that the criteria for deciding any variable component of pay for heads of independent control functions may not be linked to the performance of an activity under its control.

B.1.2.2 Elements applicable to all employees

Key elements of the remuneration package which apply for all LIC employees are as follows:

Table B.1: Key elements

| Element | Purpose |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Base salary (fixed) | <ul style="list-style-type: none">• To appropriately recognise responsibilities and to be broadly market competitive |
| Annual bonus (Variable) | <ul style="list-style-type: none">• To link reward to short-term performance and contribution (not applicable for (independent) non-executive directors, Head of Internal Audit, the CRO and the CCO) |
| Lloyd's Performance Plan (Variable) | <ul style="list-style-type: none">• To offer an incentive which is directly linked to the profitability of the Lloyd's market (not applicable for (independent) non-executive directors) |

| | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benefits | <ul style="list-style-type: none"> To provide benefits in line with the market (not applicable for (independent) non-executive directors) |
| Pensions | <ul style="list-style-type: none"> To make pension provision(s) in line with the market (not applicable for (independent) non-executive directors) |

The elements are aligned to the remuneration practices of the shareholder, the Society of Lloyds.

The company remuneration packages include both fixed and variable components. The remuneration package for all LIC employees favours a higher proportion of the total remuneration being met by the fixed component (base salary) to reflect the nature and role of the organisation.

The Lloyd's Performance Plan (LPP) is applied. The LPP has been designed to meet strategic and risk-based objectives by enabling the Society (and LIC) to offer a variable incentive which is directly linked to the profitability of the Lloyd's market. LPP aims to encourage an attitude of partnership with the market by creating alignment to the overall performance of the Lloyd's market.

LIC offers employees the opportunity for pension provision and contributes to an employer sponsored arrangement.

B.1.3 Shareholdership

LIC total share capital is represented by 907,271 no par value registered shares and is currently held as follows:

- 99% of the share capital, being 898,273 shares, is held by the Corporation, with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.
- 1% of the share capital, being 8,998 shares, is held by Lloyd's Finance Company Limited "LFCL", with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.
- 100% of the share capital in LFC is directly owned by the Corporation.

Each share gives the right to one vote.

As described in Section A.1.6, the Italian office was transferred to Lloyd's Europe in 2022. As a result, the Corporation transferred the shares it held in the Lloyd's Italian entity to LIC. In return for these transfers and contributions, the capital of LIC increased and the Corporation received a corresponding number of shares in LIC's capital.

B.2 Fit and proper requirements

B.2.1 "Fit and Proper"

The LIC Fit and Proper framework and requirements are set out in its Fit and Proper Policy and Fit and Proper procedure. This policy and procedure sets out the principles and guidelines that must be applied to ensure compliance with the statutory and regulatory expertise and reliability requirements in the context of the risk management system in accordance with applicable law and regulations.

The Fit and Proper Policy covers the following elements:

- Fit and Proper requirements;
- Procedure, application and control framework; and
- Conduct and behavioural guidelines.

B.2.1.1 Fit and Proper requirements

A person is considered to be suitable if s/he has complied with the applicable standards in terms of knowledge and experience, skills and professional behaviour required for the position in question (fitness) and of professional integrity (propriety).

Expertise requirements (fit)

A person is considered fit if he/she has the necessary professional and formal qualifications, knowledge and relevant experience (together “expertise”) that enables the person to lead a business prudently and healthily while demonstrating appropriate professional conduct.

As part of this assessment, LIC analyses factors such as a covered person’s educational and professional qualifications and previous experience in insurance, financial markets, accounting, regulatory, business strategy, control, risk management, actuarial and management, in relation to the position in question. When the obligations include leadership responsibilities, an adequate level of previous leadership experience is required.

With regard to the Board and the Management Committee, the collective expertise must cover an appropriate diversity of expertise to ensure that LIC is managed and controlled in a professional manner. If changes occur in the composition of the Board of Directors and/or Management Committee of the company, care will be taken to guarantee that the collective expertise of the Board of Directors and/or Management Committee is maintained at all times. Collective skills assessments are conducted for the Board of Directors and Management Committee to assess whether, collectively, they have the recommended technical and management skills that are deemed necessary for the management of LIC. Individual skill assessments are also conducted for all covered persons to assess if the individual has the necessary skills and experience deemed necessary for the role. Minimum role requirements are detailed within the role description for the covered role which are maintained by HR.

Persons responsible for independent control functions must have the theoretical and practical knowledge required for the position in question, supplemented by the required professional standards, according to their function.

The person’s expertise must be in proportion to the allocated responsibilities and the nature, scope and complexity of the risks inherent to LIC.

Integrity requirements (proper)

A person is considered to be proper if he/she has a good reputation and integrity and it is considered that he/she will carry out the task entrusted to him/her honestly, faithfully, independently, ethically and with integrity.

LIC’s propriety assessment includes evidence regarding a person’s character, personal behaviour and business conduct including any criminal, financial and supervisory aspects relevant for the purposes of the assessment. Considerations that will be part of the assessment will include:

- Criminal, civil or administrative convictions of any kind;
- Judicial, administrative or regulatory investigations in progress;
- Disciplinary action or action by a supervisory authority;
- Measures related to the applicant's past financial performance and financial strength;
- Problems of lack of transparency.

At all times, a person in scope for the Fit & Proper assessment must comply with the applicable Conflicts of Interest Policy and Procedure, which outline how conflicts are prevented, identified, managed and reported at LIC.

B.2.1.2 Applicable policies and processes to secure compliance with fit and proper requirements

The Fit and Proper requirements of the individual will be assessed on an annual basis by the Board of Directors at the initiative of HR. This assessment includes whether the persons are also exposed to potential conflicts of interest (in line with the LIC Conflict of Interests Policy), have engaged in a personal transaction of any kind with LIC or have another external function at another company.

Separate assessments will be performed before an individual is offered a new role, both at initial recruitment and when a person changes role internally. There is also a continuous evaluation process and a process for ad hoc evaluations (for example, in the event of a person not fulfilling the criteria set out in the policy or in the event of change to the regulatory requirements relating to a specific function).

Initial application

The evaluation of the fitness and propriety of each person based on the NBB fitness and propriety requirements are performed prior to that person being appointed by the Board. The application file must be submitted to the NBB for approval prior to any appointment by LIC.

The assessment process for the initial application is performed under the responsibility of HR and of the Company Secretary. A file is archived for every application done and all applications are reported to the Board of Directors.

Independence of judgement is required in the decisions of all directors, executive and non-executive alike. Independent non-executive Board directors are independent in the sense of the Belgian Code of Companies and Associations and the NBB Circular on Corporate Governance.

The management bodies' composition ensures that decisions are made in LIC's best interests. The composition is intended to provide a complementary and balanced set of skills, experience and knowledge.

Continuous evaluation and exception handling

The Fit and Proper requirements of the individual will be assessed on an annual basis by the Board. This assessment identifies whether the person is also exposed to potential conflicts of interest.

The results of this assessment are to be communicated to the Nomination & Remuneration Committee. They can advise/mandate the Board of Directors at either the Corporation or LIC to take remedial actions if required.

This Nomination & Remuneration Committee is responsible for reviewing annually the performance of the CEO and members of the Management Committee and independent control functions.

These reviews will take into account supervisory authority Fit and Proper requirements.

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

B.3.1 Risk Management System

B.3.1.1 Risk Management Framework

LIC's Risk Management Framework comprises a range of elements which collectively ensure the risks LIC is exposed to are effectively identified, assessed, managed and monitored. Each of the Framework's tools and components contribute to the effectiveness of the risk management system, supporting the early detection and resolution of risks.

The core components of the Risk Management Framework are:

- **Risk strategy** – This is defined by the Board of Directors. The risk strategy reflects the way in which risk is embedded in the overall management of the company, its decision making and strategic direction.
- **Risk appetite** – This is defined and set by the Board of Directors. Risk appetite translates stakeholder expectations into clear statements and boundaries within which the business should operate. It enables effective monitoring of risks and of the organisation's risk profile on an ongoing basis, and guides business decision-making.
- **Internal Control System ('ICS')** – The internal control system comprises a set of business and risk management activities the company implements to strengthen its internal control environment and enhance the likelihood of the company achieving its strategic objectives. LIC's ICS is based on the Committee of Sponsoring Organizations ('COSO') ERM framework. Various activities are performed to assess the company's ICS, such as the Risk and Control Self-Assessment ('RCSA'), Internal Control maturity questionnaire, and the System of Governance assessment ('SoGA').
- **Risk incident reporting ('RIR')** – Risk incidents are undesirable events which has had or could have had an adverse impact on LIC. The Risk Management function centrally manages the reporting process and facilitates root-cause analysis and remediation follow-up with the incident owners as and when incidents are reported by employees.
- **Own Risk and Solvency Assessment ('ORSA')** – The ORSA enables LIC to assess the adequacy of its risk management and current and forward-looking solvency positions under normal and severe stress scenarios.
- **Stress and scenario testing** – LIC identifies stress tests and scenarios that may have an adverse impact on its operating business model, to ensure that potential risks are clearly understood and monitored effectively and that adequate controls are in place. The outcomes of these tests act as prompts for senior management to take action across a number of areas (e.g., re-evaluating risk appetites, business plan and capital management decisions).
- **Thematic reviews** – Separate from the RCSAs, thematic reviews are top-down, ad-hoc deep dives on particular risks or themes co-ordinated by the Risk Management function in order to ensure there is appropriate understanding and effective management of material risks.
- **Emerging risks** - LIC identifies emerging risks to ensure that the impact of such risks on the business are understood, considered in decision-making processes and included where agreed upon in the organisational risk taxonomy to drive the scope of subsequent risk assessments.

B.3.1.2 Risk & Control Register

The Risk & Control Register, as described in the LIC Internal Control System (ICS) Policy, is a complete repository of risks, controls and corresponding actions identified in the company for both BAU and project activities. Information from the Register is reported by the Risk Management function to the Executive

Committee and Audit & Risk Committee with a view of all critical risks, control effectiveness and the status of the corresponding remediation actions.

B.3.1.3 Risk taxonomy

LIC's risk taxonomy provides a universal overview of all risk categories LIC recognises, the owners and the definitions of the risks. It enables LIC to have in place a common universe to identify, describe and manage all risks and issues that are observed across all governance bodies and functions in the organisation. It also allows for more efficient collection and reporting of risk data and information. The risks are aligned with the Solvency II framework as well as how the respective risks are defined in the corresponding policies.

B.3.1.4 Risk culture

LIC's Risk Management function aims to create an environment in which risk is managed on an ongoing basis by all employees. This is achieved through:

- **Risk leadership and ownership:** The CEO has responsibility for risk management supported by the CRO. Both are accountable to the Board of Directors for all areas of risk within the business. In addition, each risk type has an executive owner, ensuring that the right level of oversight and scrutiny is applied to actual and potential exposures.
- **Risk awareness and competency:** Various levels of training are delivered to ensure that all LIC employees understand their responsibilities with respect to risk management. Training varies from principles-based training to technical training as required.
- **Risk-based decision making:** Risk management is at the heart of decision making with regards to setting LIC's business strategy. Promoting a common risk language and framework allows management to make effective and structured risk decisions.
- **Risk communication:** Risk information and initiatives are communicated within LIC to ensure effective sharing of information between technical areas regarding market oversight.

B.3.1.5 Risk monitoring, reporting and escalation

Monitoring

Findings arising from the Risk Management Framework's tools and processes such as risk incident reporting and risk assessments are monitored by the Risk Management function on an ongoing basis. Risk incidents are monitored via the Risk Incident Register, while risks are monitored via the Risk & Control Register.

Reporting

The Executive Committee and the Board of Directors must have appropriate knowledge about the outcome of managing the day-to-day operations and the actual risks being identified, assessed, managed and monitored. For this purpose, structured and regular risk reporting to the Executive Committee, Audit & Risk Committee and the Board of Directors is required. The following types of reporting apply:

1. Quarterly Risk Reports ('QRR'): QRRs summarise the quarterly position of risk appetites, material risk exposures, key findings from thematic reviews, and the capital and solvency position, providing transparency on LIC's overall risk profile on an ongoing basis.
2. Annual regulatory reporting to the NBB under the Solvency II framework, which comprises:

- LIC's Regulatory Supervisory Reporting (Pillar 3);
 - Own Risk and Solvency Assessment (Pillar 2) and F8. Top Risk Assessment Report;
 - Liquidity Risk Management Report;
 - Report on Effectiveness of the System of Governance ('RESOG');
3. Annual function report to the Board: A report documenting the Risk Management function's activities and outcomes over the past year, as well as provides a forward-looking plan for the following year.

As part of day-to-day operations and ongoing risk management activities, the Risk Management function also produces where relevant ad-hoc reports and communications outside of the above formal reporting channels.

Escalation

The CRO, as the function holder, has the right to escalate significant risks affecting LIC to the Audit & Risk Committee and the Board of Directors where appropriate.

B.3.2 Own Risk and Solvency Assessment

The ORSA is an integral part of risk and capital management at LIC. It comprises a series of processes employed to identify, assess, monitor, manage and report the short- and long-term risks an insurer faces or may face, and to determine the capital necessary to ensure the organisation's solvency needs are met based on its strategy set by the Board of Directors.

Although LIC is required by the NBB to calculate and meet the Solvency Capital Requirement ('SCR'), the key focus of the ORSA is to present LIC's own view of the risks faced and the associated economic capital needs in order to meet its strategic goals. This process is aligned with the regulations at both EU and national levels and is integrated into the overall Solvency II framework ensuring consistency with Pillar 1 and Pillar 3.

LIC's risk profile and the size and quality of its assets influence the definition of the scope of the ORSA. The ORSA considers the risks arising from the company's activities, both non-financial (e.g., operational) and financial (e.g., underwriting).

The undertaking of an ORSA is a key element of the LIC Risk Management Framework.

B.3.2.1 ORSA calculations

Application of standard formula

A standard formula calculation is used to cover all material risks faced by LIC and to ensure that the amount of capital is appropriate. Non-quantifiable risks which are not considered as part of the standard formula do form part of the ORSA. Therefore, the ORSA report considers these risks and the appropriateness of controls that have been put in place to manage them.

Use of stress and scenario testing

LIC identifies and examines stress and scenario tests (SSTs) that may have an adverse impact on the business model in order to ensure that potential risks are clearly understood, are monitored effectively and that adequate controls are in place.

Calculation of technical provisions

The LIC second line Actuarial function is responsible for co-ordinating the calculation of technical provisions for LIC, as set out in Solvency II. It also ensures the use of appropriate methods and assumptions, the sufficiency and quality of data and performs the validation of the technical provisions.

Actuarial calculations and activities are performed by the first line Actuarial team under the supervision of the Chief Finance Officer (CFO). The monitoring and review of the calculations of the technical provisions is overseen by the second line Actuarial function. The second line Actuarial function reports at least annually to the Board of Directors on the results, noting any deficiencies identified and including recommendations to address these.

Data quality management

The quality of the data inputs used in each process within the ORSA is also part of the scope of the ORSA. Those responsible for managing each process within the ORSA are also responsible for ensuring an appropriate quality of data.

B.3.2.2 ORSA frequency

The Solvency II Directive states that the ORSA shall be performed “regularly” and without any delay following any significant change in (the insurer’s) risk profile. This is to maintain compliance on a continuous basis with the Solvency II requirements with regard to the calculation of regulatory capital and the calculation of technical provisions.

Frequency of performance

The ORSA is an ongoing process that is aligned to LIC’s business planning cycle. As such, the activities of the ORSA are performed throughout the year in line with changes to the risk profile of LIC and the capital setting cycle. Every year, a full ORSA report is made. On a quarterly basis, the most important deviations and management actions still open are reported and discussed.

Frequency of review

Following a significant event, the activities within the ORSA may be revisited to ensure that they are still valid and to assess any impact on the level of economic capital and the Own Funds necessary to meet solvency requirements. The se can be categorised as follows:

1. **External factors:** Significant changes in the external environment, such as a material change in the macroeconomic environment, a material loss event or a significant regulatory change or requirement.
2. **Internal changes:** Significant changes in internal strategy, process or risk profile, for example a shift in strategy or risk appetite , a material change in the risk profile of LIC, or a request from the Audit & Risk Committee.
3. **Supervisory request:** A direct request from the NBB to re-run all or part of the ORSA.

B.3.3 Risk Management function

B.3.3.1 Risk Management function responsibilities

The Risk Management team is responsible for implementing the Risk Management Framework, ensuring the governance forums receive relevant and timely risk information and actively challenging the risk-taking

of first line business departments. The team works closely with other departments to support risk identification and management; however, it is required to take an independent view on risks and has the ability to escalate these to the LIC Executive Committee and Audit & Risk Committee where required.

The Risk Management function has the following overall objectives:

- Develop, implement, maintain and embed a trusted risk management framework and sound risk management practices across LIC;
- Monitor the risk management framework and evaluate on a regular basis;
- Ensure sustainability risks are incorporated as drivers of existing risk categories into LIC's risk management framework, with a view to identify, assess, mitigate, monitor and report these over a short, medium and long-term horizon in line with LIC's business strategy and risk appetite;
- Coordinate risk management activities across LIC;
- Manage LIC's risk profile in line with its agreed risk appetite and provide the Board of Directors with a summary of its risk profile and how it changes over time;
- Provide risk-based support and challenge to the business that is valued;
- Provide timely risk reports that are concise, provide clarity and facilitate business decisions;
- Ensure risk information is readily available;
- Ensure a company-wide risk awareness culture is in place and embedded;
- Advise the Board of Directors via the Audit & Risk Committee on risk-related matters, including risk appetite, risk governance, material risks and capital management; and
- Ensure that the Board of Directors via the Audit & Risk Committee is informed and has the necessary information to take decisions on risk-related matters.

B.3.4 Contingency plans (Recovery Plan Methodology)

The objective of the recovery plan methodology is to ensure that, in the event that LIC's capital and liquidity position were to deteriorate and become, or risk becoming, problematic, a plan would be in place to initiate a recovery with pre-defined options already analysed. As described below, the purpose of the recovery plan is to ensure that LIC gets back to its risk capacity level determined in accordance with the current solvency and liquidity levels.

LIC's recovery plan, which is currently in the design phase, will map out its reaction to increasing impairment to the viability of LIC. The plan will be based on a framework, whereby monitoring of metrics helps to define operating zones of increasing levels of stress, and therefore trigger different sets of management actions.

The recovery plan triggers will be calibrated to scenarios of severe stress for LIC. In these circumstances, the LIC Management Committee and Board would be expected to draw on the menu of options as set out in the recovery plan, with a view to preserving or restoring the operation of the company as a going concern.

The recovery methodology is focused on:

- Ensuring information is readily available on the different options to take;
- Ensuring appropriate governance and communication towards the Board and the Supervisor during the recovery process. The following aspects are included in the methodology:
 - Options available: Ensure that LIC knows what the options for recovery are and that they are known to all stakeholders involved;
 - Scenarios: Ensure that the purpose of scenarios is clear and that they are used to validate the recovery options. Ensure sufficient diversity in the scenarios;
 - Triggers: Calibrate the triggers so that they alert management to a crisis in a timely manner;
 - Governance; and
 - Internal and external communication.

B.4 Internal control system

B.4.1 Organisational and operational structure

Organisational structure

The organisation is divided in separate core organisational entities, each under the leadership of one of the Executive Committee members, being the General Counsel, Chief Financial & Operating Officer, Chief Risk Officer, Chief Market Development Officer, Chief Underwriting Officer, Chief Compliance Officer & Chief HR Officer. They all report to the CEO.

B.4.1.1 Three lines of defence

LIC applies the 'Three Lines of Defence' model across its organisation, which enables effective segregation of duties between the business areas (i.e., the risk-takers) and those who perform independent risk and control activities (i.e., Risk Management function, Actuarial function, Compliance function and Internal Audit).

In order to assure a sound System of Governance, the model distinguishes between:

- Functions that own and manage risks: first line of defence;
- Functions that oversee risks: second line of defence;
- Functions that provide independent assurance: third line of defence.

Processes are performed by the three lines of defence to manage risks, from the initial identification through to the monitoring and reporting of a risk. The processes fall under five key stages of risk management:

1. **Identify:** Process of determining risks that could potentially prevent the company from achieving its objectives
2. **Measure & analyse:** Risks are ranked and prioritised, to allow LIC to have a holistic view of the risk exposure of the whole organisation
3. **Risk response:** The response to risks are determined, with the main responses being to mitigate or accept.
4. **Monitor & review:** Risks are regularly reviewed and monitored. Where a particular risk response is determined, this is documented to monitor the evolution or change in the risk.
5. **Report:** The documented risk information is reported to key stakeholders within and outside the company.

B.4.2 Internal Control System (ICS)

B.4.2.1 Key elements of ICS

The ICS is based on the COSO framework and comprises the following components:

- Control environment
- Risk assessment
- Control activities
- Information & communication
- Monitoring activities

Control environment

The internal control environment sets the tone of an organisation, establishing the management's philosophy and operating style with regard to risks and controls. It defines the context in which risks are taken and managed.

Whilst the Board of Directors is responsible for establishing the “tone at the top”, the Executive Committee and senior management act to direct and embed an appropriate control culture throughout the company. Internal control environment factors include an effective organisational structure, clear assignment of authority and responsibility and promotion of integrity and ethical values. Individual employees are accountable for their internal control responsibilities in the pursuit of objectives, and the company demonstrates a commitment to attract, develop and retain competent employees in alignment with objectives.

Risk assessment

Risk assessments enable the company to identify and manage risks to the achievement of its strategic objectives, and assess changes that could significantly affect the ICS.

LIC's Risk Management Policy describes the overall framework and approach for the management of risks in the company, including key tools, process and reporting procedures. The below risk assessment activities within the framework are governed and facilitated by the Risk Management function:

1. **Risk and Control Self-Assessment (“RCSA”)**: Performed by the first line, this identifies and assesses all risks, evaluates the effectiveness of controls in place, and determines appropriate action plans based on defined risk appetite levels. The RCSA supports delivery of the company's strategic goals and protects its brand, reputation and assets.
2. **ICS maturity questionnaire**: A quarterly questionnaire for which all functional managers assess their department/function's current and targeted maturity level based on the 5 COSO components.
3. **System of Governance (“SoGA”) assessment**: An annual assessment that evaluates LIC's overall governance system against the requirements set out in the NBB System of Governance circular.
4. **Risk incident Reporting**: Reporting of incidents to Risk Management. Incidents are point-in-time, adverse events on the company that arise due to an underlying control failing or an external event.
5. **Thematic reviews**: Thematic reviews are ad-hoc deep dives on particular risks or themes facilitated by the Risk Management function for the Business in order to ensure there is appropriate understanding and effective management of material risks.

Control activities

Control activities are the operational activities performed by employees and the systems and technologies that support them. These help ensure management directives are acted upon and that risks to the achievement of LIC's objectives are appropriately mitigated.

Business teams are responsible for designing and operating control activities, for example relating to information technology, accounting processes and supplier management, and for ensuring that they are aligned with established policies and procedures.

Key control activities are evaluated and documented through the risk assessment activities described in the previous section.

Information and communication

Clear communication and reporting lines are established throughout LIC via the governance structure, facilitating effective flow of information across all levels of the organisation. Relevant and quality information must be obtained, generated and/or used to support the functioning of internal control.

Information should be communicated in a form and timeframe that allows senior management and employees to carry out their responsibilities and make informed decisions.

Monitoring

Monitoring of LIC's ICS occurs during normal operations and includes on-going activities and actions taken by employees when performing their duties. All employees are responsible for undertaking routine monitoring to detect control weaknesses or control failures. The Risk Management function also performs second line monitoring activities to ensure the company's internal controls are present and effectively functioning.

Reporting

The Risk Management function reports on the outcomes of the various ICS activities and processes via the RESOG report and Quarterly Risk Report ('QRR') (see above).

B.4.3 Compliance Function

The Compliance function is responsible for the supervision of compliance with the legal and/or regulatory integrity rules and rules of conduct which are applicable to LIC.

The Compliance function is a control function, part of the second line of defence and independent of the first line business functions. To guarantee its independence:

- The Compliance function holds a formal status within the company;
- The Chief Compliance Officer and Compliance Officers remain free from potential conflicts of interest between their compliance responsibilities and other responsibilities;
- The staff in the Compliance function have unrestricted access to all information and other staff when necessary for the execution of their tasks;
- The Chief Compliance Officer has direct access, and on his/her own initiative, to the Chairman of the Board of Directors, the statutory external auditor, the NBB or the FSMA when s/he deems it necessary to do so;

The Compliance function reports, via the Chief Risk Officer, to the Management Committee and Board of Directors of LIC. The Chief Compliance Officer has a standing invitation to the Audit and Risk Committee. The nature, role, responsibilities, status and authority of the Compliance function is set out in the LIC Compliance Charter, which also outlines the scope of its activities.

Table B2: The Compliance function covers the following domains

| Domains owned by LIC Compliance function | Domains owned by 1 st LoD with oversight by Compliance function |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Governance of insurance undertakings • Integrity and ethics • Anti-money laundering and counter-terrorism financing • Sanctions and trade embargoes • Special tax evasion mechanisms • Market abuse and insider dealing • Bribery and corruption • Conflicts of interest • Gifts and hospitality • Whistleblowing | <ul style="list-style-type: none"> • Fit and proper and external mandates • Consumer protection and customer conduct risk • Insurance and reinsurance distribution • Data privacy and protection of personal data • Outsourcing • Remuneration |

As part of the LIC Compliance framework, the Compliance function is responsible for the following tasks and implementation methods relating to the above-mentioned domains:

- Identifying, documenting, and assessing compliance risks in the company, including the activities performed by its branches and the activities outsourced to managing agents, coverholders, other third parties and the Society of Lloyd's.
- Performing an appropriate level of compliance monitoring and testing, identifying possible shortcomings and making recommendations regarding the changes required if necessary.
- Providing guidance and advising on all matters regarding compliance with laws, regulations and internal rules.
- Training staff and raising awareness of staff regarding compliance areas.
- Being the point of contact on compliance domains for staff, for certain external organisations and authorities.
- Monitoring, analysing and performing impact assessments of regulatory developments relating to compliance domains.
- Supporting business units in resolving compliance issues as they occur.
- Conducting investigations into suspected compliance related incidents or breaches and whistleblowing reports.
- Creating an annual Compliance Plan and providing regular status updates on progress against the Plan.
- Reporting to the Management Committee, the Board of Directors and the Audit & Risk Committee at appropriate intervals and at least once a year.
- Fulfilling compliance-related notification obligations to relevant authorities.

B.4.4 Integrity Policy

LIC has an Integrity Policy that contains the company's values and code of conduct, which are the same as those of its parent organisation, the Corporation. It also refers to specific and related policies, e.g., Financial Crime and Conflicts of Interest. The Integrity Policy is updated annually or whenever significant events occur that could influence the company's compliance risk profile. The Compliance function is responsible for updating this policy.

B.4.4.1 Company's values and code of conduct

The company's values represent the spirit of Lloyd's, which is based on the following three principles:

- We are brave
- We are stronger together
- We do the right thing

The company also firmly believes in the fundamental importance of honesty, integrity, trust, teamwork and professionalism.

The company's code of conduct is as follows:

Our people

- We treat people with fairness, respect and decency.
- We do not tolerate discrimination or any form of abuse or harassment in the workplace.

- We are committed to encouraging diversity in the workplace.
- We encourage our employees to develop their full potential.
- We provide healthy, safe and secure work environments.

Our conduct

- We are open and honest and act fairly and with integrity.
- We comply with legal, regulatory and licence requirements.
- We do not tolerate corruption in any form.
- We respect and maintain the confidentiality of everyone's personal information and the confidentiality of information disclosed to us in confidence.
- We do not misuse Lloyd's information technology systems.
- High standards of corporate governance are integral to the way we manage our business.

B.4.4.2 Prevention from anti-money laundering and anti-terrorist financing

Based on the Intra-Group Service Agreement, the LIC Compliance team is supported in the operation of its controls in relation to AML and other financial crime activities (where applicable) by the Corporation Financial Crime team. This London-based team shares its Lloyd's experience and skills necessary to operate the controls on an outsourced basis, with responsibility for the proper functioning of the controls resting with the LIC Chief Compliance Officer.

B.4.4.3 Whistleblowing

LIC is committed to the highest standards of openness, probity and accountability and expects all employees to act in accordance with ethical standards. An important aspect of accountability and transparency is a mechanism to enable individuals to raise concerns relating to wrongdoing or malpractice at work in a responsible and effective manner. The escalation of such concerns is commonly known as "whistleblowing".

Main principles

The LIC Whistleblowing Policy covers the following main principles:

Guarantee of confidentiality

LIC will treat all disclosures in a secure and confidential manner. Every effort will be made to keep the identity of the person who made the disclosure confidential.

Investigating a whistleblowing report

When a whistleblowing report is made, prior to the investigation, the Whistleblowing Escalation Group will consider the initial assessment and any known related information and confirm the approach to be adopted. The Group will then select the whistleblowing investigator in the Compliance function. The latter will also carry out an initial assessment to determine the scope of any further investigation. Meetings may be held with the whistleblower in order to obtain further information. LIC does not require evidence to be produced for a preliminary look into a concern raised under its Whistleblowing Policy.

The relevant persons will then discuss, plan and conduct an investigation or review, if and when deemed reasonably necessary to address the matter. This might include discussions with appropriate staff, members of management, review of company documents and discussions with LIC's internal and/or external auditors. In appropriate cases, LIC might also engage independent counsel and other advisors regarding the investigation. LIC will ensure that reportable concerns are notified to the relevant regulators, e.g. the NBB and/or FSMA, where appropriate.

Protection of whistleblower and persons involved

The Whistleblowing Policy is designed to protect LIC staff who disclose serious concerns to an appropriate person in a reasonable belief that an issue covered by the policy has occurred, even if they turn out to be mistaken.

B.4.4.4 Conflicts of Interest

Conflicts of interest can be broadly described as scenarios where a person's interest in the outcome of an activity differs from the interests of LIC. A person should not be in a position that could impair his or her judgement or objectivity in carrying out his or her duties and responsibilities to LIC as it can have a large impact on the overall functioning of a company and on the underlying risks it assumes. This means that conflicts of interest need to be avoided and if that is not possible, they need to be recorded and managed through adequate processes and procedures.

LIC has a Conflicts of Interest Policy.

B.4.5 IT infrastructure and continuity

B.4.5.1 IT infrastructure

IT structure overview

LIC IT services leverage the IT infrastructure and relationships provided by the parent, the Society of Lloyd's ('the Corporation') and operates and maintains in conjunction with any LIC specific IT services that may be required throughout the European offices and the LIC UK Branch and its subsequent business operation(s). The Corporation IT and Data departments located in the UK are accountable to LIC for the IT services and associated data residency and controls through the outsourcing agreement in place between LIC and the Corporation. These departments manage the services in line with the specific business requirements set out by the LIC and detailed in the outsourcing agreement between LIC and the Corporation. Any third party that is engaged via the LIC or the Corporation is expected to comply with these controls.

LIC and the Corporation both follow the ISO27001:2022 domain standards for International Information Security Management Systems. In addition, LIC adopts the Corporation's defence in depth strategy and local Security approach by employing a variety of information security controls to manage risks against Cyber threats and perimeter Security.

B.4.5.2 Business continuity

Business continuity management is designed to guarantee the continuation of the critical business operation of LIC during an emergency or a crisis. This includes the measures taken in order for LIC to ensure that its services are delivered, and its operations carried out without interruption. In case of a serious unplanned interruption of business, the company and LIC offices should be able to maintain or restore as soon as possible its critical functions, preservation of data and resume activities within a reasonable timetable.

B.5 Internal Audit function

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is responsible for developing and delivering a programme of assurance aimed at validating the effective control of key business risks. The LIC Head of Internal Audit is responsible for reporting their findings, conclusions, and recommendations to the audited parties, LIC Executive Team and LIC Audit and Risk Committee. LIC management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Internal Audit is responsible for ensuring that timely follow-up on management actions is tracked and reported to the Audit & Risk Committee. Management is responsible for implementing corrective actions on reported weaknesses.

Management can request Internal Audit to perform audit reviews subject to these requests not affecting Internal Audit's independence and objectivity. The final decision for any changes to the Internal Audit plan rests with the LIC Audit and Risk Committee.

An annual review of the adequacy of the Internal Audit Charter is performed by Internal Audit and presented to the LIC Audit and Risk Committee for review and approval. Where no change is required Internal Audit will confirm to the LIC ARC that the Charter continues to be appropriate.

B.5.1 Independence and objectivity

Internal Audit must be independent from management at all times in order to be effective in executing its work freely and objectively. As such:

- The LIC Head of Internal Audit has a direct reporting line, with unlimited access, to the LIC Chair of the Audit and Risk Committee and a functional reporting line to the Global Head of Internal Audit.
- The LIC Audit and Risk Committee is responsible for the approval of Internal Audit's annual plan and the overall budget.
- Internal Audit is authorised to review all areas of LIC and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work including correspondence with regulators and the Board and Committees meeting minutes.
- Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside LIC to accomplish its objectives.
- All Internal Audit reports will be reported to the LIC Audit and Risk Committee. Significant reports will also be advised to the Chair of the Audit and Risk Committee on a timely basis.
- Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management or the external auditor.
- The LIC Head of Internal Audit has the right to attend and observe all or part of the LIC Management Committee meetings and any other key management decision making forums where they would have the appropriate standing, access and authority to challenge the LIC Executives.

Internal Audit has no direct responsibility or authority over any operating activities reviewed and should not relieve others of their responsibilities. Internal Audit are specifically prohibited from performing management activities, including:

- Performing operational duties, including operation of policies and procedures;
- Initiating or approving accounting transactions; and
- Undertaking consulting engagements, specifically, those engagements where the primary aim includes process improvement, implementation of systems, or advising on operating practices (e.g. benchmarking).

Crucial in the independence of the Internal Audit function is the fact that it can conduct its work free of undue influence. Moreover, it has direct and unrestricted access to the LIC Chair of the Audit and Risk Committee and the LIC Board of Directors at all times.

B.6 Actuarial function

B.6.1 Organisation

The Actuarial function is a second-line control function. It reports to the CRO, who is identified as the 'Personne-Relais' for the Actuarial function. The Actuarial function is outsourced to a third party, under supervision from the 'Personne-Relais'. The activities are subject to the provisions of the Outsourcing Policy and appropriate Service Level Agreements.

The Actuarial Function reports at least annually through the CRO to the Audit and Risk Committee.

The actuarial work itself on calculations, setting of assumptions and others is done by the LIC Actuarial team. The calculations are verified by the Actuarial Function under an external outsourcing agreement.

B.6.2 Actuarial function activities

The usual actuarial function activities include:

- Co-ordinate the calculation of technical provisions;
- Opinion on underwriting policy;
- Opinion on adequacy of reinsurance;
- LIC Actuarial Function Charter;
- Contribution to risk management;
- Reporting.

B.7 Outsourcing

B.7.1 Outsourcing principles

Lloyd's Insurance Company's (hereafter "LIC") performs many activities necessary for the operation of its business. Outsourcing is critical to the business model of LIC.

To ensure that oversight is performed effectively, LIC has designed an Outsourcing Policy and Outsourcing Management Framework.

While the Outsourcing Policy sets out the key principles and high-level roles and responsibilities, processes and controls with respect to outsourcing arrangements undertaken across LIC, the Outsourcing Management Framework sets out the key processes to ensure an appropriate monitoring of outsourcing arrangements and the related risks. The outsourcing framework has been designed to be functional and pragmatic.

Effective implementation of the framework enables structured management and monitoring of the performance and risks of all service providers and ensures that any deviations are reported accordingly. It ultimately allows LIC to appropriately manage both service delivery and risks for every outsourcing relationship it is in.

LIC defines outsourcing as “an arrangement of any form between LIC and a service provider, by which that service provider performs a process, a service or an activity which is specific to LIC and performed on a recurring or continual basis”.

LIC applies the ‘Three lines of defence’ model as part of its operating model, which enables effective segregation of duties between the business areas (i.e., the 1st line risk-handlers) and those who perform independent control activities (i.e., Risk Management, Compliance and Internal Audit functions). This concept applies equally to the oversight and management of outsourcing.

B.7.2 Decision to Outsource

The outsourcing lifecycle begins with the proposal to outsource a particular function or activity rather than perform it in-house. Deciding on in- or outsourcing depends on the rationale, business case, compliance and level of adequacy controlling the associated risks.

For a decision to be taken on whether to outsource (or retain internally) the function or activity, the proposal needs to go through key steps to ensure that the necessary analysis and deliberation is performed to enable an appropriate and well-informed decision by the LIC Board of Directors.

Before entering into any arrangement with cloud service providers, LIC assess the criticality, relevant risks, undertake appropriate due diligence and identify and assess conflicts of interest that the outsourcing may cause.

The final business will be reviewed by the Outsourcing Committee, which then determines whether to recommend outsourcing for approval by the Executive Committee.

B.7.2.1 Process to determine whether a function or activity is critical or important

Whether an activity or function is critical or important is primarily based on the inherent risks of the outsourced activity or function.

This is a crucial step of the overall outsourcing lifecycle, as whether an activity or function is critical or not drives the granularity of the subsequent risk assessments, frequency of monitoring of the services, as well as contractual expectations and prudential requirements.

A series of questions (5) which cover whether the function or activity meets particular criteria defined by NBB for critical/important functions or activities must be answered. This also include criteria defined internally for which LIC would deem a function or activity as critical and therefore warrant additional oversight and monitoring.

The outsourcing of an independent control function under Solvency II definition is always deemed critical.

B.7.2.2 Critical or important outsourcing agreements

Neither Belgian law or EU law clearly defines this notion, leaving it to the companies to identify critical or important outsourced activities/functions within their structure, under the supervision of the regulator.

An outsourced activity or function considered critical indicates that the products or services provided are of such importance that a weakness or failure could cause:

- A significant deviation from the company’s risk appetite.

- A significant disruption to LIC's core operations, including the provision of services in support of the efficient running of the company; and/or
- A compromise in LIC's ability to comply with legal and regulatory requirements.
- The outsourcing of an independent control function under Solvency II definition is always deemed critical.

In this respect critical or important functions or activities are generally those that are fundamental to the insurance business.

B.7.2.3 Non-critical or non-important outsourcing arrangements

A non-critical or non-important outsourcing arrangement is one where any disruption to the products or services provided by such arrangements would not materially impact LIC's core operations or compromise its ability to comply with legal and regulatory requirements.

B.7.3 Selection of Service Providers

The selection process ensures that the service provider is chosen, based on the requirements and needs defined for the function or activity to be outsourced.

A comprehensive risk assessment of the third party and the service provided is carried out before contracting with that third party. Risk assessment is performed and it includes the inherent risk assessment, controls assessment and residual risk assessment.

In case of non-critical services, in addition to risk assessment and due diligence, a conflict-of-interest assessment is also performed

For critical services, except the risk assessment, the selection process includes enhanced due diligence, a conflict-of-interest assessment, an assessment on governance risks, lock in risks, step in risks and aggregated risks.

B.7.3.1 Due diligence process

Before entering into an outsourcing agreement with regard to a critical or important function or activity, LIC:

- Assess whether the outsourcing authorization conditions are met.
- Conduct the necessary verifications about the service provider (due diligence).
- Perform a privacy due diligence and privacy risk assessment.
- Identify and assess all relevant risks of the outsourcing arrangement (risk assessment).
- Identify and assess the conflicts of interest that could arise from the outsourcing.

During the selection process, LIC ensures that sensitive data, including personal and commercial data, is adequately protected, and kept confidential as required by GDPR.

In the selection process to outsource services to service providers, LIC ensures that the service provider:

- Have a clear confidentiality and data securities policies and procedure in place and is aware of LIC policies and confidentialities, data protection confidential information will be protected.
- Take all appropriate steps to ensure that confidential information will be protected.
- Take all appropriate steps to ensure that its actions do not cause a breach of failure of data.

B.7.4 Contracting

LIC ensures that an outsourcing agreement is sufficiently flexible to retain an appropriate level of control over the outsourced function or activities and provide the company with the right to intervene with appropriate measures to ensure that the service provider meets legal and regulatory obligations.

The outsourcing arrangement includes the minimal requirements for data protection according to the privacy policy, data protection policy to comply with GDPR.

LIC defines data and system security requirements within the outsourcing arrangement and monitor compliance with these requirements on ongoing basis. In case of outsourcing of critical or important operational functions or activities to cloud service providers, the company defines specific information security requirements in the outsourcing agreement and monitors compliance with these requirements on a regular basis.

During the contract negotiation, service level agreements (SLAs) are defined in order to monitor overall level of performance of the service delivery.

To ensure the continuity of a function or activity can continue without unexpected or undesired impact or disruption to the company's business or operations, exit plans need to be defined as part of the outsourcing contract. This needs to be defined for all outsourcing contracts, regardless of criticality.

B.7.5 Oversight and assurance of critical or important outsourcing activities or functions

B.7.5.1 Service delivery and monitoring

Various stakeholders hold specific responsibilities for the monitoring activities performed throughout the lifecycle of an outsourcing arrangement, predominantly:

- Contract Owners are actively managing the service provider relationships and monitoring the performance of the service provider against the agreed SLAs according to a risk-based approach including data integrity and security.
- In respect of critical or important cloud outsourcing, Contract Owners engage ICT to support on monitoring of the performance of the services, assessing the appropriateness of the data storage and systems and the security measures thereof used by the service provider.
- Contract Owners are identifying, assessing, remediating and escalating any issues and risk incidents that arise.
- Outsourcing Oversight Team oversees the service delivery of the service.
- Outsourcing Committee serves as the dedicated platform to discuss any critical risks or issues arising throughout the outsourcing lifecycle.
- Executive Committee is informed based on reporting from the Outsourcing Committee of any critical risks and issues that arise; and
- Risk Management and Compliance functions facilitate the necessary root-cause analysis and remediation of risk incidents and report to the Audit & Risk Committee on the organisation's outsourcing risk profile and appetite.
- Audit & Risk Committee has overall oversight of LIC's ongoing risk appetite profile for outsourcing risk within the broader scope of operational risk

The minimum frequency of the performance monitoring depends on whether it is a critical/important or non-critical/non-important function or activity.

B.7.5.2 Annual Service Management Review

The annual review is based on a questionnaire responded by the Contract Managers and or Owners which includes among other questions the monitoring of service delivery and relationship management.

The questionnaire is analysed

The Annual Service Management Review Process is organized based on formalized and methodological activities ensuring factual and objective monitoring to:

- support the monitoring and reporting to the executive level about the actual performance compared to targets/expectations.
- ensure that deviations from quality expectations, incidents, risk events and issues are identified, explained and reported.
- ensure that the contracts, SLAs, services and controls are up to date; and
- ensure that all necessary actions in the context of the Service Delivery Monitoring have been carried out.

B.7.6 Termination and Renewal

B.7.6.1 Termination

A termination process has been put in place to ensure the consequences and risks related to the termination are mitigated through a termination plan and exit checklist.

A termination letter is sent to the third party, as well to the NBB if it concerns a critical or important outsourcing function or activity.

B.7.6.2 Renewal

The renewal process has been put in place to ensure the decision on renewal is managed appropriately and used as an opportunity to negotiate pricing and potential new requirements with the third party before renewing tacitly the contract.

In case of major development during the renewal of the contract, risk assessment needs to be updated, Risk and Compliance department needs to be involved and the NBB needs to be notified.

B.7.7 Outsourcing of Key functions / independent control functions

Independent control functions are considered critical or important functions, as compliance with the Law of 13 March 2016 on the status and supervision of insurance or reinsurance undertakings is dependent on them. In the event that LIC outsources aspects of an independent control function, it ensures that a member of the Board is designated as the person with overall responsibility for the outsourced key function, which include providing oversight and informed challenge of the performance and results of the service provider. As indicated in the LIC Fit & Proper Policy, this person must fulfil the following requirements:

- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- They are of good reputation and integrity (proper)

The above requirements may, in appropriate cases, be made a condition of the service contract.

A “Personne-Relais” with the appropriate skills is internally assigned to monitor service delivery and challenge the outcomes of the service provider.

B.8 Any other information

B.8.1 Assessment of adequacy of the system of governance

In accordance with Article 35 of the SII Directive 2009/138/EC and Circular 2016_31 of the National Bank of Belgium (“NBB”) updated on May 2020, the LIC Management Committee is required to demonstrate it has an appropriate governance system to ensure efficient and sound management of the company. To this end, the Management Committee is required to assess and report at least once a year on the evaluation of the effectiveness of LIC’s governance system and on the measures taken to tackle any non-conformity.

The Management Committee observed an overall improvement in the company’s system of governance in 2022. This was owing to various factors, particularly:

1. Progress made in addressing resourcing and capability constraints to support delivery of the company’s strategy and activities
2. Increase in maturity of LIC’s operational processes and controls across departments
3. Greater forward-looking challenge and supervision from the Board

The Management Committee commits to a series of measures in 2023 to remediate outstanding shortcomings identified from the 2022 self-assessment.

B.8.2 Any other material information

There is no additional relevant information.

C. RISK PROFILE

This section contains information about LIC's risk profile. This includes a view of all the risks to which LIC is exposed through its operations. In order to understand the risk profile, the nature of the risk needs to be understood, as well as the changes and trends that affect it.

All the calculations have been done in accordance with Solvency II requirements. LIC uses only the standard formula as stated in the Delegated Acts 2015/35.

C.1 Underwriting risk

LIC has 100% quota share reinsurance treaties with individual syndicates. Thus, there is no use of special purpose vehicles.

The expected profits included in future premiums (EPIFP) as reported in the QRT S.23.01 in Annex F.2.6 amounts to 17.5 mEUR. Future premiums result from the sum of the unreceived premium not yet due and the bound but not incepted (BBNI). As a 100% reinsured insurance company, LIC's expected profits on future premiums is the result of the percentage of ceding commission applied to these premiums.

C.1.1 Non-Life Underwriting Risk

LIC's started to incept business on 1 January 2019. LIC mitigates its written business impact through its use of 100% reinsurance to the syndicates in the Lloyd's Market, which are backed by the central fund of the Corporation.

The underwriting risks represent the potential loss arising from entering into or underwriting insurance policies. In practice it can be subdivided into:

- Premium and reserve risk
- Catastrophe risk
- Lapse risk

As at 31 December 2022, over the last 12 months LIC had written approximately 3,554 mEUR premium in non-life business valued in accordance with the requirements for the underwriting risk calculation. There is no non-life catastrophe risk exposure, owing to the 100% quota share reinsurance to Lloyd's syndicates, and backed in turn by the Lloyd's Central Fund. Therefore, underwriting risk is mostly driven by the lapse risk, which is based on estimated future premiums and amounts to 6.6 mEUR, and the premium and reserve risk which amounts to 7.9 mEUR.

As summarised in the QRT S.25.01 Solvency Capital Requirement in annex F.2.7, the non-life underwriting risk solvency capital requirement therefore amounts to 10.3 mEUR.

As at 31 December 2022, the solvency capital requirement for non-life underwriting risk represents 3.6% of the total undiversified basic solvency capital requirement (BSCR) and can therefore be considered an immaterial risk for LIC.

C.1.2 Health Underwriting Risk

LIC also writes Class 2 health similar to non-life business. LIC has no health similar to life business and reinsures 100% of its catastrophe risk to Lloyd's syndicates. The SCR for health catastrophe risk is therefore equal to 0. The only driver of the Health Underwriting module is the Non-Similar to Life Techniques (NSLT) health underwriting premium risk sub-module which consists of the following:

- The NSLT health premium and reserve risk sub-module
- The NSLT health lapse risk sub-module

As at 31 December 2022, the health underwriting premiums represent 5% of the total premiums over the last 12 months and amount to 182 mEUR valued in accordance with the requirements for the underwriting risk calculation. The SCR for the NSLT underwriting risk module amounts to 0.8 mEUR and represents 0.3% of the total undiversified BSCR. NSLT underwriting risk is therefore considered immaterial for LIC.

C.1.3 Risk sensitivity

The concentration risk regarding underwriting risk is considered insignificant. LIC writes its business that is reinsured by over 70 Syndicates and is therefore well diversified across Syndicates. The business written by LIC is well diversified across Europe both by line of business and geographically by risk location, and as such is not very sensitive to changes in mix of business in this regard.

A number of scenarios are run for the LIC ORSA through which it can be seen that following a movement of plus or minus 30% in the LIC gross written premiums, the company is expected to comfortably remain above its risk appetite threshold SCR ratio of 125%. Underwriting risk is considered immaterial for LIC under this stressed condition and is well mitigated by reinsurance.

C.2 Market risk

LIC's investment strategy has been reviewed and updated in 2022 in order to better reflect the nature of LIC's business and manage the underlying risk whilst generating a return on the portfolio by investing in investment funds and in different currencies. LIC holds investments to meet its expense and capital requirements and follows a moderately conservative investment strategy targeting 70% short-term, high quality, government and corporate bonds along with around 30% growth assets and a non-EUR currency allocation of 35%. In today's economic environment equity type assets allow a natural hedge to inflation which complements the fixed income portfolio

The market risk is subdivided as follows:

- Interest rate risk
- Equity risk
- Spread risk
- Concentration risk
- Currency risk
- Property risk

The risk drivers for the market risk module are currency risk, equity risk, spread risk and interest rate risk which respectively represent 44%, 32%, 12% and 11% of the undiversified market risk capital requirement.

As at 31 December 2022, LIC had approximately 452.6 mEUR held in 26% government bonds, 41% corporate bonds and 33% investment funds, where the majority had a credit rating of A or higher.

The investment funds contain an element of equity exposure which is the primary driver of equity risk. In addition LIC has a small amount of equity risk driven by the minimum guaranteed rate on the employee pension plan.

LIC has no property as part of its assets. However, the small amount of property risk identified is due to the IFRS 16 accounting treatment of LIC's company cars and its office leasing. These risks remain insignificant.

The company has a non-EUR currency allocation of 36% which is the primary driver of the company's currency risk. A smaller proportion of currency risk comes from its reinsurance commission on the earned premium in the denominated currency of the premium. LIC has negligible liabilities in foreign currencies owing to its insurance liabilities being 100% reinsured and the claims payments, which are made through the Lloyd's Settlement and Trust Fund Operations (STFO) system.

As LIC holds a well-diversified and high-quality investment portfolio, its market concentration risk is minimised.

As summarised in the QRT S.25.01 Solvency Capital Requirement in annex F.2.7, the market risk solvency capital requirement is approximately 91.0 mEUR and represents 32.2% of the undiversified BSCR.

Market risk has increased from 18.5 mEUR at 31 December 2021, which is driven by the updated strategic investment allocation.

C.2.1 Risk sensitivity

An extreme test considered was the impact on the SCR ratio following a doubling in size of the investment portfolio for the purpose of calculating market risk. In such a scenario the company would remain comfortably above its risk appetite threshold SCR ratio of 125%.

C.3 Credit risk

Counterparty default risk is the most material risk for LIC. Its solvency capital requirement as at 31 December 2022 amounts to 180.4 mEUR and represents 63.9% of the undiversified BSCR. This is owing to its 100% reinsurance business model.

Under the Solvency II standard formula, in which the lowest of the top two credit scores is used, LIC's counterparty default risk SCR reflects a Lloyd's market counterparty Credit Quality Step (CQS) of 1, and remains in line with the counterparty CQS at 31 December 2021.

As at 31 December 2022, counterparty default risk is composed of 81.6% of type 1 exposure and 18.4% of type 2 exposure, with type 1 counterparty default therefore being the main risk driver of the company's counterparty default risk. Counterparty default risk is the main risk driver for LIC's SCR owing to the company's reinsurance to the Corporation, which represents almost all of type 1 risk.

The best estimate of reinsurance recoverables contributed 79.4% of the Corporation type 1 default risk exposure and the risk mitigating effect of reinsurance on the SCR contributing 20.6%.

C.3.1 Risk sensitivity

LIC's counterparty default risk exposure is sensitive to the credit rating of the Corporation as insurance risks written by LIC are 100% ceded to Lloyd's syndicates. Therefore, the SCR is driven primarily by the credit rating of the Lloyd's Market and the subsequent credit quality step applied in the standard model. As at year end 2022 Lloyd's ratings were "A" by AM Best, "AA-" by Fitch, "A+" by S&P and "AA-" by KBRA. The second-best rating is therefore jointly Fitch and KBRA AA-, which equates to a Credit Quality Step (CQS) of 1 under the standard formula model.

The credit rating assigned to our counterparty drives the overall SCR result. A movement in the second best counterparty credit rating down to A+ would equate to a CQS of 2 under the standard formula model. A scenario is run under which the CQS is assumed to drop to 2, and concurrently the investment portfolio is de-risked. Under this scenario LIC would remain above its risk appetite threshold SCR ratio of 125%.

Further mitigation of counterparty credit is possible through collateral arrangements on our reinsurance agreements.

C.4 Liquidity risk

In accordance with the NBB Circular 2022_08, the LIC Management Committee has assessed, documented and demonstrated the overall adequacy of liquidity risk management, both in normal and crisis conditions. Based on this 2022 assessment, the LIC Management Committee observed and acknowledged that the back-to-back reinsurance model removes LIC liquidity risk. There is no Standard Formula calculation for liquidity risk.

The rationale is that LIC needs to pay claims or other liabilities as they fall due. It does this by using processes that ensure that claims are not paid by LIC until the money for that claim is provided by its reinsurer. This way it is not subject to any short-term funding or basis risk. The liquidity to meet expense payments is managed as part of the day-to-day cash management of the Finance function.

C.5 Operational risk

As at 31 December 2022, operational risk is calculated under the standard formula and amounts to 68.1 mEUR and represents 30% of the diversified BSCR and 23% of the total SCR.

In line with industry practice, LIC utilises scenario analysis to assess and quantify the potential impact of losses from extreme operational risks. The scenario analysis process is used to assess the appropriateness of the standard formula. In addition, risk metrics for the following risks are in place and monitored:

- Governance
- Internal Control
- Operational Risk Management
- Compliance Risk Management
- Business Conduct Risk

C.5.1 Risk sensitivity

To test sensitivity to operational risks in 2020 LIC assessed an extreme scenario linked to the COVID pandemic by shocking different components of the BSCR. A reserve increase of 298.0 mEUR was combined with a 5% recurring expenses increase, a 2% shock on the investment portfolio, a 10% decrease in GWP as well as a 20.0 mEUR once-off expense due to a GDPR breach caused by a cyber-attack that could have been facilitated by the new working from home model. This scenario did not materialise throughout the COVID pandemic, nevertheless this extreme scenario demonstrates the balance sheet is robust to operational risks with LIC remaining above its risk appetite threshold of 125%.

C.6 Other material risks

C.6.1 Capital Risk

LIC is capitalised to meet its 2022 business plan under Solvency II requirements. Its shareholders have made clear that they will support the business with future capital injections to support the writing of new business in future years.

C.6.2 Other material risks identified by the Risk Management function

In addition to the above, the risk management function has, from a top-down ORSA assessment, defined the following key risks at LIC:

- Adaptation of LIC's business model
- People risk
- Data quality and controls
- Reinsurance counterparty default
- Conflict in Ukraine
- Macro-economic environment

The Company actively manages the above risks and minimises them through governance structures supported by processes and controls. Risks are identified and assessed on an ongoing basis with stress and sensitivity testing conducted as part of the ORSA process.

C.7 Any other information

The company does not have any other material information to disclose regarding its risk profile.

D. VALUATION FOR SOLVENCY PURPOSES

The Company values assets and liabilities, other than technical provisions, at fair value, being the amount which an asset could be exchanged between knowledgeable, willing parties using market consistent valuation methods. The financial statements of the Company are prepared under Belgian General Accepted Accounting Principles (BEGAAP). The following summarised balance sheet as at 31 December 2022 analyses the differences in valuation between the Company's annual financial statements and Solvency II.

Table D.1: Summarised balance sheet as at 31 December 2022 illustrating the adjustments in valuation between the Company's annual financial statements and Solvency II.

| ASSETS | BEGAAP mEUR 2022 | Adjustment mEUR | Solvency II mEUR 2022 | Solvency II mEUR 2021 |
|---------------------------------------------------------------------------------|-----------------------------|----------------------------|----------------------------------|----------------------------------|
| Intangible assets | 8.43 | (8.43) | 0.00 | 0.00 |
| Deferred tax assets | 0.00 | 19.57 | 19.57 | 10.32 |
| Property, plant and equipment held for own use | 1.35 | 1.24 | 2.59 | 4.35 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 471.36 | (18.78) | 452.59 | 498.95 |
| Reinsurance recoverables from: Non-life and health similar to non-life | 10,154.36 | (2,586.45) | 7,567.90 | 6,900.33 |
| Insurance and intermediaries receivables | 2,286.18 | (532.70) | 1,753.48 | 1,293.75 |
| Reinsurance receivables | 679.68 | (181.80) | 497.89 | 366.17 |
| Receivables (trade, not insurance) | 98.98 | (94.46) | 4.52 | 0.55 |
| Cash and cash equivalents | 354.46 | 0.00 | 354.46 | 366.37 |
| Any other assets, not elsewhere shown | 38.80 | (38.80) | 0.00 | 0.08 |
| Total assets | 14,093.61 | (3,440.62) | 10,652.99 | 9,440.86 |
| LIABILITIES | BEGAAP mEUR 2022 | Adjustment mEUR | Solvency II mEUR 2022 | Solvency II mEUR 2021 |
| Best Estimate | 10,154.36 | (2,559.72) | 7,594.63 | 6,910.41 |
| Risk margin | 0.00 | 71.00 | 71.00 | 63.55 |
| Provisions other than technical provisions | 0.71 | (0.02) | 0.69 | 0.69 |

| | | | | |
|---------------------------------------------------------------------------|-----------|------------|-----------|----------|
| Pension benefit obligations | 1.57 | 0.00 | 1.57 | 1.05 |
| Deposits from reinsurers | 263.22 | (37.44) | 225.79 | 285.00 |
| Deferred tax liabilities | 0.00 | 14.19 | 14.19 | 6.22 |
| Debts owed to credit institutions | 0.00 | 0.00 | 0.00 | 0.00 |
| Financial liabilities other than debts owed to credit institutions | 0.00 | 8.05 | 8.05 | 5.34 |
| Insurance & intermediaries payables | 615.69 | (167.37) | 448.32 | 326.67 |
| Reinsurance payables | 2,337.84 | (584.36) | 1,753.48 | 1,293.75 |
| Payables (trade, not insurance) | 87.41 | (57.80) | 29.60 | 36.05 |
| Any other liabilities, not elsewhere shown | 57.43 | (41.57) | 15.86 | 28.57 |
| Total liabilities | 13,518.23 | (3,355.05) | 10,163.19 | 8,957.32 |

D.1 Assets

D.1.1 Key differences between valuation for Solvency II and financial reporting

Table D.2: Summarised valuation basis between Solvency II and the Company's annual financial statements (BEGAAP).

| ASSET | Solvency II Valuation | Financial Reporting Valuation |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Intangible assets | Intangible assets are not accounted for under the Solvency II balance sheet. | As at year end 2022 these are exclusively related to IT development cost. Amortisation of these costs will commence from the start of their usefulness and typically depreciated over a 5 year period. Additional depreciation is booked when it's justified by economic circumstances. |
| Deferred tax assets | Solvency II recognises Deferred Tax Asset as part of the balance sheet and includes expected profit in future premiums. | Deferred tax assets are not reported on the BEGAAP balance sheet. |
| Property, plant and equipment held for own use | Under Solvency II the asset value includes a dilapidation amount anticipating the future refurbishing cost of the premises that Lloyds Insurance Company is renting, due on leaving the premises at the end of the rent contract, as well as the value of our lease | In BEGAAP only a liability provision is progressively set up on a straight-line basis to account for the dilapidation amount, and fixed assets are included and amortised over their useful lifetime. |

agreements. These will be amortised straight-line over the lease periods.

| | | |
|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investments (other than assets held for index-linked and unit-linked contracts) | Bonds are valued at market value with the accrued interest included in the value of the bond. Equities are valued at market value. | Bonds are valued at amortised cost with accrued interest reported separately under, "any other assets, not elsewhere shown". Equities and Investment funds are valued at acquisition value. |
| Reinsurance recoverables from: Non-life and health similar to non-life | On a Solvency II basis, this balance presents the net of cash inflows with respect to recoveries on business bound at the reporting date and cash outflows with respect to premiums payable on outwards reinsurance arrangements, including reinsurer bad debt, in respect of bound business. | The BEGAAP balance sheet presents the reinsurer's share of the unearned premium reserve and claims provisions relating to reinsurance of direct business. |
| Insurance and intermediaries' receivables | These represent all debtor cash flows related to premiums which are past due. Balances which are not past due are deemed to be future cash flows and reclassified as part of the technical provisions. | This asset category primarily relates to premium and policy holder tax which is valued at the nominal or acquisition value. Impairments are registered as required to reflect the uncertainties of their recovery. This also includes the control accounts in respect of direct settlement accounts set up for the Part VII portfolio. |
| Reinsurance receivables | Solvency II amounts receivable from the reinsurers in respect of overdue premiums we will pay to them, are valued considering commissions and other charges. All other items are valued at the nominal or acquisition value in line with the BEGAAP valuation. | This asset category relates to commissions, policy holder taxes and other charges which are valued at the nominal or acquisition value. Impairments are registered to reflect the uncertainties of their recovery. This also includes the control accounts in respect of reinsurance settlement accounts set up for the Part VII portfolio. |
| Receivables (trade, not insurance) | Does not include pre-paid rent and taxes. | This asset category includes pre-paid expenses and VAT, which are valued at the nominal or acquisition value. Impairments are registered to reflect the uncertainties of their recovery. |
| Cash and cash equivalents | Cash and cash equivalents are monies held as cash on hand, cash and short-term deposits held on call with banks. Such balances are held at fair value under Solvency II. The difference between BEGAAP value is due to the classification of negative balances under "Debts owed to credit institutions". | There are no differences from the SII valuation basis. |
| Any other assets, not elsewhere shown | Does not include any accrued interest, this is included in the market price of the investments. | Includes accrued interest under Belgian GAAP and the value of the cash suspense account and suspense account in respect |

settlement accounts set up for the Part VII portfolio.

At the reporting date the Company's investments of 452.6 mEUR were held in 33% investment funds, 26% government bonds and 41% corporate bonds. LIC's new asset allocation targets 30% equities and a non-EUR currency allocation of 35%. The Company does not provide any guarantees.

D.2 Technical provisions

The Actuarial Function holder is responsible for the oversight of the calculation of technical provisions.

The technical provisions net of reinsurance as at 31 December 2022 are 97.7 mEUR. The table below lists the Company's technical provisions by line of business.

Table D.3: Technical provisions by line of business as at year end 2022

| | Solvency II Line of Business | Gross Best Estimate €'000 | Recoveries €'000 | Net Best Estimate €'000 | Risk Margin €'000 | Total Net Technical Provisions |
|--------------------------------------------------------------|---------------------------------------------|--------------------------------------|-----------------------------|------------------------------------|------------------------------|---------------------------------------|
| Direct Business and Accepted Proportional Reinsurance | Medical expense insurance | 12,768 | 12,742 | 26 | 125 | 151 |
| | Income protection insurance | 177,798 | 177,273 | 525 | 1,690 | 2,215 |
| | Workers' compensation insurance | 301,508 | 300,126 | 1,382 | 2,729 | 4,111 |
| | Motor vehicle liability insurance | 3,344 | 3,325 | 18 | 29 | 48 |
| | Other motor insurance | 63,670 | 63,370 | 301 | 574 | 874 |
| | Marine, aviation and transport insurance | 2,015,150 | 2,007,992 | 7,158 | 18,821 | 25,979 |
| | Fire and other damage to property insurance | 601,207 | 600,117 | 1,090 | 5,907 | 6,997 |
| | General liability insurance | 3,000,619 | 2,989,766 | 10,853 | 27,970 | 38,824 |
| | Credit and suretyship insurance | 596,451 | 594,232 | 2,220 | 5,542 | 7,762 |
| | Legal expenses insurance | 2,660 | 2,677 | (17) | 32 | 15 |
| | Assistance | - | - | - | - | - |

| | | | | | | |
|----------------------------------------------|-------------------------------------------------------------|------------------|------------------|---------------|---------------|---------------|
| | Miscellaneous financial loss | 135,743 | 135,359 | 384 | 1,295 | 1,679 |
| Accepted Non-Proportional Reinsurance | Non-proportional health reinsurance | 25,320 | 25,260 | 60 | 245 | 305 |
| | Non-proportional casualty reinsurance | 67,931 | 67,662 | 269 | 627 | 896 |
| | Non-proportional marine, aviation and transport reinsurance | 184,802 | 183,944 | 858 | 1,670 | 2,528 |
| | Non-proportional property reinsurance | 405,660 | 404,058 | 1,602 | 3,744 | 5,346 |
| Total Non-Life obligation | | 7,594,633 | 7,567,903 | 26,730 | 71,000 | 97,730 |

Table D.4: Technical provisions total at year end 2021

| | Gross Best Estimate €'000 | Recoveries €'000 | Net Best Estimate €'000 | Risk Margin €'000 | Total Net Technical Provisions |
|----------------------------------|------------------------------|---------------------|----------------------------|----------------------|--------------------------------|
| Total Non-Life obligation | 6,910,406 | 6,900,333 | 10,073 | 63,555 | 73,627 |

The increase in net best estimate is predominantly driven by an increase in expense reserve. The increase in risk margin is predominantly driven by the increase in LIC's SCR as a result of the latest strategic investment. Both effects correspondingly increase the net technical provisions.

D.2.1 Best estimate

The best estimate represents the probability weighted average of all future cash flows from bound contracts. A valuation of the best estimate is required for both the business that was transferred to LIC under the Part VII scheme effective 30 December 2020, referred to as the 'Part VII' liabilities, as well as the business written through LIC since 1 January 2019, referred to as the 'BAU' liabilities.

These best estimates are calculated through a multi-stage reserving process which utilises the available historic premium and claims data, which can be summarised as:

1. A full reserving process ground up calculation of Unpaid Claims Reserves on a best estimate basis at the valuation date, 30 September 2022
2. A roll-forward exercise to calculate the value of the claims reserves at the reporting date 31 December 2022. This stage of the process also includes an estimate for any specific IBNR required at the valuation date.
3. Additional elements required for Solvency II technical provisions are calculated, consisting of a provision for Events Not In Data (ENIDs), bound but not incepted policies, an allowance for discounting, a Solvency II expense provision, future reinsurance premiums, ceding commissions, reinsurance recoverables and bad debt

An exercise was undertaken to identify an appropriate granularity of homogeneous risk groupings, referred to as 'Reserving Cohorts'. These Reserving Cohorts are developed to enable appropriate reserving

processes to be performed within LIC, both for the Part VII as well as the BAU portfolios. The Reserving Cohorts are defined based on an aggregation of risk codes, a common but granular grouping of policies used in the Lloyd's market and Lloyd's corporation.

The claims are further split into two high-level groupings based upon size, known as attritional and non-attritional claims, for which separate calculation methodologies are employed. For premiums and attritional claims standard actuarial techniques are used for valuation. For the non-attritional claims a bespoke frequency and severity model is used.

An allowance is additionally made for ENIDs to reflect potential adverse claims' experience not included in historical claim's data.

A Solvency II expense provision is required, predominately for overhead expenses incurred in servicing insurance obligations, arising from contracts bound at the valuation date. The value of the expense reserve should correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations.

An allowance for the bound but not incepted (BBNI) premium as at year end 2022 is included.

The future cash flows are discounted by applying risk-free yield curves by currency.

Future reinsurance premiums, ceding commissions and recoverables have been estimated by applying the applicable reinsurance arrangements to projected gross premiums and claims. The company has reinsurance agreements with approximately 100 Syndicates who form part of the Lloyd's market, which are 100% quota share agreements. Therefore, the reinsurance recoverable includes 100% of the claims and premium provisions claims cost.

The company does not have any arrangements with special purpose vehicles and hence technical provisions are not adjusted for recoveries from such vehicles.

The process described above consisting of the reserving process, roll-forward process, ENIDs and the expense reserve has been further developed and refined over the reporting period and is therefore an enhanced version of the methodology employed in the previous reporting period.

No significant simplifications have been used to calculate the best estimate technical provisions.

D.2.2 Uncertainty

The projected ultimate claims are subject to inherent uncertainty due to various reasons, including but not limited to, the normal variation in claims experience from year to year, the actuarial methods used, actuarial judgement applied, and that the ultimate claims valuation can change based upon new information which arises over time. LIC have estimated the level of volatility around the reserve projection and therefore the uncertainty in the gross claim ultimates, which gives an insight into this primary element of uncertainty.

However, all uncertainty in claim related elements of the technical provisions is mitigated by the 100% reinsurance protections that are in place.

As the company is 100% reinsured to syndicates who form part of the Lloyd's market, in the event of a syndicate failure or dispute, recoveries could be lower than expected.

D.2.3 Risk margin

Technical provisions include a risk margin to ensure that the value of the technical provisions is equivalent to the amount that an insurer would be expected to require taking over the insurance obligations of the company. In calculating the risk margin, Simplified Method 2 is applied, as outlined in Guideline 62, "Hierarchy of methods for the calculation of the risk margin" of EIOPA's "Guidelines on the Valuation of Technical Provisions". Methods 3 or 4 are not run in accordance with the hierarchy of methods as are too

simplistic given Method 2 is applicable. In calculating technical provisions, none of the other simplifications provided in the Solvency II Delegated Acts have been used.

D.2.4 Key differences between valuation for Solvency II and the Company's annual financial statements.

Table D.5: Summarised valuation differences between Solvency II and the Company's annual financial statements.

| Item | Solvency II Valuation | Financial Reporting Valuation |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contract Recognition | Technical provisions include all contracts which were bound at the valuation date. | Financial reporting only recognises contracts that have incepted at the valuation date. |
| Technical Provision | <p>The best estimate represents the probability weighted average of all future cash flows from bound contracts.</p> <p>Include an explicit risk margin, as prescribed by Solvency II regulations.</p> | <p>Unearned premium reserve is calculated from the gross written premium and doesn't assess the economic value of these unearned premiums.</p> <p>Claim Provisions include an additional margin in the statutory accounts, however unlike the Solvency II valuation excludes.</p> <ol style="list-style-type: none"> 1. Discounting 2. Events Not in Data (ENIDs) 3. Future premiums 4. An expense provision other than for direct claim fees |

Apart from the differences above, there would not be any material differences between the bases, methods and main assumptions used by for the valuation for solvency purposes and those used for valuation in financial statements.

Because of the nature of the company's business set-up, it does not apply any of the following as provided in the Solvency II Delegated Acts:

- Matching adjustment
- Volatility adjustment
- Transitional risk-free rate structure volatility adjustment and
- Transition deduction

D.3 Other liabilities

Under Solvency II the company values other liabilities at fair value, being the amount which an asset could be exchanged between knowledgeable, willing parties using market consistent valuation methods. Under BEGAAP the company values liabilities at the nominal value.

The company operates a defined contribution pension scheme. There were no changes made to the recognition and valuation bases used or on estimations during the reporting period.

D.3.1 Key differences between valuation for Solvency II and financial reporting

Table D.6: Summarised valuation basis between Solvency II and the Company's annual financial statements (BEGAAP).

| Item | Solvency II Valuation | Financial Reporting Valuation |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provisions other than technical provisions | Includes an allowance for re-structuring costs. | Includes an allowance for re-structuring and refurbishment costs. |
| Pension benefit obligations | Under Solvency II the entire liability is booked, which at year end equates to the contributions yet to be invested plus the cost of the legal obligation related to a minimum return guarantee for Belgian defined contribution pension schemes. | There are no differences from SII valuation basis. |
| Deposits from reinsurers | Such balances are held at fair value under Solvency II. | Balances are held at fair value. Does not include the suspense account in respect settlement accounts set up for the Part VII portfolio. |
| Debts owed to credit institutions | These balances are held at fair value under Solvency II. | There is no difference in the valuation basis between Solvency II and BGAAP, the difference is that these liabilities are included under the asset item "Cash and cash equivalents" in the BGAAP balance sheet. |
| Financial liabilities other than debts owed to credit institutions | Under Solvency II the liability value includes a dilapidation amount anticipating the future refurbishing cost of the premises that Lloyds Insurance Company is renting, due on leaving the premises at the end of the rent contract, as well as the liability value of our lease agreements. | There are no items classified here under the BEGAAP balance sheet. |
| Insurance & intermediaries payables | Solvency II amounts payables in respect of overdue premiums are valued considering commissions and other charges. | This liability category relates to commissions and other charges which are valued at the nominal or acquisition value. |
| Reinsurance payables | These represent all reinsurance cash flows related to direct premiums which are past due. Balances which are not past due are deemed to be future cash | This liability category primarily relates to reinsurance of premium and policy holder tax which is valued at the nominal or acquisition value. |

flows and reclassified as part of the reinsurance recoverables.

| | | |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payables (trade, not insurance) | Solvency II payables are valued on the same basis as BEGAAP. The difference is due to an inter-Company debt classified under "Any other liabilities, not elsewhere shown" in the Solvency II balance sheet, and policy holder taxes payable are excluded and subsequently included as part of the technical provisions calculation and pre-paid taxes not included under Solvency II. | Payables are recorded on an accruals basis. |
| Deferred tax liability | Solvency II recognizes deferred tax liability as part of the balance sheet. | Deferred tax liabilities are not reported on the BEGAAP balance sheet. |
| Any other liabilities, not elsewhere shown | Payable relating to an inter-company debt, recorded on an accruals basis. | This liability category relates to deferred reinsurance commissions which are valued at the nominal or acquisition value. Impairments are registered to reflect the uncertainties of their recovery. This deferral follows the same pattern as unearned premium therefore reinsurance commission is earned following the same pattern as the premiums they related to. |

D.4 Alternative methods for valuation

The company does not use any alternative methods for valuation.

D.5 Any other information

The company does not have any other material information to disclose regarding valuation for solvency purposes.

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

The company aims to maintain sufficient own funds to cover its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). The amount of excess funds held will be reviewed on an ongoing basis. The level of excess funds was considered by the company's sponsor during the process in establishing the company, and as part of the application for regulatory approval. The company holds excess funds to absorb potential volatility in SCR coverage and to absorb risks not included in the SCR, such as strategic risk, and monitors coverage of SCR and MCR on a quarterly basis. The company considers its objectives for managing its own funds as part of its annual ORSA process, which is based on a three-year business plan.

The CRO and CFO report to the Board at its meetings on the level of eligible own funds and the ratio of cover over the SCR and MCR. Ultimate responsibility for maintenance of own funds lies with the Board of Directors.

There were no distributions made to shareholders in the year.

The structure of the available own funds has not changed since the previous reporting period. Basic own funds consist of Tier 1 unrestricted own funds except for the net deferred tax asset included under Tier 3 own funds. In addition 200 mEUR of ancillary own funds through a letter of credit facility are available which form Tier 2 own funds.

The primary objective of LIC's Capital Management is to ensure continued compliance with regulatory capital requirements and that LIC maintains a level of capital that protects its viability. This is achieved with the following principles:

- A target capital level is defined which includes a buffer over the SCR against which the quarterly SCR ratio is monitored
- The SCR is calculated according to the Solvency II Standard Formula
- The capital position is continuously managed
- SCR and MCR should never be breached

E.1.1.1 Own funds classification

As at 31 December 2022, the company's basic own funds are 489.8 mEUR, comprised of issued share capital of 558.0 mEUR in ordinary share capital, a reconciliation reserve of -87.7 mEUR and a net deferred tax asset of 19.6 mEUR. These own funds are available as Tier 1 unrestricted own funds, except the net deferred tax asset classified as Tier 3.

In addition ancillary own funds of 200 mEUR have been made available through a letter of credit facility which forms Tier 2 capital to meet both SCR and MCR requirements. This facility has been issued to LIC by Barclays Bank Ireland PLC, is irrevocable and was approved by the NBB on 27 October 2020 as recognisable as Tier 2 supplementary capital for a period of five years commencing 6 November 2020.

The company does not have any Tier 1 own funds that fall within the following categories:

- paid-in subordinated mutual member accounts
- paid-in preference shares and the related share premium account
- paid-in subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC

None of the company's own funds are subject to transitional arrangements. Furthermore, the company has not deducted any items from its own funds.

Table E.1: LIC's sources of funds on a Solvency II basis

| Basic Own Funds | Tier 1 – unrestricted mEUR | Tier 2 mEUR | Tier 3 mEUR | Total mEUR |
|----------------------------------------------------------------|---------------------------------------|------------------------|------------------------|-----------------------|
| Ordinary share capital (gross of own shares) | 557.97 | - | - | 557.97 |
| Reconciliation reserve | (87.74) | - | - | (87.74) |
| An amount equal to the value of net deferred tax assets | - | - | 19.57 | 19.57 |
| Total basic own funds after deductions | 470.24 | - | 19.57 | 489.80 |
| Total ancillary own funds | - | 200.00 | - | 200.00 |
| Total available own funds to meet the SCR | 470.24 | 200.00 | 19.57 | 689.80 |
| Total available own funds to meet the MCR | 470.24 | - | - | 470.24 |
| Total eligible own funds to meet the SCR | 470.24 | 147.61 | - | 617.84 |
| Total eligible own funds to meet the MCR | 470.24 | - | - | 470.24 |
| SCR | - | - | - | 295.21 |
| MCR | - | - | - | 73.80 |
| Ratio of Eligible own funds to SCR | | | | 209% |
| Ratio of Eligible own funds to MCR | | | | 637% |

E.1.1.2 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The company's Own Funds are represented by 470.2 mEUR Tier 1 unrestricted, and 147.6 mEUR Tier 2. Table E.1 above shows the eligible amounts available to cover the SCR.

E.1.1.3 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The company's Own Funds are represented by 470.2 mEUR Tier 1 unrestricted. Table E.1 above shows the eligible amount available to cover the MCR.

E.1.1.4 Tier 1 basic own funds

LIC has Paid in Ordinary Share Capital of 558.0 mEUR. The reconciliation reserve at 31 December 2022 was -87.7 mEUR. Tier 1 own funds of 470.2 mEUR are eligible in full to meet both the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and a Letter of Credit that is classified as a Tier 2 that amounts to 200 mEUR.

E.1.1.5 Reconciliation of BEGAAP own funds to Solvency II own funds

Table E.2: Composition of reconciliation reserve, based on difference between own funds in BEGAAP and available own funds according to the Solvency II standard formula

| | | mEUR |
|----------|---------------------------------------------------------------------------------|-------------|
| A | Belgian GAAP Own Funds | 575 |
| B | Any other assets, not elsewhere shown | (39) |
| C | Insurance and intermediaries receivables | (533) |
| D | Intangible assets | (8) |
| E | Investments (other than assets held for index-linked and unit-linked contracts) | (19) |
| F | Reinsurance receivables | (182) |
| G | Reinsurance recoverables from: Non-life and health similar to non-life | (2,586) |
| H | Other Assets | (93) |
| I | Any other liabilities, not elsewhere shown | (42) |
| J | Best Estimate | (2,560) |
| K | Insurance & intermediaries payables | (167) |
| L | Payables (trade, not insurance) | (58) |
| M | Reinsurance payables | (584) |
| N | Risk margin | 71 |
| O | Other Liabilities | (15) |
| P | Asset over Liabilities Sol II: A+B+C+D+E+F+G+H-I-J-K-L-M-N-O | 470 |
| Q | Deferred tax assets | 20 |
| R | Sol II Own Funds: P+Q | 490 |
| S | Total of reserves and retained earnings from financial statements | 17 |
| T | Differences between BEGAAP and Sol II: P-A | (105) |
| U | Reconciliation reserve: S+T | (88) |

Solvency II Guidelines on “Reporting and public disclosure” require disclosure in this section 5.1 of information about any additional solvency ratios reported other than those included in template S.23.01. We have not reported any such additional solvency ratios.

E.1.1.6 Deferred tax assets (DTA) and Deferred tax liability (DTL)

As at 31 December 2022, LIC's DTA amounts to 19.6 mEUR and LIC's DTL amounts to 14.2 mEUR.

The Deferred tax asset consists of two elements: firstly a deferred tax asset based on the carry forward of unused tax losses, and secondly due to the valuation basis difference between the Solvency II and BEGAAP balance sheet Technical Provision valuation. However, this second element does not include an allowance for the difference based on the Solvency II Risk margin included in the Technical Provisions. This has been excluded considering guidance in the NBB circular titled “Circulaire relative à l'impact des impôts en Solvabilité II” with reference NBB_2020_03.

Furthermore, considering the timing of cash flows the income related to future premium contained within the Solvency II Technical Provisions has been considered separately and not netted of the DTA described above. The Deferred tax liability consists primarily of the income related to future premium.

LIC has 200 mEUR of Tier 2 capital of which 148 mEUR is eligible as own funds to meet the SCR, as the amount of tier 2 is greater than the prescribed allowable limit of 50% of the SCR. The net deferred tax asset is available as basic own funds and classified as Tier 3 of which 0 mEUR is eligible as own funds to meet the SCR, as the amount of tier 3 is less than the prescribed limit of 15% x SCR however the combined amount of Tier 2 and Tier 3 is greater than the maximum prescribed limit of 50% x SCR.

As a 100% reinsured insurance company, LIC's principal source of income is the reinsurance commission based on earned premium.

LIC's forecasted profit and loss account over the next three to five years demonstrates the probability that future taxable profit will be available against which the deferred tax asset can be offset. The local tax rules and limits are considered in making this assessment.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

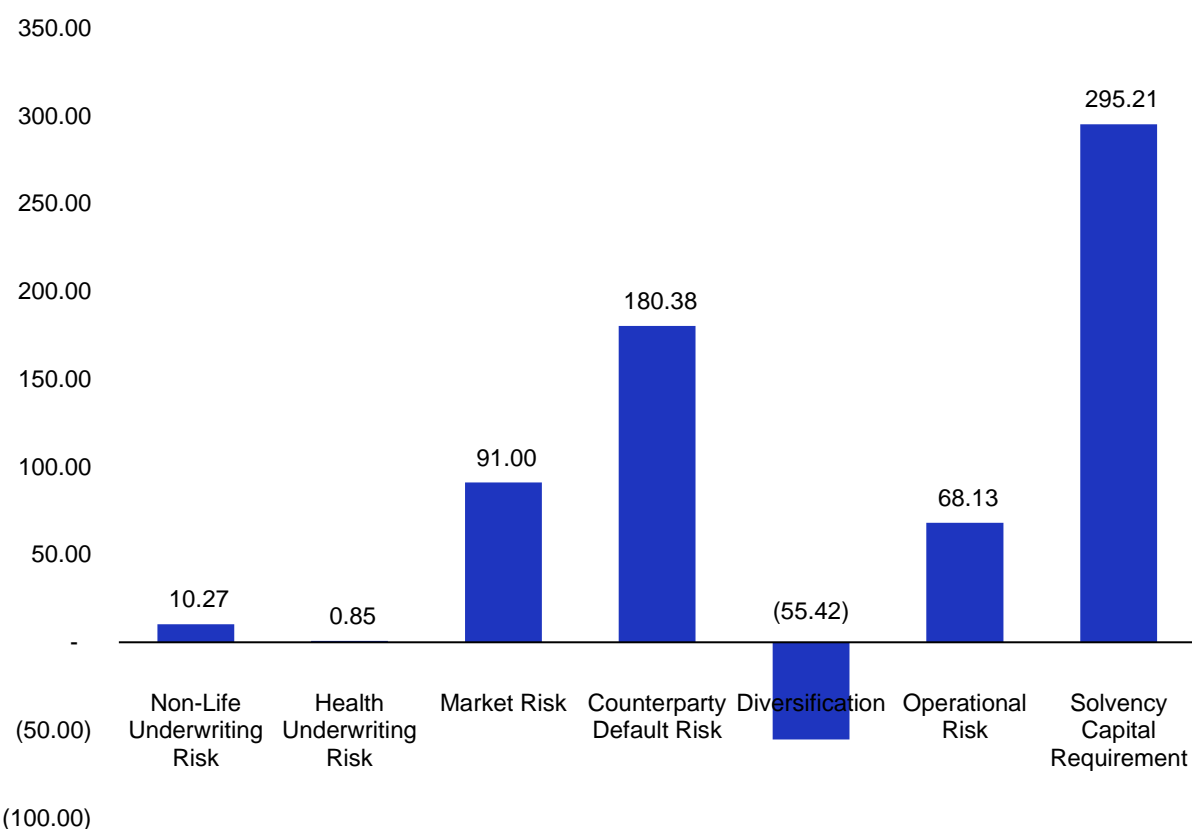
The company's Standard Formula Solvency Capital Requirement as at 31 December 2022 is 295.2 mEUR. The SCR is designed to absorb the loss resulting from the occurrence of a 1-in-200-year loss event over the next 12 months. The company uses the Standard Formula specified by EIOPA to estimate SCR. This models insurance, market, credit, and operational risk, and takes account of the company's outwards reinsurance programmes. The company's SCR calculation includes the use of a simplification provided by the Solvency II Delegated Acts 2019 update for the natural catastrophe risk sub-module within the underwriting module. It requires the map of the sum insured by risk zones which LIC uses where available. Where this granularity is not available LIC uses the simplified calculation of the sum insured for natural catastrophe risks as stated in the *Article 90b* from the *Commission Delegated Regulation (EU) 2019/981, 2019*, which is based on a maximum risk weight approach.

Table E.3: This table provides a breakdown of the company's Solvency Capital Requirement as at 31 December 2022 by risk type

| | mEUR |
|-----------------------------------|--------------------------|
| | Premium and Reserve Risk |
| | 7.86 |
| | Catastrophe Risk |
| | - |
| | Lapse Risk |
| | 6.62 |
| Non-Life Underwriting Risk | SCRnl Pre-Div |
| | 14.48 |
| | Diversification Credit |
| | 4.20 |
| | SCRnl |
| | 10.27 |
| Health Underwriting Risk | NSLT Underwriting Risk |
| | 0.85 |

| | | |
|------------------------------------------------------------|------------------------|---------------|
| | SLT Underwriting Risk | - |
| | Catastrophe Risk | - |
| | SCRhealth Pre-Div | 0.85 |
| | Diversification Credit | - |
| | SCRhealth | 0.85 |
| Market Risk | Interest Rate Risk | 13.75 |
| | Equity Risk | 41.12 |
| | Property Risk | 0.62 |
| | Spread Risk | 15.89 |
| | Concentration Risk | 0.19 |
| | Currency Risk | 55.91 |
| | SCRmkt Pre-Div | 127.47 |
| | Diversification Credit | 36.47 |
| | SCRmkt | 91.00 |
| Counterparty Default Risk | Type 1 Risk | 153.11 |
| | Type 2 Risk | 34.44 |
| | SCRdef Pre-Div | 187.55 |
| | Diversification Credit | 7.17 |
| | SCRdef | 180.38 |
| Undiversified BSCR | | 282.51 |
| Diversification Credit | | 55.42 |
| Basic SCR | | 227.09 |
| Operational Risk | | 68.13 |
| Basic SCR + Operational Risk | | 295.21 |
| Loss-Absorbing Capacity of Deferred Tax Liabilities | | - |
| Final SCR | | 295.21 |
| Eligible Own Funds | | 617.84 |
| SCR Ratio | | 209% |

Chart E.4: Breakdown of company's Solvency Capital Requirement by risk type mEUR



In addition to the SCR, the MCR is also required to be calculated. This is lower than the SCR and is designed to correspond to a solvency level below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurer could continue its operations. MCR as at the report date was 73.8 mEUR.

Table E.5: The following table is an extract from form S28.01

| Item | mEUR |
|------------------------------------|---------------|
| Linear MCR | 3.18 |
| SCR | 295.21 |
| MCR cap | 132.85 |
| MCR floor | 73.80 |
| Combined MCR | 73.80 |
| Absolute floor of the MCR | 4.00 |
| Minimum Capital Requirement | 73.80 |

Basic Own Funds is the excess of assets over liabilities as determined by the Solvency II balance sheet. The company's own funds include Tier 1 unrestricted funds, Tier 2 and Tier 3 without imposed capital add-

ons. Throughout the period the company has eligible own funds available to meet the SCR and MCR. The own funds ratio to SCR and MCR at the reporting period end are 209% and 637%, respectively.

The company has not used any undertaking-specific parameters in calculating the SCR using the Standard Formula.

In calculating the MCR, the company has used the following approach:

- A linear MCR based on the net of reinsurance best estimate technical provisions and the net written premiums in the last 12 months.
- A floor of 25% of the SCR and a cap of 45% of the SCR is applied.
- An absolute floor of 4.0 mEUR is applied to calculate the overall MCR requirement.

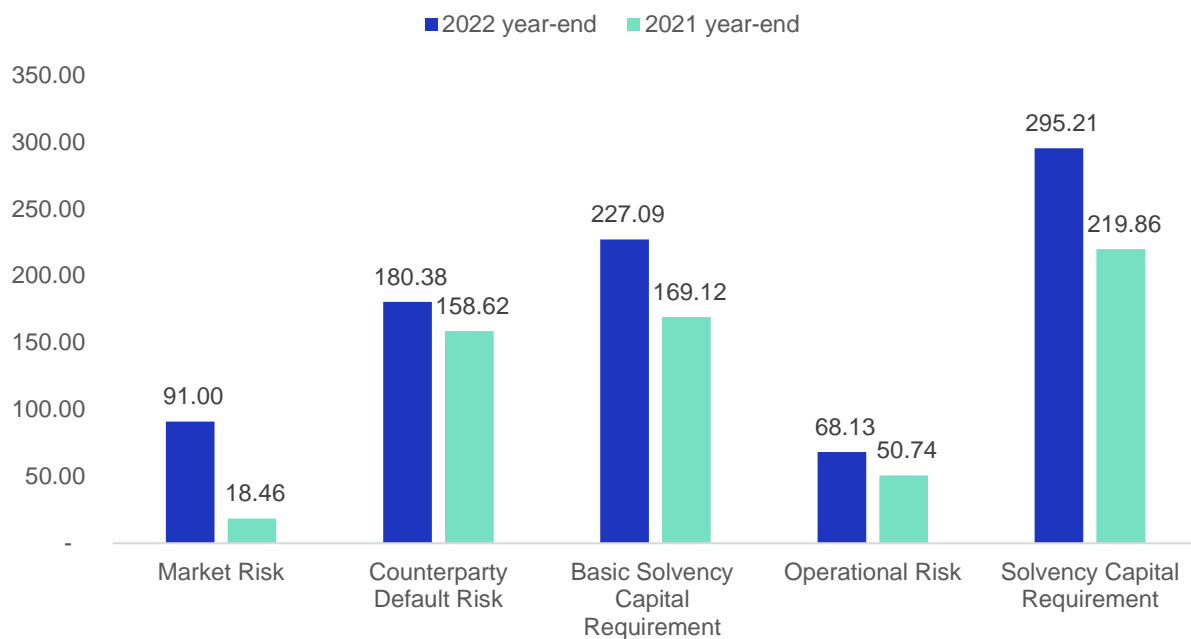
The following table shows how the SCR by risk category has evolved compared to the SCR for the year end 2021 reporting period. The material increase observed relates to the increase in market risk driven by LIC's updated investment strategy. See section C.2 Market risk for a more detailed explanation.

The other risks have not changed materially except in the case of operational risk which as a set proportion of the basic solvency capital requirement reduces in line with the underlying risks.

Table E.6: SCR and MCR comparison against previous reporting period

| High level risk category | 2022 year-end mEUR | 2021 year-end mEUR |
|-------------------------------------------|-----------------------|-----------------------|
| Market risk | 91.00 | 18.46 |
| Counterparty default risk | 180.38 | 158.62 |
| Life underwriting risk | - | - |
| Health underwriting risk | 0.85 | 0.91 |
| Non-life underwriting risk | 10.27 | 8.81 |
| Diversification | (55.42) | (17.68) |
| Basic Solvency Capital Requirement | 227.09 | 169.12 |
| Operational Risk | 68.13 | 50.74 |
| Solvency Capital Requirement | 295.21 | 219.86 |
| Minimum Capital Requirement | 73.80 | 54.96 |

Chart E.7: SCR comparison against previous reporting period (mEUR)



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

The company did not make use of the duration-based equity sub-module in the reporting during the reporting period.

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

The company uses the Standard Formula to calculate its Solvency Capital Requirement. Therefore, no differences exist.

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

The company complies with the Solvency II Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period. The company held Own Funds in excess of both the Minimum Capital Requirement and Solvency Capital requirement throughout the reporting period.

E.6 Any other information

LIC does not have any other material information to disclose regarding capital management.

F. ANNEX

F.1 Glossary of terms

Table F.1: This table provides a description of each abbreviation referred to throughout the document.

| Abbreviation | Description |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| BBNI | Bound But Not Incepted |
| BEGAAP | Belgian General Accepted Accounting Principles |
| CCO | Chief Compliance Officer |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CMDO | Chief Market Development Officer |
| COO | Chief Operating Officer |
| CQS | Credit Quality Step |
| CRO | Chief Risk Officer |
| CUO | Chief Underwriting Officer |
| EEA | European Economic Area |
| EIOPA | European Insurance and Occupational Pensions Authority |
| EU | European Union |
| ENIDs | Events Not in Data |
| FSMA | Financial Services and Markets Authority |
| FTE | Full Time Employee |
| ICS | Internal Control System |
| LFCL | Lloyd's Finance Company Limited |
| ManCo | Management Committee |
| MCR | Minimum Capital Requirement |
| NBB | National Bank of Belgium |
| NSLT | Non-Similar to Life Techniques |
| ORSA | Own Risk and Solvency Assessment |
| OSN | Overall Solvency Needs |
| Part VII | A legal transfer of insurance business from one company to another governed by Part VII of the UK Financial Services and Markets Act 2000 |

| | |
|--------------|---------------------------------------------------------|
| PRA | UK Prudential Regulatory Authority |
| QRR | Quarterly Risk Report |
| RCSA | Risk and Control Self-Assessment |
| RESOG | Report on the Effectiveness of the System of Governance |
| RIR | Risk Incident Reporting |
| RMF | Risk Management Function |
| RSR | Regular Supervisory Report |
| SCR | Solvency Capital Requirement |
| SFCR | Solvency and Financial Condition Report |
| SSTs | Stress and Scenario Tests |
| STFO | Settlement and Trust Fund Operations |

F.2 Quantitative Reporting Templates (QRT) at 2022 year-end

The following QRT templates, applicable to the company, are required for the Solvency and Financial Condition Report.

The reporting currency is Euro.

Table F.2: QRT List

| | |
|----------------|---------------------------------------------------|
| S.02.01 | Balance Sheet |
| S.05.01 | Premiums, claims and expenses by line of business |
| S.05.02 | Premiums, claims and expenses by country |
| S.17.01 | Non-Life Technical Provisions |
| S.19.01 | Non-Life Claims Information |
| S.23.01 | Own Funds |
| S.25.01 | Solvency Capital Requirement |
| S.28.01 | Minimum Capital Requirement |

F.2.1 S.02.01 Balance Sheet

| | | Solvency II value |
|------------------------------------------------------------------------------------|-------|-------------------|
| | | C0010 |
| Assets | | |
| Intangible assets | R0030 | - |
| Deferred tax assets | R0040 | 19,567,261 |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 2,589,121 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 452,585,704 |
| Property (other than for own use) | R0080 | - |
| Holdings in related undertakings, including participations | R0090 | - |
| Equities | R0100 | - |
| Equities - listed | R0110 | - |
| Equities - unlisted | R0120 | - |
| Bonds | R0130 | 302,797,664 |
| Government Bonds | R0140 | 116,972,380 |
| Corporate Bonds | R0150 | 185,825,284 |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | - |
| Collective Investments Undertakings | R0180 | 149,788,040 |
| Derivatives | R0190 | - |
| Deposits other than cash equivalents | R0200 | - |
| Other investments | R0210 | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| Reinsurance recoverables from: | R0270 | 7,567,902,883 |
| Non-life and health similar to non-life | R0280 | 7,567,902,883 |
| Non-life excluding health | R0290 | 7,052,500,981 |
| Health similar to non-life | R0300 | 515,401,903 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | - |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | - |
| Life index-linked and unit-linked | R0340 | - |

| | | |
|----------------------------------------------------------------------------------------|--------------|--------------------------|
| Deposits to cedants | R0350 | - |
| Insurance and intermediaries receivables | R0360 | 1,753,481,276 |
| Reinsurance receivables | R0370 | 497,885,707 |
| Receivables (trade, not insurance) | R0380 | 4,520,464 |
| 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 | 354,458,422 |
| Any other assets, not elsewhere shown | R0420 | - |
| Total assets | R0500 | 10,652,990,839 |
| | | Solvency II value |
| | | C0010 |
| Liabilities | | |
| Technical provisions – non-life | R0510 | 7,665,632,692 |
| Technical provisions – non-life (excluding health) | R0520 | 7,143,448,747 |
| Technical provisions calculated as a whole | R0530 | - |
| Best Estimate | R0540 | 7,077,237,629 |
| Risk margin | R0550 | 66,211,118 |
| Technical provisions - health (similar to non-life) | R0560 | 522,183,945 |
| Technical provisions calculated as a whole | R0570 | - |
| Best Estimate | R0580 | 517,395,060 |
| Risk margin | R0590 | 4,788,884 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | - |
| Technical provisions - health (similar to life) | R0610 | - |
| Technical provisions calculated as a whole | R0620 | - |
| Best Estimate | R0630 | - |
| Risk margin | R0640 | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | - |
| Technical provisions calculated as a whole | R0660 | - |
| Best Estimate | R0670 | - |
| Risk margin | R0680 | - |
| Technical provisions – index-linked and unit-linked | R0690 | - |
| Technical provisions calculated as a whole | R0700 | - |
| Best Estimate | R0710 | - |
| Risk margin | R0720 | - |
| Other technical provisions | R0730 | - |

| | | |
|-------------------------------------------------------------------------------------|---------------|----------------|
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | 691,100 |
| Pension benefit obligations | R0760 | 1,573,532 |
| Deposits from reinsurers | R0770 | 225,785,063 |
| Deferred tax liabilities | R0780 | 14,186,568 |
| Derivatives | R0790 | - |
| Debts owed to credit institutions | R0800 | - |
| Debts owed to credit institutions resident domestically | ER0801 | - |
| Debts owed to credit institutions resident in the euro area other than domestic | ER0802 | |
| Debts owed to credit institutions resident in rest of the world | ER0803 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | 8,053,652 |
| Debts owed to non-credit institutions | ER0811 | - |
| Debts owed to non-credit institutions resident domestically | ER0812 | - |
| Debts owed to non-credit institutions resident in the euro area other than domestic | ER0813 | - |
| Debts owed to non-credit institutions resident in rest of the world | ER0814 | - |
| Other financial liabilities (debt securities issued) | ER0815 | 8,053,652 |
| Insurance & intermediaries payables | R0820 | 448,320,633 |
| Reinsurance payables | R0830 | 1,753,481,276 |
| Payables (trade, not insurance) | R0840 | 29,604,366 |
| Subordinated liabilities | R0850 | - |
| Subordinated liabilities not in Basic Own Funds | R0860 | - |
| Subordinated liabilities in Basic Own Funds | R0870 | - |
| Any other liabilities, not elsewhere shown | R0880 | 15,857,627 |
| Total liabilities | R0900 | 10,163,186,508 |
| Excess of assets over liabilities | R1000 | 489,804,331 |

F.2.2 S.05.01 Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------|-----------------------------|---------------------------------------------------|---------------------------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|------------|---------------------------------|-------------------------------------------------------------|------------|-----------------------------------|-------------|---------------|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | |
| Premiums written | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0110 | 5,380,139 | 112,433,427 | 38,665,016 | (41) | 15,538,807 | 927,835,097 | 396,345,544 | 1,324,615,780 | 342,554,513 | 2,334,078 | - | 79,527,211 | | | | | 3,245,229,572 |
| Gross - Proportional reinsurance accepted | R0120 | (604,942) | 9,237,759 | 446,252 | - | (1,001) | 99,202,599 | 87,962,406 | 47,204,267 | 6,308,936 | (4,640) | - | 380,696 | | | | | 250,132,330 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | | | | | 16,416,288 | 27,348,829 | 41,563,983 | 155,708,496 | 241,037,595 |
| Reinsurers' share | R0140 | 4,775,197 | 121,671,186 | 39,111,267 | (41) | 15,537,806 | 1,027,037,696 | 484,307,951 | 1,371,820,046 | 348,863,449 | 2,329,438 | - | 79,907,908 | 16,416,288 | 27,348,829 | 41,563,983 | 155,708,496 | 3,736,399,497 |
| Net | R0200 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0210 | 7,982,083 | 125,579,676 | 50,218,324 | (41) | 14,623,535 | 747,739,865 | 375,641,796 | 1,199,230,305 | 275,219,577 | 1,399,563 | - | 60,198,985 | | | | | 2,857,833,668 |
| Gross - Proportional reinsurance accepted | R0220 | (619,961) | 8,050,607 | 268,965 | - | (1,001) | 92,925,949 | 94,760,882 | 46,213,549 | 2,073,262 | (4,640) | - | 597,961 | | | | | 244,265,572 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | | | | | 16,071,291 | 25,220,028 | 40,079,575 | 147,181,666 | 228,552,560 |
| Reinsurers' share | R0240 | 7,362,121 | 133,630,283 | 50,487,288 | (41) | 14,622,534 | 840,665,814 | 470,402,678 | 1,245,443,854 | 277,292,839 | 1,394,923 | - | 60,796,946 | 16,071,291 | 25,220,028 | 40,079,575 | 147,181,666 | 3,330,651,799 |
| Net | R0300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0310 | 4,656,884 | 50,020,605 | 23,470,430 | (43,969) | 12,159,636 | 1,161,556,626 | 126,586,839 | 496,848,016 | 82,757,398 | 893,257 | - | 25,308,467 | | | | | 1,984,214,188 |
| Gross - Proportional reinsurance accepted | R0320 | (29,884) | 2,885,360 | 436,403 | (25,638) | (130,603) | 353,738,596 | 37,952,617 | 20,335,562 | 3,227 | (49,330) | - | 522,591 | | | | | 415,638,901 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | | | | | 7,561,328 | 23,919,213 | 105,073,152 | 222,223,434 | 358,777,126 |
| Reinsurers' share | R0340 | 4,627,000 | 52,905,965 | 23,906,833 | (69,607) | 12,029,033 | 1,515,295,222 | 164,539,456 | 517,183,578 | 82,760,625 | 843,927 | - | 25,831,058 | 7,561,328 | 23,919,213 | 105,073,152 | 222,223,434 | 2,758,630,216 |
| Net | R0400 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 | (93,251) | (1,682,302) | (635,135) | (0) | (173,244) | (10,095,479) | (5,706,708) | (15,120,310) | (1,903,212) | (17,714) | - | (748,357) | (144,987) | (219,372) | (455,122) | (1,735,306) | (38,730,500) |
| Other expenses | R1200 | | | | | | | | | | | | | | | | | - |
| Total expenses | R1300 | | | | | | | | | | | | | | | | | (38,730,500) |

F.2.3 S.05.02 Premiums, claims and expenses by country

| | | Home country | Country (by amount of gross premiums written) | Country (by amount of gross premiums written) | Country (by amount of gross premiums written) | Country (by amount of gross premiums written) | Country (by amount of gross premiums written) | Total for top 5 countries and home country (by amount of gross premiums written) |
|---------------------------------------|-------|--------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------|
| | | | DE | FR | IE | IT | NL | |
| | | C0080 | C0090 | C0090 | C0090 | C0090 | C0090 | C0140 |
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | 80,975,744 | 416,519,555 | 454,250,078 | 335,441,877 | 426,904,916 | 295,886,018 | 2,009,978,188 |
| Gross - Proportional | R0120 | 9,570,301 | 167,549,524 | 17,968,970 | 1,858,055 | 1,389,284 | 13,460,214 | 211,796,348 |
| Gross - Non- | R0130 | 1,193,612 | 38,740,221 | 10,375,812 | 15,699,684 | 7,586,362 | 8,888,999 | 82,484,691 |
| Reinsurers' share | R0140 | 91,739,657 | 622,809,301 | 482,594,860 | 352,999,615 | 435,880,563 | 318,235,231 | 2,304,259,227 |
| Net | R0200 | | | | | | | |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | 74,153,454 | 340,451,649 | 410,905,219 | 316,949,141 | 392,624,175 | 276,919,875 | 1,812,003,512 |
| Gross - Proportional | R0220 | 9,006,932 | 152,988,649 | 18,100,048 | 3,068,025 | 1,391,857 | 12,312,692 | 196,868,203 |
| Gross - Non- | R0230 | 3,764,582 | 31,887,269 | 8,807,603 | 16,267,619 | 6,211,218 | 9,107,182 | 76,045,474 |
| Reinsurers' share | R0240 | 86,924,967 | 525,327,567 | 437,812,871 | 336,284,785 | 400,227,250 | 298,339,750 | 2,084,917,190 |
| Net | R0300 | | | | | | | |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | 12,710,649 | 217,095,707 | 233,107,360 | 703,488,536 | 234,489,810 | 93,629,300 | 1,494,521,362 |
| Gross - Proportional | R0320 | 9,883,815 | 208,663,916 | 28,535,021 | 77,591,826 | (611,746) | 7,450,324 | 331,513,156 |
| Gross - Non- | R0330 | 348,398 | (6,277,902) | 715,609 | 116,233,526 | 2,159,982 | 5,021,761 | 118,201,375 |
| Reinsurers' share | R0340 | 22,942,862 | 419,481,722 | 262,357,990 | 897,313,888 | 236,038,046 | 106,101,386 | 1,944,235,894 |
| Net | R0400 | | | | | | | |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | | | | | | | |
| Gross - Proportional | R0420 | | | | | | | |
| Gross - Non- | R0430 | | | | | | | |
| Reinsurers' share | R0440 | | | | | | | |
| Net | R0500 | | | | | | | |
| Expenses incurred | R0550 | (1,014,044) | (5,999,447) | (4,846,166) | (4,163,755) | (4,953,575) | (3,338,209) | (24,315,195) |
| Other expenses | R1200 | | | | | | | |
| Total expenses | R1300 | | | | | | | (24,315,195) |

F.2.4 S.17.01 Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|------------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|--------------------------|------------|------------------------------|---------------------------------------|---------------------------------------|-------------------------------------------------|---------------------------------------|---------------------------|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport | Non-proportional property reinsurance | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | | | | | | | | | | | |
| Best estimate | | | | | | | | | | | | | | | | | | |
| Premium provisions | | | | | | | | | | | | | | | | | | |
| Gross - Total | R0060 | 1,510,951 | 21,964,832 | 11,426,684 | 5 | 2,983,486 | 144,833,429 | 58,680,083 | 218,424,535 | 144,377,516 | 158,993 | | 11,755,638 | 2,474,365 | 2,778,582 | 2,457,981 | 7,233,885 | 631,060,965 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | 1,546,454 | 22,272,261 | 11,629,010 | 5 | 3,008,007 | 147,910,550 | 60,512,919 | 222,860,904 | 144,642,452 | 181,746 | | 12,051,651 | 2,538,849 | 2,862,694 | 2,593,550 | 7,798,157 | 642,409,210 |
| Net Best Estimate of Premium Provisions | R0150 | (35,503) | (307,429) | (202,326) | 0 | (24,520) | (3,077,121) | (1,832,836) | (4,436,368) | (264,936) | (22,753) | | (296,014) | (64,484) | (84,113) | (135,568) | (564,272) | (11,348,245) |
| Claims provisions | | | | | | | | | | | | | | | | | | |
| Gross - Total | R0160 | 11,257,027 | 155,833,449 | 290,081,637 | 3,343,756 | 60,686,925 | 1,870,316,232 | 542,527,356 | 2,782,194,588 | 452,073,954 | 2,501,343 | | 123,987,058 | 22,846,116 | 65,152,110 | 182,344,056 | 398,426,117 | 6,963,571,724 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 11,195,260 | 155,001,172 | 288,497,376 | 3,325,379 | 60,361,794 | 1,860,081,089 | 539,604,119 | 2,766,904,897 | 449,589,483 | 2,495,554 | | 123,307,236 | 22,721,521 | 64,799,264 | 181,350,021 | 396,259,508 | 6,925,493,673 |
| Net Best Estimate of Claims Provisions | R0250 | 61,767 | 832,277 | 1,584,261 | 18,378 | 325,131 | 10,235,143 | 2,923,238 | 15,289,691 | 2,484,471 | 5,788 | | 679,822 | 124,595 | 352,846 | 994,035 | 2,166,609 | 38,078,050 |
| Total Best estimate - gross | R0260 | 12,767,978 | 177,798,281 | 301,508,321 | 3,343,761 | 63,670,412 | 2,015,149,661 | 601,207,439 | 3,000,619,124 | 596,451,470 | 2,660,335 | | 135,742,696 | 25,320,481 | 67,930,692 | 184,802,038 | 405,660,002 | 7,594,632,689 |
| Total Best estimate - net | R0270 | 26,264 | 524,848 | 1,381,935 | 18,378 | 300,611 | 7,158,021 | 1,090,401 | 10,853,322 | 2,219,535 | (16,965) | | 383,808 | 60,111 | 268,734 | 858,467 | 1,602,337 | 26,729,806 |
| Risk margin | R0280 | 124,581 | 1,690,378 | 2,729,109 | 29,414 | 573,861 | 18,820,728 | 5,907,012 | 27,970,216 | 5,542,449 | 32,226 | | 1,295,263 | 244,817 | 626,782 | 1,669,543 | 3,743,625 | 71,000,003 |
| Amount of the transitional on Technical Provisions | | | | | | | | | | | | | | | | | | |
| TP as a whole | R0290 | - | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | | | | | | | | | | | | |
| Technical provisions - total | R0320 | 12,892,559 | 179,488,658 | 304,237,430 | 3,373,174 | 64,244,272 | 2,033,970,389 | 607,114,452 | 3,028,589,340 | 601,993,919 | 2,692,561 | | 137,037,959 | 25,565,298 | 68,557,474 | 186,471,581 | 409,403,627 | 7,665,632,692 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 12,741,714 | 177,273,433 | 300,126,386 | 3,325,383 | 63,369,801 | 2,007,991,639 | 600,117,038 | 2,989,765,801 | 594,231,935 | 2,677,300 | | 135,358,888 | 25,260,370 | 67,661,958 | 183,943,571 | 404,057,665 | 7,567,902,883 |
| Technical provisions minus recoverables from reinsurance/SPV | R0340 | 150,844 | 2,215,226 | 4,111,044 | 47,791 | 874,471 | 25,978,750 | 6,997,413 | 38,823,538 | 7,761,984 | 15,260 | | 1,679,071 | 304,928 | 895,516 | 2,528,010 | 5,345,962 | 97,729,808 |

F.2.5 S.19.01 Non-Life Claims Information

Total Non-Life Business

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

| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 & + |
|-------|-------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 |
| Prior | R0100 | | | | | | | | | | | | | | | | 28,736,793 |
| N -14 | R0110 | 72,785,530 | 399,736,382 | 250,214,818 | 186,990,114 | 114,629,569 | 59,670,301 | 37,757,832 | 38,161,549 | 46,798,353 | 16,572,887 | 54,699,959 | 23,121,094 | 17,819,166 | 7,157,490 | 10,571,195 | |
| N -13 | R0120 | 109,937,209 | 286,723,523 | 244,514,903 | 108,112,844 | 78,425,784 | 82,042,990 | 31,421,633 | 22,751,980 | 20,500,260 | 23,279,054 | 55,375,466 | 77,093,990 | (7,465,009) | 12,018,980 | | |
| N -12 | R0130 | 71,247,010 | 349,728,840 | 323,841,188 | 185,691,565 | 44,132,556 | 40,474,536 | 56,452,654 | 25,141,095 | 14,313,482 | 22,925,861 | 13,257,041 | 13,585,979 | 7,500,843 | | | |
| N -11 | R0140 | 73,443,976 | 334,563,208 | 235,619,689 | 169,677,558 | 129,781,563 | 45,669,287 | 49,162,399 | 27,633,668 | 48,755,437 | 2,858,349 | 17,203,024 | 9,045,441 | | | | |
| N -10 | R0150 | 85,511,471 | 322,727,988 | 277,757,639 | 114,570,652 | 103,369,257 | 105,471,985 | 36,444,655 | 32,700,405 | 18,769,408 | 41,159,324 | 10,665,180 | | | | | |
| N -9 | R0160 | 163,960,404 | 366,490,523 | 333,125,096 | 165,183,620 | 92,494,499 | 57,455,129 | 49,702,079 | 36,662,952 | 50,298,620 | 21,234,361 | | | | | | |
| N -8 | R0170 | 63,657,266 | 358,650,220 | 292,862,640 | 265,300,903 | 151,934,787 | 468,939,333 | 42,914,390 | 47,545,687 | 46,219,090 | | | | | | | |
| N -7 | R0180 | 97,602,409 | 343,921,598 | 328,770,406 | 208,760,935 | 109,205,910 | 82,778,405 | 105,608,714 | 29,679,549 | | | | | | | | |
| N -6 | R0190 | 100,668,837 | 391,318,975 | 356,639,388 | 204,282,352 | 130,700,368 | 134,884,252 | 180,714,513 | | | | | | | | | |
| N -5 | R0200 | 84,231,311 | 336,163,965 | 424,772,229 | 279,264,613 | 151,226,215 | 123,784,533 | | | | | | | | | | |
| N -4 | R0210 | 55,839,123 | 416,531,771 | 331,468,475 | 160,503,926 | 98,781,499 | | | | | | | | | | | |
| N -3 | R0220 | 61,858,922 | 328,536,361 | 333,148,168 | 151,423,028 | | | | | | | | | | | | |
| N -2 | R0230 | 50,630,060 | 255,018,609 | 168,865,322 | | | | | | | | | | | | | |
| N -1 | R0240 | 46,323,872 | 294,606,748 | | | | | | | | | | | | | | |
| N | R0250 | 33,293,373 | | | | | | | | | | | | | | | |

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 & + |
|-------|-------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|-------------|
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0310 | C0320 | C0330 | C0340 | C0350 |
| Prior | R0100 | | | | | | | | | | | | | | | | 208,929,300 |
| N -14 | R0110 | | | | | | | | | | | | | | | 60,580,444 | |
| N -13 | R0120 | | | | | | | | | | | | | | 31,523,983 | | |
| N -12 | R0130 | | | | | | | | | | | | | 54,028,585 | | | |
| N -11 | R0140 | | | | | | | | | | | | 66,999,433 | | | | |
| N -10 | R0150 | | | | | | | | | | | 119,174,934 | | | | | |
| N -9 | R0160 | | | | | | | | | | 117,511,261 | | | | | | |
| N -8 | R0170 | | | | | | | | | 196,661,268 | | | | | | | |
| N -7 | R0180 | | | | | | | | 230,176,735 | | | | | | | | |
| N -6 | R0190 | | | | | | | 344,007,953 | | | | | | | | | |
| N -5 | R0200 | | | | | | 490,497,269 | | | | | | | | | | |
| N -4 | R0210 | | | | | 603,206,519 | | | | | | | | | | | |
| N -3 | R0220 | | | | 853,239,407 | | | | | | | | | | | | |
| N -2 | R0230 | | | 926,805,415 | | | | | | | | | | | | | |
| N -1 | R0240 | | 2,542,144,889 | | | | | | | | | | | | | | |
| N | R0250 | 966,954,743 | | | | | | | | | | | | | | | |

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative)

| | | In Current year | Sum of all years (cumulative) |
|-------|-------|-----------------|----------------------------------|
| | | C0170 | C0180 |
| Prior | R0100 | 28,736,793 | 28,736,793 |
| N-14 | R0110 | 10,571,195 | 1,336,686,240 |
| N-13 | R0120 | 12,018,980 | 1,144,733,610 |
| N-12 | R0130 | 7,500,843 | 1,168,292,649 |
| N-11 | R0140 | 9,045,441 | 1,143,413,598 |
| N-10 | R0150 | 10,665,180 | 1,149,147,965 |
| N-9 | R0160 | 21,234,361 | 1,336,607,283 |
| N-8 | R0170 | 46,219,090 | 1,738,024,316 |
| N-7 | R0180 | 29,679,549 | 1,306,327,927 |
| N-6 | R0190 | 180,714,513 | 1,499,208,686 |
| N-5 | R0200 | 123,784,533 | 1,399,442,867 |
| N-4 | R0210 | 98,781,499 | 1,063,124,794 |
| N-3 | R0220 | 151,423,028 | 874,966,479 |
| N-2 | R0230 | 168,865,322 | 474,513,992 |
| N-1 | R0240 | 294,606,748 | 340,930,620 |
| N | R0250 | 33,293,373 | 33,293,373 |
| Total | R0260 | 1,227,140,449 | 16,037,451,192 |

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative)

| | | Year end (discounted data) |
|-------|-------|----------------------------|
| | | C0360 |
| Prior | R0100 | 191,722,716 |
| N-14 | R0110 | 53,930,908 |
| N-13 | R0120 | 28,004,696 |
| N-12 | R0130 | 47,231,684 |
| N-11 | R0140 | 59,730,602 |
| N-10 | R0150 | 103,472,061 |
| N-9 | R0160 | 102,134,167 |
| N-8 | R0170 | 170,843,380 |
| N-7 | R0180 | 198,810,489 |
| N-6 | R0190 | 296,888,478 |
| N-5 | R0200 | 432,680,337 |
| N-4 | R0210 | 529,032,247 |
| N-3 | R0220 | 751,302,333 |
| N-2 | R0230 | 817,390,873 |
| N-1 | R0240 | 2,313,373,817 |
| N | R0250 | 867,022,935 |
| Total | R0260 | 6,963,571,724 |

F.2.6 S.23.01 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 2015/35 | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 557,972,427 | 557,972,427 | | - | |
| Share premium account related to ordinary share capital | R0030 | - | - | | - | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | - | - | | - | |
| Subordinated mutual member accounts | R0050 | - | | - | - | - |
| Surplus funds | R0070 | - | | | | |
| Preference shares | R0090 | - | | - | - | - |
| Share premium account related to preference shares | R0110 | - | | - | - | - |
| Reconciliation reserve | R0130 | (87,735,358) | (87,735,358) | | | |
| Subordinated liabilities | R0140 | - | | - | - | - |
| An amount equal to the value of net deferred tax assets | R0160 | 19,567,261 | | | | 19,567,261 |
| 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 | 489,804,331 | 470,237,069 | - | - | 19,567,261 |
| 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 | 200,000,000 | | | 200,000,000 | |
| 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 | 200,000,000 | | | 200,000,000 | - |
| Available and eligible own funds | | | | | | |
| Total available own funds to meet the SCR | R0500 | 689,804,331 | 470,237,069 | - | 200,000,000 | 19,567,261 |
| Total available own funds to meet the MCR | R0510 | 470,237,069 | 470,237,069 | - | - | |
| Total eligible own funds to meet the SCR | R0540 | 617,844,351 | 470,237,069 | - | 147,607,282 | - |
| Total eligible own funds to meet the MCR | R0550 | 470,237,069 | 470,237,069 | - | | |
| SCR | R0580 | 295,214,563 | | | | |
| MCR | R0600 | 73,803,641 | | | | |

| | | | | | | |
|------------------------------------|-------|------|--|--|--|--|
| Ratio of Eligible own funds to SCR | R0620 | 2.09 | | | | |
| Ratio of Eligible own funds to MCR | R0640 | 6.37 | | | | |

| | | |
|-------------------------------------------------------------------------------------------------------------|-------|--------------|
| Reconciliation reserve | | |
| | | C0060 |
| Reconciliation reserve | | |
| Excess of assets over liabilities | R0700 | 489,804,331 |
| Own shares (held directly and indirectly) | R0710 | - |
| Foreseeable dividends, distributions and charges | R0720 | - |
| Other basic own fund items | R0730 | 577,539,689 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | - |
| Reconciliation reserve | R0760 | (87,735,358) |
| Expected profits | | |
| Expected profits included in future premiums (EPIFP) - Life business | R0770 | - |
| Expected profits included in future premiums (EPIFP) - Non-life business | R0780 | 17,537,378 |
| Total Expected profits included in future premiums (EPIFP) | R0790 | 17,537,378 |

F.2.7 S.25.01 Solvency Capital Requirement

| | | |
|--------------|--------------|-----------------------|
| Article 112* | Z0010 | 2 - Regular reporting |
|--------------|--------------|-----------------------|

Basic Solvency Capital Requirement

| | | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|-------------------------------------------|--------------|----------------------------------|------------------------------------|----------------------------------------------------------------------------|
| | | C0030 | C0040 | C0050 |
| Market risk | R0010 | 90,999,592 | 90,999,592 | - |
| Counterparty default risk | R0020 | 180,384,255 | 180,384,255 | - |
| Life underwriting risk | R0030 | - | - | - |
| Health underwriting risk | R0040 | 847,405 | 847,405 | - |
| Non-life underwriting risk | R0050 | 10,274,702 | 10,274,702 | - |
| Diversification | R0060 | (55,417,828) | (55,417,828) | |
| Intangible asset risk | R0070 | - | - | |
| Basic Solvency Capital Requirement | R0100 | 227,088,126 | 227,088,126 | |

Calculation of Solvency Capital Requirement

| | | Value |
|---------------------------------------------------------------------------------------------|--------------|--------------|
| | | C0100 |
| Adjustment due to RFF/MAP nSCR aggregation | R0120 | - |
| Operational risk | R0130 | 68,126,438 |
| 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 | 295,214,563 |
| Capital add-on already set | R0210 | - |

| | | |
|-------------------------------------------------------------------------------------------|--------------|-------------|
| Solvency capital requirement | R0220 | 295,214,563 |
| Other information on SCR | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | - |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | - |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | - |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | - |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | - |

F.2.8 S.28.01 Minimum Capital Requirement

| Linear formula component for non-life insurance and reinsurance obligations | | MCR components |
|-----------------------------------------------------------------------------|-------|----------------|
| | | C0010 |
| MCRNL Result | R0010 | 3,183,043 |

| Background information | | Background information | |
|--------------------------------------------------------------------------|-------|---------------------------------------------------------------------|-------------------------------------------------------------|
| | | 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 | 27,523 | - |
| Income protection insurance and proportional reinsurance | R0030 | 524,848 | - |
| Workers' compensation insurance and proportional reinsurance | R0040 | 1,381,935 | - |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 18,378 | - |
| Other motor insurance and proportional reinsurance | R0060 | 300,611 | - |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 7,158,021 | - |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 1,090,401 | - |
| General liability insurance and proportional reinsurance | R0090 | 10,853,322 | - |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 2,220,531 | - |
| Legal expenses insurance and proportional reinsurance | R0110 | 497 | - |
| Assistance and proportional reinsurance | R0120 | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 383,808 | - |
| Non-proportional health reinsurance | R0140 | 60,111 | - |
| Non-proportional casualty reinsurance | R0150 | 268,734 | - |
| Non-proportional marine, aviation and transport reinsurance | R0160 | 858,467 | - |
| Non-proportional property reinsurance | R0170 | 1,602,337 | - |

| Linear formula component for life insurance and reinsurance obligations | | C0040 |
|-------------------------------------------------------------------------|-------|-------|
| MCRL Result | R0200 | 0 |

| Total capital at risk for all life (re)insurance obligations | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|-----------------------------------------------------------------------|-------|---------------------------------------------------------------------|------------------------------------------------|
| | | C0050 | C0060 |
| Obligations with profit participation - guaranteed benefits | R0210 | 0 | |
| Obligations with profit participation - future discretionary benefits | R0220 | 0 | |
| Index-linked and unit-linked insurance obligations | R0230 | 0 | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | 0 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 0 |

| Overall MCR calculation | | C0070 |
|------------------------------------|--------------|-------------|
| Linear MCR | R0300 | 3,183,043 |
| SCR | R0310 | 295,214,563 |
| MCR cap | R0320 | 132,846,553 |
| MCR floor | R0330 | 73,803,641 |
| Combined MCR | R0340 | 73,803,641 |
| Absolute floor of the MCR | R0350 | 4,000,000 |
| Minimum Capital Requirement | R0400 | 73,803,641 |

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