LLOYD'S

Lloyd's Insurance Company S.A. SFCR 2023

(Solvency and Financial Condition Report 2023)

www.lloydseurope.com

Contents

INTRODUCTION

This is the sixth 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 2023 through its:

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

SUMMARY

Lloyd's Insurance Company's (LIC's) Solvency and Financial Condition Report (SFCR) as at 31 December 2023 has been prepared in accordance with Article 51 of the Solvency II Directive (2009/138/EC), Articles 290 to 298 of the Commission Delegated Regulation (EU) 2015/35, and Commission Implementing Regulation (EU) 2023/895. All figures are presented in EUR 000's (kEUR) unless otherwise stated.

Significant events

The important events that occurred during the reporting period are:

- Maturation of the LIC operating model compliant with the Insurance Distribution Directive
- Evolution of claims provisions related to the conflict in Ukraine

Underwriting performance

Growth in premium continued in 2023 to 4,480,944 kEUR. The effect of inflation on premium growth in 2023 was less than in 2022 whereas net new business contributed to premium growth in 2023.

The year 2023 did not deliver excessively large new claims or accumulations of claims and LIC achieved a gross combined ratio of 62%.

Investment performance

At the reporting date the Company's investments of 602,516 kEUR were held in 22% government bonds, 37% corporate bonds, 41% collective investment undertakings which includes both 31% in investment funds and 10% in money market funds. A net gain of 36,823 kEUR was achieved under Solvency II.

Risk profile

The Solvency Capital Requirement is calculated using the standard formula as stated in the Delegated Acts 2015/35. Owing to LIC's 100% reinsurance business model counterparty default risk is the largest contributor to the risk profile with a standalone risk charge of 181,295 kEUR, followed by market risk with 116,652 kEUR. The overall SCR for LIC is 321,606 kEUR.

Own funds and solvency ratio

As at 31 December 2023, the company has basic own funds of 563,521 kEUR with additional ancillary own funds of 200,000 kEUR made available through a letter of credit. This leads to available own funds of 763,521 kEUR, eligible own funds to cover the SCR of 709,945 kEUR, and a solvency coverage ratio of 221%.

Commercial objectives

LIC's commercial objectives are in pursuit of maintaining its position as one of the leading speciality insurers across the EEA. The overarching objective of LIC is to deepen its relevance and impact across the EEA. In this regard, LIC will look to grow sustainably, whilst maintaining profitably, and expand the volumes of business in Europe. In addition, LIC will continue to prioritise its distribution channels, easing the way in which to do business with LIC. The successful achievement of these two objectives will support the development of an insurance platform that provides superior value to our 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 – Brokers, Coverholders and Risk Managers.

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

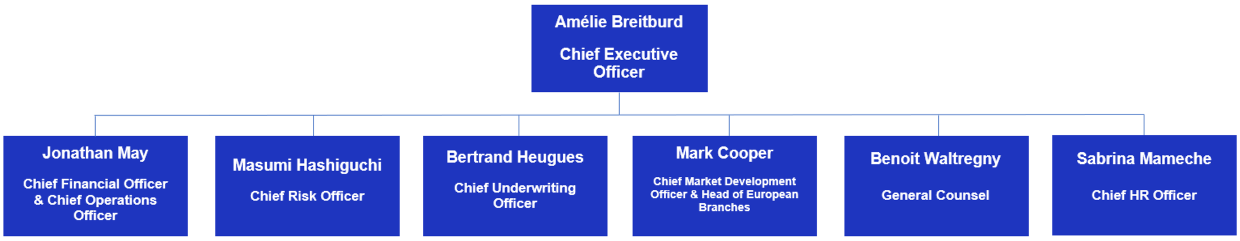
The independent auditors of LIC are:

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:

Figure A.1: LIC management as at year end 2023



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 (re)insurance risks located in Monaco.

LIC currently has offices and employees in the following jurisdictions: France, Germany, Ireland, Italy, the Netherlands, Spain and Sweden. It also has a third country branch in the UK, authorised by the PRA and FCA.

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

1	Accident	10	Motor vehicle liability
2	Sickness	11	Aircraft liability
3	Land vehicles (other than railway rolling stock)	12	Liability for ships (sea, lake, river and canal vessels)
4	Railway rolling stock	13	General liability
5	Aircraft	14	Credit
6	Ships (sea, lake, river and canal vessels)	15	Suretyship
7	Goods in transit (inc. merchandise, baggage and 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 reinsured 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 implemented a new operating model for the activities that fall into the scope of the Insurance Distribution Directive. This model further matured in 2023, including the UK branch of LIC obtaining its permanent licence as Third Country Branch from the PRA and FCA.
Ukraine aviation claims	The conflict in Ukraine continues to be actively monitored by Lloyds Insurance Company to provide assurance that risks are appropriately reserved for as the situation evolves. We have worked closely with the market to monitor claims development and maintain reserve adequacy, and 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. The level of provision held has been set on the basis of the information that is currently available. Furthermore, in relation to Ukraine related aviation claims, Lloyd's Europe is currently aware of 11 aviation claims in total which have been brought against it in England and Ireland (i.e. claims in which Lloyd's Europe is a named defendant) and is aware of one further claim that may be issued. Each claim is brought by aviation lessors under policies taken out in respect of aircraft operating in Russia and related countries in 2022. While some of these proceedings are more advanced than others, there are key factual and legal questions yet to be resolved in all of the actions. The trials of the Irish claims are currently scheduled for June 2024, and the trials of the English claims are currently scheduled for October 2024. It is therefore too early to comment on the potential outcome of these cases.

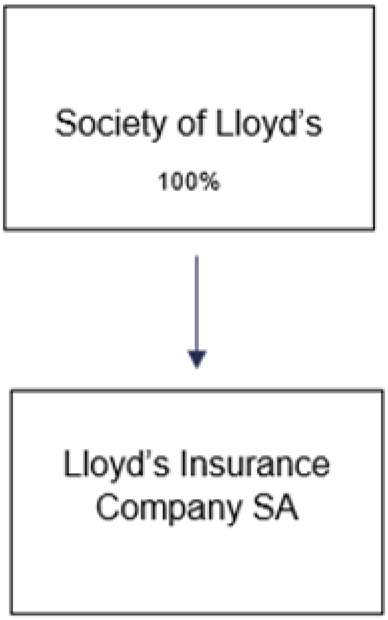
A.1.7 Commercial objectives

LIC's commercial objectives are in pursuit of maintaining its position as one of the leading speciality insurers across the EEA. The overarching objective of LIC is to deepen its relevance and impact across the EEA. In this regard, LIC will look to grow sustainably, whilst maintaining profitably, and expand the volumes of business in Europe. In addition, LIC will continue to prioritise its distribution channels, easing the way in which to do business with LIC. The successful achievement of these two objectives will support the development of an insurance platform that provides superior value to our 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 – Brokers, Coverholders and Risk Managers.

A.1.8 Details of group structure

100% 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.



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 2023 together with comparative information for the prior year.

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

	2023 kEUR	2022 kEUR
Gross written premium	4,480,944	3,736,399
Gross earned premium	4,026,310	3,330,652
Net earned premium	0	0
Gross claims incurred	1,481,012	2,758,630
Net insurance result	0	0
Gross combined ratio	62%	107%

Growth in premium continued in 2023. The effect of inflation on premium growth in 2023 was less than in 2022 whereas net new business contributed to premium growth in 2023, driven by:

- Political Risks, Credit and Financial Guarantee experiencing rate hardening and potentially buoyed by the shift to renewables and growth in trade credit.
- Terrorism premium in 2023 experiencing heightened demand and a rate hardening.
- Heightened demand for Aviation War insurance continued in 2023.
- Cyber premium continued to grow in 2023 due to strong demand despite the market becoming competitive and rates softening.

The year 2023 did not deliver excessively large new claims or accumulations of claims. The largest single event relates to satellite losses where LIC's total exposure is around 52,000 kEUR.

The conflict in Ukraine continues to be actively monitored by Lloyds Insurance Company to provide assurance that risks are appropriately reserved for as the situation evolves. The level of provision has been set on the basis of the information that is currently available.

LIC's largest confirmed aggregation of claims still relates to the 15 January 2022 oil spill in Peru involving a European-flagged tanker, with a contractual maximum exposure of around 350,000 kEUR.

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 results are consistent with the BEGAAP financial year result, prepared on a Solvency II line of business consistent with QRT S.05.01.01.

Table A.3: Performance in 2023 by Solvency II line of business

31 December 2023 kEUR	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	1,573,991	1,150,039	598,791	115,337	535,066	507,719	4,480,944
Gross earned premium	1,413,434	1,096,492	538,480	121,320	400,778	455,806	4,026,310
Net earned premium	-	-	-	-	-	-	-
Gross claims incurred	402,004	617,991	142,372	58,214	94,710	165,722	1,481,012
Net insurance result	-	-	-	-	-	-	-

Table A.4: Performance in 2022 by Solvency II line of business

31 December 2022 kEUR	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	1,371,820	1,027,038	484,308	121,671	348,863	382,699	3,736,399
Gross earned premium	1,245,443	840,666	470,403	133,630	277,293	363,217	3,330,652
Net earned premium	-	-	-	-	-	-	-
Gross claims incurred	517,184	1,515,295	164,539	52,906	82,761	425,945	2,758,630
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 is shown in the table below. The results are consistent with the BEGAAP financial year result, and are prepared a risk location basis.

Table A.5: Performance in 2023 by material country

31 December 2023 kEUR	Germany	France	Ireland	Italy	Netherlands	Home Country
Gross written premium	665,173	532,773	516,937	491,991	445,621	90,513
Gross earned premium	617,352	494,210	478,268	446,657	406,583	87,241
Net earned premium	-	-	-	-	-	-
Gross claims incurred	217,426	190,918	108,393	245,263	106,330	(27,140)
Net insurance result	-	-	-	-	-	-

Table A.6: Performance in 2022 by material country

31 December 2022 kEUR	Germany	France	Ireland	Italy	Netherlands	Home Country
Gross written premium	622,809	482,595	353,000	435,881	318,235	91,740
Gross earned premium	525,328	437,813	336,285	400,227	298,340	86,925
Net earned premium	-	-	-	-	-	-
Gross claims incurred	419,829	262,270	892,442	236,038	104,817	22,959
Net insurance result	-	-	-	-	-	-

A.3 Investment Performance

At the reporting date the Company’s investments of 602,516 kEUR were held in 22% government bonds, 37% corporate bonds, 41% collective investment undertakings which includes both 31% in investment funds and 10% in money market funds. In the financial statements under BEGAAP an investment return of 7,068 kEUR was recognised in the year 2023, which under Solvency II increases to an investment return of 37,103 kEUR primarily due to recognition of unrealised gains. Investment management expenses were 280 kEUR leading to a net gain of 36,823 kEUR under Solvency II.

At 2022 year-end the Company had an investment portfolio of 452,586 kEUR on which it had made a net loss of 38,970 kEUR for the year 2022.

The investment strategy updated in 2022 has been maintained in 2023, with a further enhancement to invest cash into money market funds to generate an improved return.

LIC has no investment in securitisation or financial lease agreements, nor did it have at 2022 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 seven 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 though 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, the General Counsel, and the Chief HR Officer.

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 are:

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 operates 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. There are regular reports 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-committees 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 is responsible for chairing and overseeing the performance of the ManCo in accordance with its Terms of Reference.

The ManCo reviews and reassesses its Terms of Reference on an annual basis.

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)	• To appropriately recognise responsibilities and to be broadly market competitive
Annual bonus (Variable)	• 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)	• To offer an incentive which is directly linked to the profitability of the Lloyd's market (not applicable for (independent) non-executive directors)
Benefits	• To provide benefits in line with the market (not applicable for (independent) non-executive directors)
Pensions	• 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's total share capital is represented by 907.271 no par value registered shares and is currently 100% held by the Society of Lloyd's, with registered office at One Lime Street, EC3M 7HA, London, United-Kingdom.

Each share gives the right to one vote.

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 Nomination and Fit and Proper Policy, and Nomination and Fit and Proper procedure. They set 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.

The external functions are published on the Lloyd's Europe website.

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).

Fitness

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. While the management committee should collectively have a high level of managerial skills, the board of directors in its policy/strategy and supervisory function should collectively have sufficient management skills to organise its tasks effectively and to be able to understand and challenge the management practices applied and decisions taken by the management committee. 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.

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.

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.

Propriety

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;

- The conclusions of an assessment of any potential, perceived or actual conflicts of interest according to LIC Conflict of Interest Policy.

B.2.1.2 Nomination and Fit and Proper Procedure, Application and Control Framework

The Nomination Fit and Proper Procedure includes the criteria and considerations that are applied when evaluating fitness and propriety. It sets out the detailed operational arrangements for the suitability assessment, appointment, renewal and termination of the “covered persons” at certain points in time before and during the performance of their LIC role. It contains the circumstances in which an assessment will be performed, the criteria against which covered persons are assessed, and the steps for completing the assessment and the appointment process. The following aspects are taken into consideration:

- Evaluation of Fitness: Seeks to assess elements related to the knowledge, experience and skills.
- Evaluation of Propriety: Seeks to assess the reliability and honesty integrity.
- Evaluation of Director’s sufficient knowledge and experience given the nature, scope, complexity and risk profile of the company;
- Comparison of the job description in question with the person’s qualifications and knowledge during the selection of individuals occupying independent control functions;
- An assessment of the Fit and Proper requirements of the individual is also performed on an annual basis.

The list above is not exhaustive and other types of fit and proper assessments may be performed if the situation requires it.

The process covers the following stages:

Initial application

Independence of mind 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.

Ongoing suitability assessment

The suitability of the Covered Persons is reassessed on a regular basis and the outcome is presented to the Board. This assessment identifies whether the person is also exposed to potential conflicts of interest.

The 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** – 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** – 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 employees report incidents.
- **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 and risk opinions** – Separate from the RCSAs, thematic reviews are top-down, ad-hoc deep dives on particular risks or themes performed by the Risk Management function in order to ensure there is appropriate understanding and effective management of material risks. Risk opinions are independent assessments performed by the CRO and the Risk Management function to support the Audit & Risk Committee and Board of Directors in taking risk-based, informed decisions on key strategic priorities impacting LIC.
- **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 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.

B.3.1.5 Risk monitoring, reporting and escalation

Monitoring

Findings arising from the Risk Management Framework's activities and processes such as risk incident reporting and risk assessments are monitored by the Risk Management function on an ongoing basis. Risk incidents and risks reported by the first line are monitored via the global Governance, Risk and Compliance (GRC) platform.

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'); and
   - LIC Recovery Plan.
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. This activity report is used for internal purposes, and also subject to submission to the NBB if requested.

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. These 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 purpose of recovery planning is to equip the LIC Board of Directors and senior management with a framework to identify and recover from a period of severe stress which could threaten the ability for LIC to continue to operate as a going concern prior to the need for regulatory intervention to enforce recovery measures.

A Recovery Plan is required to ensure LIC has a clear set of actions available to respond to a period of severe stress which may be due to the deterioration in the financial strength of LIC or LIC's value proposition as an attractive European marketplace. Successful implementation of the plan should result in LIC returning to a 'Business as Usual' operating model.

The objectives of the recovery planning process can be summarised as follows:

- To provide a framework to enable LIC's Board of Directors and senior management to identify the build-up of a potential stress situation;
- To provide a detailed understanding of the factors that may threaten the ongoing viability of LIC and the risks that may cause LIC to experience severe stress;

- To provide an agreed set of recovery actions available to LIC to enable LIC to be better prepared to recover from situations of severe stress; and
- To enable the recovery actions to be mobilised quickly and effectively with clarity to all stakeholders (including regulators).

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

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 and risk opinions**: Separate from the RCSAs, thematic reviews are top-down, ad-hoc deep dives on particular risks or themes performed by the Risk Management function in order to ensure there is appropriate understanding and effective management of material risks. Risk opinions are independent assessments performed by the CRO and the Risk Management function to support the Audit & Risk Committee and Board of Directors in taking risk-based, informed decisions on key strategic priorities impacting LIC.

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, Quarterly Risk Reports ('QRR'), and thematic risk reviews.

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 Deputy Chief Executive 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 1st LoD with oversight by Compliance function
• 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	• 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

In accordance with the Law of 13 March 2016 on the supervision of insurance and reinsurance companies, 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

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

All whistleblowing reports will be dealt with confidentially.

Investigating a whistleblowing report

As provided by the Whistleblowing Act, LIC will not disclose the identity of the whistle-blowers to persons other than the Whistleblowing Officer, without the free and explicit consent of the whistle-blower. This also applies to all other information from which the identity of the whistle-blower can be derived directly or indirectly and to the information that may reveal the identity of third parties mentioned in the whistleblowing report.

The Whistleblowing Officer will investigate the facts reported in the whistleblowing reports without disclosing the identity of the whistle-blower or the identity of any third parties that are mentioned in the whistleblowing report. This investigation may include discussions with the whistle-blower, with witnesses and other relevant staff and/or members of management. It may also involve reviewing corporate documents and/or discussions with LIC's external auditor or external bodies to verify certain information. The investigation of the whistleblowing report will happen in a timely, consistent and fully impartial manner.

Whistle-blowers and other LIC staff should treat any information they receive about an investigation as strictly confidential.

After examining a confidential whistleblowing report, containing its findings and recommendations. The report will contain a detailed description of the situation and all supporting documents. The Whistleblowing Office will keep this confidential whistleblowing report in a whistleblowing register.

Protection of whistleblower and persons involved

LIC's policy is designed to protect whistle-blowers who make whistleblowing reports in a reasonable belief that an issue has occurred, is occurring or will occur, even if they turn out to be mistaken. LIC staff must not threaten, retaliate against, harass or bully in any way an individual who has made a whistleblowing report.

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 and all disclosures (actual, potential or perceived) are assessed and mitigation measures are recommended where necessary.

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 ISO270001:2022 domain standards for International Information Security Management Systems to ensure effective information security risk management. 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 accountable for developing and delivering a programme of assurance aimed at validating the effective control of key business risks. Internal Audit is accountable for reporting its 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:

- Individual auditors attest to conformance to the IIA Standards/ Code of Ethics and conflicts of interest.
- A process exists to manage the risk of auditors auditing areas for which they have previously held responsibilities for in the last 12 months.
- 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.
- If the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for LIC or its affiliates.
- Initiating or approving transactions external to the Internal Audit department.
- Directing the activities of any Lloyd's employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

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

Whilst 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.7.1.1 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 five questions which cover whether the function or activity meets particular criteria defined by the 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.7.1.2 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.7.1.3 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.7.1.4 Outsourcing of 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 includes 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 repute 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.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 will assess the criticality of relevant risks, undertake appropriate due diligence and identify and assess conflicts of interest that the outsourcing may cause.

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 service provider and the service received is carried out before contracting with the service provider. The risk assessment includes an 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 commercial and personal data including sensitive and confidential data will be protected as required by GDPR
- Take all appropriate steps to ensure that its actions do not cause a breach of failure of data
- Comply with LIC's data and system security requirements which may differ based on the nature of the service.

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 actively manage the service provider relationships and monitor 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 identify, assess, remediate and escalate any issues and risk incidents that arise;
- The Partnership Management Team oversees the service delivery of the service and informs the ManCo, ARC and Board about service performance of outsourced activities on a regular basis;
- LIC has established a Service Review Group (SRG) and a Service Review Committee (SRC) in order to have a dedicated governance model in the oversight of outsourcing activities received for IntraGroup services;
- Risk Management and Compliance functions perform the second line oversight, monitoring to safeguard compliance with current policy and its framework in their respective areas and report to the Audit & Risk Committee on the organisation's outsourcing risk profile and appetite;
- Outsourcing Committee serves as the dedicated platform to discuss any critical risks or issues arising throughout the outsourcing lifecycle;
- The Management Committee is informed based on reporting from the Outsourcing Committee of any critical risks and issues that arise;
- The Audit & Risk Committee has overall oversight of LIC's ongoing risk appetite profile for outsourcing risk within the broader scope of operational risk; and
- The Board is fully responsible for managing all outsourcing related activities.

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 service management review process has been put in place to ensure that the service delivery is monitored appropriately by the Contract Owner.

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

The questionnaire is analysed by Partnership Management and Compliance for their respective objectives.

The frequency of the Partnership Management Review is annually for each outsourcing segment.

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 service provider, 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 service provider 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.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 stability in the company’s system of governance in 2023. This was owing to various factors, particularly:

1. Improvements in the Governance structure through training and updates to the Articles of Association;
2. Progress made in the Management structure through updated guidelines;
3. Progress made in the various areas of the Risk Management System (e.g., Improved policies such as Reinsurance Risk Policy, Operational Resilience Policy, Non-Financial Risk Management Policy, improved the Risk Register through RCSA, and further enhanced the breadth and quality of its risk management information (MI) through risk reports to the ExCo and Board).

The Management Committee commits to a series of measures in 2024 to remediate outstanding shortcomings identified from the 2023 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.2.5 amounts to 33,505 kEUR. 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 on 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 of Lloyd's.

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 2023, over the last 12 months LIC had written approximately 4,263,821 kEUR 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 12,829 kEUR, and the premium and reserve risk which amounts to 8,974 kEUR.

As summarised in the QRT S.25.01 Solvency Capital Requirement in annex F.2.6, the non-life underwriting risk solvency capital requirement therefore amounts to 15,656 kEUR.

As at 31 December 2023, the solvency capital requirement for non-life underwriting risk represents 5.0% of the total undiversified basic solvency capital requirement (BSCR).

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 zero. 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 2023, the health underwriting premiums represent 5% of the total premiums over the last 12 months and amount to 217,123 kEUR valued in accordance with the requirements for the underwriting risk calculation. The SCR for the NSLT underwriting risk module amounts to 1,032 kEUR 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 was 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 following the prudent person principle. As at year end 2023 LIC has a moderately conservative investment strategy holding around 60% short-term, high quality, government and corporate bonds, around 10% Money Market funds, along with around 30% equity type assets. 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 43%, 35%, 12% and 9% of the undiversified market risk capital requirement.

As at 31 December 2023, LIC had approximately 602,516 kEUR held in 22% government bonds, 37% corporate bonds and 41% collective investment undertakings which includes both investment funds and money market 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 33% 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 de-minimis.

As summarised in the QRT S.25.01 Solvency Capital Requirement in annex F.2.6, the market risk solvency capital requirement is approximately 116,652 kEUR and represents 37.1% of the undiversified BSCR.

Market risk has increased from 91,000 kEUR at 31 December 2022 driven by the increased size of the investment portfolio.

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 2023 amounts to 181,295 kEUR and represents 57.6% 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 2022.

As at 31 December 2023, counterparty default risk is composed of 80.8% of type 1 exposure and 19.2% 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 on the 100% reinsurance to syndicates represents almost all of type 1 risk and is therefore the main risk driver for LIC's SCR.

The best estimate of reinsurance recoverables contributed 76.1% of the type 1 default risk exposure on this reinsurance to syndicates, and the risk mitigating effect of this reinsurance on the SCR contributed 23.9%.

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 2023 Lloyd's ratings were "A" by AM Best, "AA-" by Fitch, "AA-" by S&P and "AA-" by KBRA. The second-best rating is therefore 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 2023 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 2023, operational risk is calculated under the standard formula and amounts to 74,217 kEUR and represents 30% of the diversified BSCR and 23% of the total SCR.

In line with industry practice, LIC utilises a Risk & Control Register (updated via Risk and Control Self Assessments) and scenario analysis to assess and quantify the potential impact of losses from extreme operational risks. The Risk & Control Register and scenario analysis processes are 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 298,000 kEUR was combined with a 5% recurring expenses increase, a 2% shock on the investment portfolio, a 10% decrease in GWP as well as a 200,000 kEUR 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 2023 business plan under Solvency II requirements. Its shareholder has 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 and securing LIC's business model
- People risk
- Data quality and controls
- Reinsurance counterparty default
- Conflict in Ukraine
- Geopolitical and 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 2023 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 2023 illustrating the adjustments in valuation between the Company's annual financial statements and Solvency II.

ASSETS	BEGAAP kEUR 2023	Adjustment kEUR	Solvency II kEUR 2023	Solvency II kEUR 2022
Intangible assets	2,334	(2,334)	0	0
Deferred tax assets	0	14,379	14,379	19,567
Property, plant and equipment held for own use	1,088	1,601	2,688	2,589
Investments (other than assets held for index-linked and unit-linked contracts)	528,115	74,401	602,516	452,586
Reinsurance recoverables from: Non-life and health similar to non-life	10,538,403	(3,193,999)	7,344,404	7,567,903
Insurance and intermediaries receivables	2,958,700	(1,101,113)	1,857,588	1,753,481
Reinsurance receivables	878,046	(350,311)	527,736	497,886
Receivables (trade, not insurance)	96,576	(93,706)	2,871	4,520
Cash and cash equivalents	285,050	(63,144)	221,906	354,458
Any other assets, not elsewhere shown	23,683	(23,683)	0	0
Total assets	15,311,995	(4,737,908)	10,574,088	10,652,991

LIABILITIES	BEGAAP kEUR 2023	Adjustment kEUR	Solvency II kEUR 2023	Solvency II kEUR 2022
Best Estimate	10,538,403	(3,176,586)	7,361,817	7,594,633
Risk margin	0	77,423	77,423	71,000
Provisions other than technical provisions	858	(20)	837	691

Pension benefit obligations	1,229	0	1,229	1,573
Deposits from reinsurers	180,174	(22,122)	158,002	225,785
Deferred tax liabilities	0	20,425	20,425	14,187
Debts owed to credit institutions	0	0	0	0
Financial liabilities other than debts owed to credit institutions	0	8,200	8,200	8,054
Insurance & intermediaries payables	795,806	(320,319)	475,487	448,321
Reinsurance payables	3,037,987	(1,180,399)	1,857,588	1,753,481
Payables (trade, not insurance)	64,568	(26,992)	37,575	29,604
Any other liabilities, not elsewhere shown	70,166	(58,181)	11,984	15,858
Total liabilities	14,689,189	(4,678,623)	10,010,567	10,163,187

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 2023 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 is 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 and investment funds are valued at market value. Money Market Funds are considered as collective investments undertakings under Solvency II and included within investments, valued at their fair 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".	Under BEGAAP Money Market Funds are considered as cash equivalent. 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 602,516 kEUR were held in 22% government bonds, 37% corporate bonds and 41% collective investment undertakings which includes both investment funds and money market funds. LIC's 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 2023 are 94,835 kEUR. 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 2023

	Solvency II Line of Business	**Gross Best Estimate kEUR**	**Recoveries kEUR**	**Net Best Estimate kEUR**	**Risk Margin kEUR**	**Total Net Technical Provisions kEUR**
Direct Business and Accepted Proportional Reinsurance	Medical expense insurance	11,587	11,584	3	129	132
	Income protection insurance	156,720	156,403	317	1,665	1,981
	Workers' compensation insurance	310,909	309,372	1,537	3,026	4,563
	Motor vehicle liability insurance	3,363	3,342	21	31	52
	Other motor insurance	63,985	63,870	115	684	799
	Marine, aviation and transport insurance	2,098,918	2,092,216	6,702	21,546	28,248
	Fire and other damage to property insurance	524,724	524,952	(228)	5,965	5,737
	General liability insurance	3,027,697	3,019,225	8,472	31,444	39,915
	Credit and suretyship insurance	508,777	510,636	(1,860)	6,281	4,422

	Legal expenses insurance	1,531	1,553	(22)	24	2
	Assistance	-	-	-	-	-
	Miscellaneous financial loss	103,786	103,686	100	1,136	1,236
Accepted Non-Proportional Reinsurance	Non-proportional health reinsurance	27,020	26,951	69	283	352
	Non-proportional casualty reinsurance	59,125	58,877	247	589	837
	Non-proportional marine, aviation and transport reinsurance	216,795	215,636	1,158	2,084	3,242
	Non-proportional property reinsurance	246,879	246,100	779	2,537	3,316
Total Non-Life obligation		**7,361,817**	**7,344,404**	**17,412**	**77,423**	**94,835**

Table D.4: Technical provisions total at year end 2022

	Gross Best Estimate €'000	Recoveries €'000	Net Best Estimate €'000	Risk Margin €'000	Total Net Technical Provisions
Total Non-Life obligation	**7,594,633**	**7,567,903**	**26,730**	**71,000**	**97,730**

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 2023
2. A roll-forward exercise to calculate the value of the claims reserves at the reporting date 31 December 2023. 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’ to enable appropriate reserving processes to be performed within LIC. 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 Corporation of Lloyd’s.

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 2023 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.

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.

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	The best estimate represents the probability weighted average of all future cash flows from bound contracts. Include an explicit risk margin, as prescribed by Solvency II regulations.	Unearned premium reserve is calculated from the gross written premium and does not assess the economic value of these unearned premiums. Claim Provisions include an additional margin in the statutory accounts, however unlike the Solvency II valuation excludes. 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 estimated redundancy 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 flows and reclassified as part of the reinsurance recoverables.	This liability category primarily relates to reinsurance of premium and policy holder tax which is valued at the nominal or acquisition value.

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 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 the 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 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 200,000 kEUR 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
- The SCR and MCR should never be breached

E.1.1.1 Own funds classification

As at 31 December 2023, the company's basic own funds are 563,521 kEUR, comprised of issued share capital of 557,972 kEUR in ordinary share capital, a reconciliation reserve of -8,831 kEUR and a net deferred tax asset of 14,379 kEUR. 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 200,000 kEUR 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 kEUR	Tier 2 kEUR	Tier 3 kEUR	Total kEUR
Ordinary share capital (gross of own shares)	557,972	-	-	557,972
Reconciliation reserve	(8,831)	-	-	(8,831)
An amount equal to the value of net deferred tax assets	-	-	14,379	14,379
Total basic own funds after deductions	549,142	-	14,379	563,521
Total ancillary own funds	-	200,000	-	200,000
Total available own funds to meet the SCR	549,142	200,000	14,379	**763,521**
Total available own funds to meet the MCR	549,142	-	-	549,142
Total eligible own funds to meet the SCR	549,142	160,803	-	**709,945**
Total eligible own funds to meet the MCR	549,142	-	-	549,142
SCR	-	-	-	**321,606**
MCR	-	-	-	80,402
Ratio of Eligible own funds to SCR				**221%**
Ratio of Eligible own funds to MCR				683%

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 549,142 kEUR Tier 1 unrestricted, and 160,803 kEUR 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 549,142 kEUR 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 557,972 kEUR. The reconciliation reserve at 31 December 2023 was -8,831 kEUR. Tier 1 own funds of 549,142 kEUR 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 200,000 kEUR.

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

			kEUR
A	**Belgian GAAP Own Funds**		622,806
B	Differences between Solvency II and BEGAAP balance sheet and valuations	Any other assets, not elsewhere shown	(23,683)
C		Insurance and intermediaries receivables	(1,101,113)
D		Intangible assets	(2,334)
E		Investments (other than assets held for index-linked and unit-linked contracts)	74,401
F		Reinsurance receivables	(350,311)
G		Reinsurance recoverables from: Non-life and health similar to non-life	(3,193,998)
H		Other Assets	(155,249)
I		Any other liabilities, not elsewhere shown	(58,181)
J		Best Estimate	(3,176,586)
K		Insurance & intermediaries payables	(320,319)
L		Payables (trade, not insurance)	(26,992)
M		Reinsurance payables	(1,180,399)
N		Risk margin	77,423
O		Other Liabilities	6,433
P	**Asset over Liabilities Sol II: A+B+C+D+E+F+G+H-I-J-K-L-M-N-O**		549,142
Q		Deferred tax assets	14,379
R	**Sol II Own Funds: P+Q**		**563,521**
S	Total of reserves and retained earnings from financial statements		64,834
T	Differences between BEGAAP and Sol II: P-A		(73,664)
U	**Reconciliation reserve: S+T**		(8,831)

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 2023, LIC’s DTA amounts to 14,379 kEUR and LIC’s DTL amounts to 20,425 kEUR.

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 200,000 kEUR of Tier 2 capital of which 160,803 kEUR 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 kEUR 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

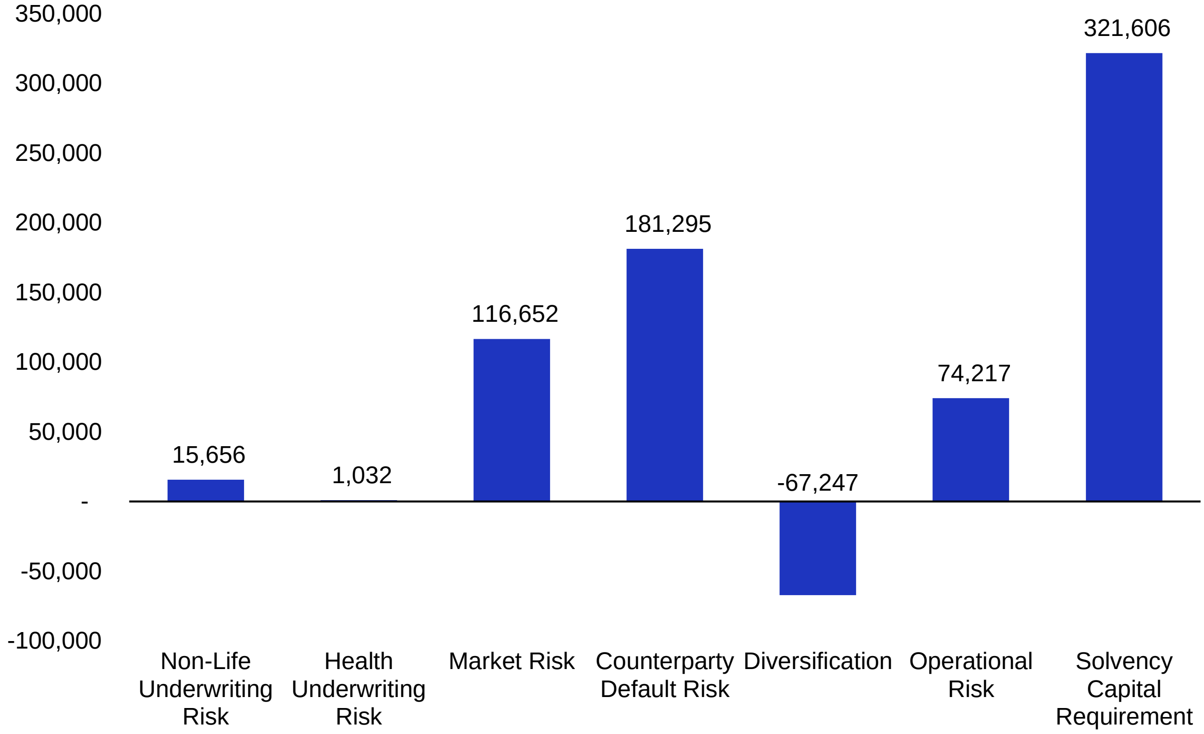
The company’s Standard Formula Solvency Capital Requirement as at 31 December 2023 is 321,606 kEUR. The SCR is designed to absorb the loss resulting from the occurrence of a 1-in-200-year loss event over the next 12 months. The company uses the Standard Formula specified by EIOPA to estimate SCR. This 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 by risk module and Coverage Ratio as at 31 December 2023

	kEUR
Non-Life Underwriting Risk	15,656
Health Underwriting Risk	1,032
Market Risk	116,652
Counterparty Default Risk	181,295
Undiversified BSCR	**314,636**
Diversification Credit	67,247
Basic SCR	**247,389**

Operational Risk	74,217
Basic SCR + Operational Risk	321,606
Loss-Absorbing Capacity of Deferred Tax Liabilities	-
Final SCR	**321,606**
Eligible Own Funds	**709,945**
SCR Ratio	**221%**

Chart E.4: Breakdown of company's Solvency Capital Requirement by risk module kEUR



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 80,402 kEUR.

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

Item	**kEUR**
Linear MCR	2,249
SCR	321,606
MCR cap	144,723
MCR floor	80,402

Combined MCR	80,402
Absolute floor of the MCR	4,000
Minimum Capital Requirement	80,402

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 221% and 683%, 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 4,000 kEUR is applied to calculate the overall MCR requirement.

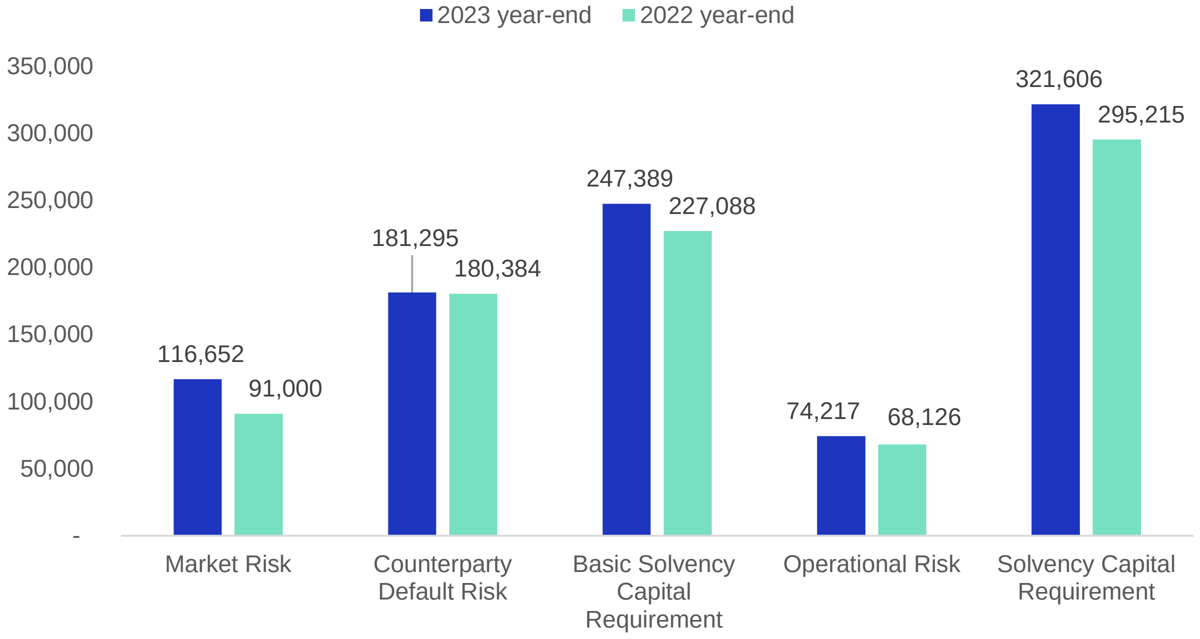
The following table shows how the SCR by risk category has evolved compared to the SCR for the year end 2022 reporting period. The material increase observed relates to the increase in market risk driven by the increased investment portfolio. See section C.2 Market risk for a more detailed explanation.

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

Risk module	2023 year-end kEUR	2022 year-end kEUR
Market risk	116,652	91,000
Counterparty default risk	181,295	180,384
Life underwriting risk	-	-
Health underwriting risk	1,032	847
Non-life underwriting risk	15,656	10,275
Diversification	(67,247)	(55,418)
Basic Solvency Capital Requirement	247,389	227,088
Operational Risk	74,217	68,126
Solvency Capital Requirement	321,606	295,215
Minimum Capital Requirement	80,402	73,804

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



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
COSO	Committee of Sponsoring Organizations
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
ManCo	Management Committee
MCR	Minimum Capital Requirement
NBB	National Bank of Belgium
NSLT	Non-Similar to Life Techniques
ORSA	Own Risk and Solvency Assessment
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
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SoGA	System of Governance
SSTs	Stress and Scenario Tests
STFO	Settlement and Trust Fund Operations

F.2 Quantitative Reporting Templates (QRT) at 2023 year-end

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

The reporting currency is Euro and is presented in thousands of units.

Table F.2: QRT List

S.02.01.02	**Balance Sheet**
S.04.05.21	Premiums, claims and expenses by country
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

F.2.1 S.02.01.02 Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	14,379
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	2,688
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	602,516
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	354,462
Government Bonds	**R0140**	132,1678
Corporate Bonds	**R0150**	222,294
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	248,055
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**	7,344,404
Non-life and health similar to non-life	**R0280**	7,344,404
Non-life excluding health	**R0290**	6,840,095
Health similar to non-life	**R0300**	504,310
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**	1,857,588
Reinsurance receivables	**R0370**	527,736
Receivables (trade, not insurance)	**R0380**	2,871
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**	221,906
Any other assets, not elsewhere shown	**R0420**	-
Total assets	**R0500**	10,574,088
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	7,439,240
Technical provisions – non-life (excluding health)	**R0520**	6,927,901
Technical provisions calculated as a whole	**R0530**	-
Best Estimate	**R0540**	6,855,580
Risk margin	**R0550**	72,321
Technical provisions - health (similar to non-life)	**R0560**	511,339
Technical provisions calculated as a whole	**R0570**	-
Best Estimate	**R0580**	506,236
Risk margin	**R0590**	5,103
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**	837
Pension benefit obligations	**R0760**	1,229
Deposits from reinsurers	**R0770**	158,002
Deferred tax liabilities	**R0780**	20,425
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	8,200
Insurance & intermediaries payables	**R0820**	475,487
Reinsurance payables	**R0830**	1,857,588
Payables (trade, not insurance)	**R0840**	37,575
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**	11,984
Total liabilities	**R0900**	10,010,567
Excess of assets over liabilities	**R1000**	563,521

F.2.1 S.04.05.21 Premiums, claims and expenses by country

		Home Country	Top 5 countries: non-life				
		Belgium	Germany	France	Ireland	Italy	Netherlands
		C0010	C0020	C0030	C0040	C0050	C0060
Premiums written (gross)							
Gross Written Premium (direct)	**R0020**	77,578	409,688	503,856	491,843	477,205	428,416
Gross Written Premium (proportional reinsurance)	**R0021**	2,614	45,085	8,574	21,025	14,099	3,705
Gross Written Premium (non-proportional reinsurance)	**R0022**	10,321	210,400	20,344	4,069	687	13,500
Premiums earned (gross)							
Gross Earned Premium (direct)	**R0030**	75,879	384,040	465,918	456,212	435,147	387,702
Gross Earned Premium (proportional reinsurance)	**R0031**	2,240	43,036	8,991	18,645	10,829	5,997
Gross Earned Premium (non-proportional reinsurance)	**R0032**	9,121	190,275	19,301	3,410	681	12,884
Claims incurred (gross)							
Claims incurred (direct)	**R0040**	(32,392)	117,516	152,921	105,060	237,174	110,473
Claims incurred (proportional reinsurance)	**R0041**	4,181	49,634	3,615	4,330	7,777	(1,078)
Claims incurred (non-proportional reinsurance)	**R0042**	1,072	50,276	34,382	(998)	312	(3,065)
Expenses incurred (gross)							
Gross Expenses Incurred (direct)	**R0050**	18,296	83,079	114,168	111,517	137,442	100,504
Gross Expenses Incurred (proportional reinsurance)	**R0051**	406	8,260	1,677	2,292	3,190	560
Gross Expenses Incurred (non-proportional reinsurance)	**R0052**	1,146	21,887	2,600	447	81	1,518

F.2.2 S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: 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	C0200
Premiums written																		
Gross - Direct Business	R0110	16,396	110,357	66,321	(0)	53,254	1,059,749	481,065	1,513,888	512,697	989	-	77,280					3,891,997
Gross - Proportional reinsurance accepted	R0120	741	4,980	178	-	(0)	90,289	117,726	60,103	22,369	-	-	852					297,238
Gross - Non-proportional reinsurance accepted	R0130													18,149	26,699	61,113	185,746	291,708
Reinsurers' share	R0140	17,137	115,337	66,500	(0)	53,254	1,150,039	598,791	1,573,991	535,066	989	-	78,132	18,149	26,699	61,113	185,746	4,480,944
Net	R0200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums earned																		
Gross - Direct Business	R0210	15,120	114,063	61,428	(0)	41,127	1,005,964	430,269	1,363,696	387,091	1,686	-	68,864					3,489,307
Gross - Proportional reinsurance accepted	R0220	753	7,257	204	-	(0)	90,528	108,211	49,738	13,687	-	-	804					271,183
Gross - Non-proportional reinsurance accepted	R0230													16,590	25,919	56,096	167,215	265,821
Reinsurers' share	R0240	15,873	121,320	61,632	(0)	41,127	1,096,492	538,480	1,413,434	400,778	1,686	-	69,668	16,590	25,919	56,096	167,215	4,026,310
Net	R0300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims incurred																		
Gross - Direct Business	R0310	8,259	57,788	45,735	657	23,943	518,094	73,591	393,048	88,779	7	-	(21,864)					1,188,037
Gross - Proportional reinsurance accepted	R0320	145	425	(1,967)	(10)	(299)	99,897	68,781	8,956	5,931	(88)	-	9,775					191,546
Gross - Non-proportional reinsurance accepted	R0330													6,098	(3,318)	59,841	38,809	101,429
Reinsurers' share	R0340	8,404	58,214	43,769	647	23,644	617,991	142,372	402,004	94,710	(81)	-	(12,090)	6,098	(3,318)	59,841	38,809	1,481,012
Net	R0400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred	R0550	(228)	(1,772)	(872)	0	(661)	(16,425)	(7,828)	(21,114)	(5,905)	(26)	-	(786)	(219)	(370)	(823)	(2,704)	(59,733)
Balance - other technical expenses/income	R1200																	624
Total expenses	R1300																	(59,109)

F.2.3 S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	**R0060**	1,085	8,075	11,023	0	2,972	60,857	15,018	108,016	41,443	(522)	-	3,743	2,368	1,857	2,632	2,910	261,476
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	1,146	8,677	11,338	0	3,234	66,743	18,393	117,578	46,189	(488)	-	4,261	2,451	1,963	2,796	3,638	287,919
Net Best Estimate of Premium Provisions	**R0150**	(62)	(601)	(315)	0	(262)	(5,886)	(3,376)	(9,562)	(4,746)	(35)	-	(518)	(83)	(106)	(164)	(728)	(26,443)
Claims provisions																		
Gross - Total	**R0160**	10,503	148,644	299,886	3,363	61,013	2,038,062	509,707	2,919,681	467,334	2,054	-	100,043	24,652	57,267	214,163	243,969	7,100,341
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	10,438	147,726	298,034	3,342	60,636	2,025,473	506,559	2,901,648	464,448	2,041	-	99,426	24,500	56,914	212,840	242,462	7,056,485
Net Best Estimate of Claims Provisions	**R0250**	65	918	1,852	21	377	12,588	3,148	18,034	2,887	13	-	618	152	354	1,323	1,507	43,856
Total Best estimate - gross	**R0260**	11,587	156,720	310,909	3,363	63,985	2,098,918	524,724	3,027,697	508,777	1,531	-	103,786	27,020	59,125	216,795	246,879	7,361,817
Total Best estimate - net	**R0270**	3	317	1,537	21	115	6,702	(228)	8,472	(1,860)	(22)	-	100	69	247	1,158	779	17,412
Risk margin	**R0280**	129	1,665	3,026	31	684	21,546	5,965	31,444	6,281	24	-	1,136	283	589	2,084	2,537	77,423
Technical provisions - total																		
Technical provisions - total	**R0320**	11,717	158,384	313,935	3,394	64,669	2,120,464	530,689	3,059,141	515,058	1,555	-	104,922	27,302	59,714	218,879	249,416	7,439,240
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	11,584	156,403	309,372	3,342	63,870	2,092,216	524,952	3,019,225	510,636	1,553	-	103,686	26,951	58,877	215,636	246,100	7,344,404
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	132	1,981	4,563	52	799	28,248	5,737	39,915	4,422	2	-	1,236	352	837	3,242	3,316	94,835

F.2.4 S.19.01.21 Non-Life insurance claims

Accident year / Underwriting year	Z002	Underwriting year

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											97,471
N -9	R0160	63,657	358,650	292,863	265,301	151,935	468,939	42,914	47,546	46,219	22,244	
N -8	R0170	97,602	343,922	328,770	208,761	109,206	82,778	105,609	29,680	50,125		
N -7	R0180	100,669	391,319	356,639	204,282	130,700	134,884	180,715	79,864			
N -6	R0190	84,231	336,164	424,772	279,265	151,226	123,785	125,496				
N -5	R0200	55,839	416,532	331,468	160,504	98,781	108,637					
N -4	R0210	61,859	328,536	333,148	151,423	171,132						
N -3	R0220	50,630	255,019	168,865	150,085							
N -2	R0230	46,324	294,607	413,849								
N -1	R0240	33,293	258,140									
N	R0250	38,056										

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											512,716
N -9	R0160	-	-	-	-	-	-	-	-	-	156,730	
N -8	R0170	-	-	-	-	-	-	-	-	182,633		
N -7	R0180	-	-	-	-	-	-	-	250,274			
N -6	R0190	-	-	-	-	-	-	386,374				
N -5	R0200	-	-	-	-	-	484,339					
N -4	R0210	-	-	-	-	643,274						
N -3	R0220	-	-	-	686,265							
N -2	R0230	-	-	2,339,744								
N -1	R0240	-	1,339,626									
N	R0250	777,010										

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of all years (cumulative)
		C0170	C0180
Prior	**R0100**	97,471	6,039,666
N-9	**R0160**	22,244	1,760,269
N-8	**R0170**	50,125	1,356,453
N-7	**R0180**	79,864	1,579,072
N-6	**R0190**	125,496	1,524,939
N-5	**R0200**	108,637	1,171,761
N-4	**R0210**	171,132	1,046,098
N-3	**R0220**	150,085	624,599
N-2	**R0230**	413,849	754,779
N-1	**R0240**	258,140	291,433
N	**R0250**	38,056	38,056
Total	**R0260**	1,515,098	16,187,126

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	**R0100**	474,793
N-9	**R0160**	584,304
N-8	**R0170**	623,432
N-7	**R0180**	2,170,488
N-6	**R0190**	1,224,523
N-5	**R0200**	708,419
N-4	**R0210**	7,100,341
N-3	**R0220**	474,793
N-2	**R0230**	142,180
N-1	**R0240**	166,060
N	**R0250**	226,595
Total	**R0260**	340,409

F.2.5 S.23.01.01 Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	557,972	557,972		-	
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**	(8,831)	(8,831)			
Subordinated liabilities	**R0140**	-		-	-	-
An amount equal to the value of net deferred tax assets	**R0160**	14,379				14,379
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**	563,521	549,142	-	-	14,379
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			200,000	
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			200,000	-
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	763,521	549,142	-	200,000	14,379
Total available own funds to meet the MCR	**R0510**	549,142	549,142	-	-	
Total eligible own funds to meet the SCR	**R0540**	709,945	549,142	-	160,803	-
Total eligible own funds to meet the MCR	**R0550**	549,142	549,142	-		
SCR	**R0580**	321,606				
MCR	**R0600**	80,402				
Ratio of Eligible own funds to SCR	**R0620**	2.21				
Ratio of Eligible own funds to MCR	**R0640**	6.83				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	563,521
Own shares (held directly and indirectly)	**R0710**	-
Foreseeable dividends, distributions and charges	**R0720**	-
Other basic own fund items	**R0730**	572,351
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-
Reconciliation reserve	**R0760**	(8,831)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	-
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	33,505
Total Expected profits included in future premiums (EPIFP)	**R0790**	33,505

F.2.6 S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula

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

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications Simplifications
		C0110	**C0120**
Market risk	**R0010**	116,652	
Counterparty default risk	**R0020**	181,295	
Life underwriting risk	**R0030**	-	
Health underwriting risk	**R0040**	1,032	
Non-life underwriting risk	**R0050**	15,656	Natural catastrophe risk
Diversification	**R0060**	(67,247)	
Intangible asset risk	**R0070**	-	
Basic Solvency Capital Requirement	**R0100**	247,389	

Basic Solvency Capital Requirement (USP)

		USP
		C0090
Life underwriting risk	**R0030**	None
Health underwriting risk	**R0040**	None
Non-life underwriting risk	**R0050**	None

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	**R0130**	74,217
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**	321,606
Capital add-on already set	**R0210**	-
of which, capital add-ons set - Article 37 (1) Type a	**R0211**	-
of which, capital add-ons set - Article 37 (1) Type b	**R0212**	-
of which, capital add-ons set - Article 37 (1) Type c	**R0213**	-
of which, capital add-ons set - Article 37 (1) Type d	**R0214**	-
Solvency capital requirement	**R0220**	321,606
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	-
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	-
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	-

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	**R0590**	3

F.2.7 S.28.01.01 Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	2,249

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	3	-
Income protection insurance and proportional reinsurance	R0030	317	-
Workers' compensation insurance and proportional reinsurance	R0040	1,537	-
Motor vehicle liability insurance and proportional reinsurance	R0050	21	-
Other motor insurance and proportional reinsurance	R0060	115	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	6,702	-
Fire and other damage to property insurance and proportional reinsurance	R0080	333	-
General liability insurance and proportional reinsurance	R0090	8,472	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	100	-
Non-proportional health reinsurance	R0140	69	-
Non-proportional casualty reinsurance	R0150	247	-
Non-proportional marine, aviation and transport reinsurance	R0160	1,159	-
Non-proportional property reinsurance	R0170	779	-

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	2,249
SCR	R0310	321,606
MCR cap	R0320	144,723
MCR floor	R0330	80,402
Combined MCR	R0340	80,402
Absolute floor of the MCR	R0350	4,000
Minimum Capital Requirement	R0400	80,402

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