

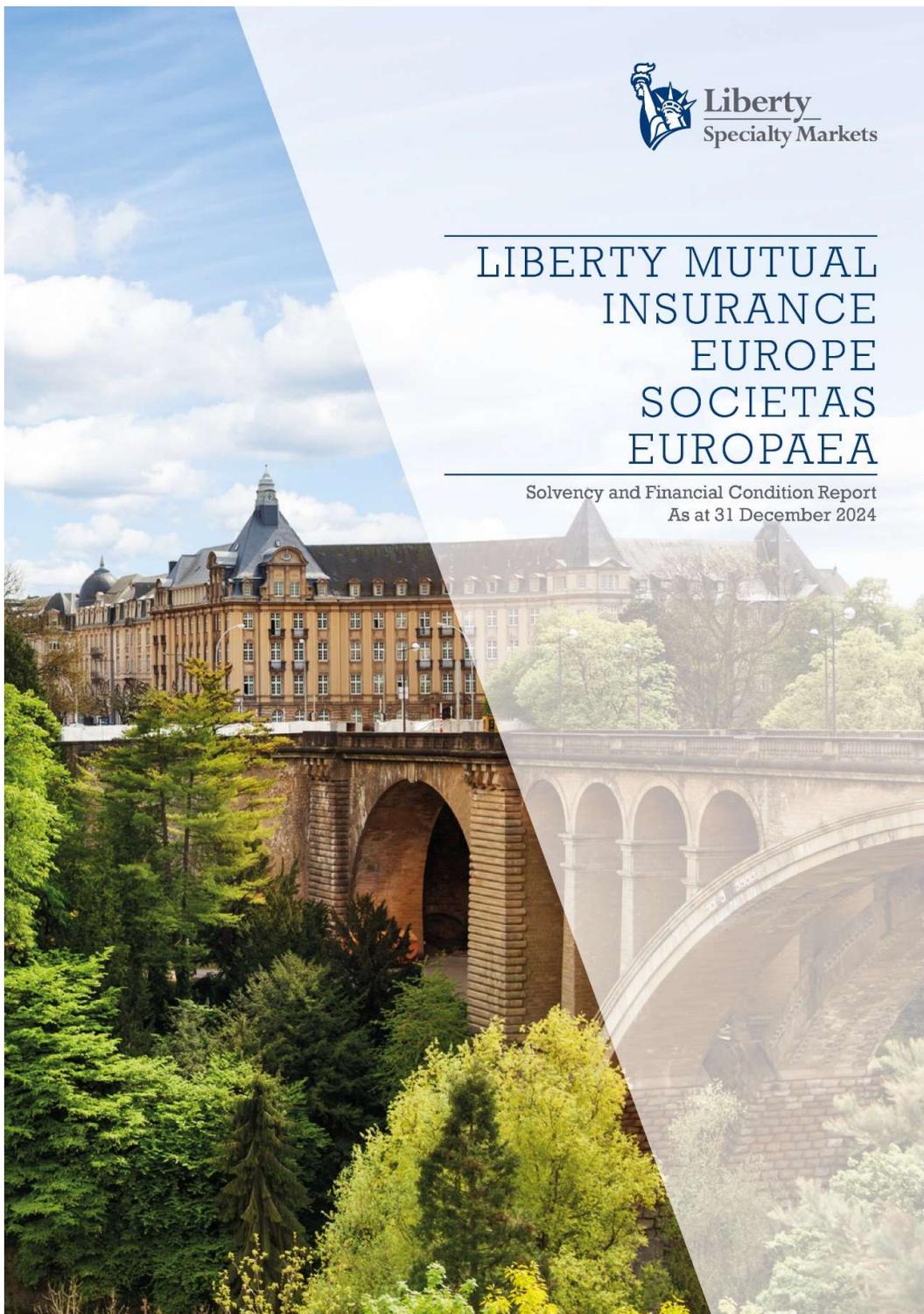


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LIBERTY MUTUAL  
INSURANCE  
EUROPE  
SOCIETAS  
EUROPAEA

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Solvency and Financial Condition Report  
As at 31 December 2024



# Liberty Mutual Insurance Europe Societas Europaea

Solvency and Financial Condition Report  
As at 31 December 2024

**Contents**

<b>SUMMARY</b> .....	4
<b>SECTION A - BUSINESS AND PERFORMANCE</b> .....	13
<b>SECTION A.1 – Business Information</b> .....	13
<b>SECTION A.2 – Underwriting Performance</b> .....	15
<b>SECTION A.3 – Investment Performance</b> .....	21
<b>SECTION A.4 – Any Other Information</b> .....	22
<b>SECTION B – SYSTEM OF GOVERNANCE</b> .....	24
<b>SECTION B. 1 – Corporate Governance</b> .....	24
<b>SECTION B. 2 – Fit and Proper Requirements</b> .....	31
<b>SECTION B. 3 – Risk Management System including Risk and Solvency Assessment (ORSA)</b> .....	33
<b>SECTION B. 4 – Internal Control System</b> .....	36
<b>SECTION B. 5 – Internal Audit Function</b> .....	37
<b>SECTION B. 6 – Actuarial Function</b> .....	38
<b>SECTION B. 7 – Outsourcing Arrangements</b> .....	40
<b>SECTION B. 8 – Any Other Information</b> .....	41
<b>SECTION C – Risk Management</b> .....	43
<b>SECTION C.1 – Insurance Risk</b> .....	43
<b>SECTION C.2 – Market Risk</b> .....	45
<b>SECTION C.3 – Credit Risk</b> .....	46
<b>SECTION C.4 – Liquidity Risk</b> .....	47
<b>SECTION C.5 – Operational Risk</b> .....	47
<b>SECTION C.6 – Strategic risk (including Group Risk; Sustainability Risk and Climate Change Risk)</b> .....	48
<b>SECTION C.7 – Any Other Information</b> .....	50
<b>SECTION D – VALUATION FOR SOLVENCY PURPOSES</b> .....	52
<b>SECTION D. 1 – Assets (other than Technical Provisions)</b> .....	53
<b>SECTION D. 2 – Technical Provisions</b> .....	56
<b>SECTION D. 3 – Liabilities (other than Technical Provisions)</b> .....	64
<b>SECTION D. 4 – Alternative Methods for Valuation</b> .....	65
<b>SECTION D. 5 – Any Other Information</b> .....	65
<b>SECTION E – CAPITAL MANAGEMENT</b> .....	67
<b>SECTION E.1 – Own Funds</b> .....	67
<b>SECTION E. 2 – Solvency Capital Requirement and Minimum Capital Requirement</b> .....	71
<b>SECTION E. 3 – Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement</b> .....	72
<b>SECTION E. 4 – Differences between the standard formula and any internal models used</b> .....	72
<b>SECTION E. 5 – Non-compliance with the Minimum Capital Requirement and with the Solvency Capital Requirement</b> .....	76
<b>SECTION E. 6 – Any Other Information</b> .....	76
<b>GLOSSARY OF TERMS</b> .....	77
<b>APPENDIX A – QRTs</b> .....	79

## SUMMARY

### Introduction

Liberty Mutual Insurance Europe Societas Europaea (“LMIE” also referred to as “the Company”) is headquartered in Luxembourg. It is required to submit the 2024 annual Quantitative Reporting Templates (QRTs) and narrative reporting templates to the Commissariat Aux Assurances (CAA) on the 8th of April 2025 as part of the Solvency II year-end reporting requirements.

It underwrites insurance and reinsurance business from its head office in the Grand Duchy of Luxembourg (hereinafter referred to as Luxembourg) and its branches across Europe and in the UK. LMIE has been operating from its headquarters in Luxembourg since 1<sup>st</sup> March 2019.

This document sets out the Solvency and Financial Condition Report (SFCR) for LMIE in accordance with the Solvency II Regulations.

### Business summary

LMIE is part of the Liberty Mutual Insurance group, which employs approximately 40,000 people in over 800 offices throughout the world. Liberty Mutual is a diversified global insurer and one of the largest Property and Casualty (P&C) insurers in the U.S. Through its subsidiaries and affiliated companies, it offers a wide range of property & casualty insurance products and services to individuals and businesses alike.

LMIE has licensed in-house cover holders in Luxembourg, Liberty Specialty Markets Europe Sarl (LSME) and Liberty Specialty Markets Europe Two Sarl (LSME2), and in the Netherlands, Liberty Mutual Surety BV, which act as intermediary companies that underwrite on behalf of LMIE from their branches throughout Europe and the United Kingdom.

Following the sale of Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. to the Generali Group, LMIE’s immediate parent company Liberty Specialty Markets Holdco, S.a.r.l (LSMH) and subgroup parent Liberty International European Holdings S.a.r.l.(LIEH) were redomiciled to Luxembourg on the 8<sup>th</sup> August 2024. LIEH is no longer a regulated entity by the DGSFP and LMIE continues to be regulated on a solo basis by the CAA. In addition, LMIE is also supervised by the Swiss Financial Market Supervisory Authority (FINMA) for the Swiss Branch.

The Company’s ultimate parent company is Liberty Mutual Holding Company Inc. (LMHC), 175 Berkeley Street, Boston, Massachusetts 02116, U.S.A., a company incorporated in the U.S.A. The smallest higher group of companies for which group accounts are drawn up and of which this Company is a member is Liberty International Holdings Incorporated, a company incorporated and registered in the U.S.A.

### Macro-Economic and Geo-Political Factors

Throughout 2024, the macroeconomic and geopolitical environments have remained volatile and complex. Key areas of focus included events in the Middle East, the Russia/Ukraine conflict, China/Taiwan tensions, and the recent US policy agenda. Additionally, prevailing political instability in Europe has the potential to impact the business. Risk Management continue to monitor developments and potential implications to the Company in accordance with LMIE Risk Management Framework.

### Business and performance

#### Branches and offices

LMIE operates from the head office in Luxembourg and through branches in the UK, Belgium, France, Germany, Ireland, Italy, the Netherlands, Spain and Switzerland. During the year, the Company established branches in Norway and Sweden which were subsequently authorised by the CAA.

## 2024 Financial Performance

The Company's key financial performance indicators for the year ended 31 December 2024 were as follows:

Key Performance Indicators	2024	2023	Variance	Variance
	€'000	€'000	€'000	%
Gross Written Premiums	3,004,999	3,219,993	(214,994)	-6.7%
Net Earned Premiums	868,772	910,088	(41,316)	-4.5%
Net Incurred Claims <sup>(i)</sup>	592,768	597,846	(5,078)	-0.8%
Expenses	265,294	275,058	(9,764)	-3.5%
Underwriting Result	10,710	37,184	(26,474)	-71.2%
Profit / (Loss) before taxation	165,280	169,075	(3,795)	-2.2%
Net Claims Ratio %	68.2%	65.7%		2.5%
Net Expense Ratio %	30.5%	30.2%		0.3%
Net Combined ratio % <sup>(ii)</sup>	98.7%	95.9%		2.8%

(i) Note that ULAE is included within net incurred claims under Lux GAAP, however, is reclassified to expenses on a Solvency II basis.

(ii) The net combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

## Underwriting performance

The Company's underwriting result after expenses and excluding investment return was a profit of €10.7m (2023: profit of €37.2m). The combined ratio worsened to 98.7% (2023: 95.9%).

Overall, the result for the calendar year was a profit before taxation of €165.2m (2023: profit €169.1m) driven by an underwriting profit of €10.7m (2023: profit of €37.2m), an investment return of €143.6m (2023: €132.3m return) and a foreign exchange gain of €11m (2023: €0.4m loss).

Gross written premium (GWP) decreased by 6.7% year on year, predominately driven by lower volume across several classes.

The Company's underwriting result represents a decline of €26.5m compared to prior year which is attributable to the uplift in the net loss ratio of 2.5%. This was primarily driven by strengthening of our reserves on legacy catastrophe events, the majority being in relation to the Italian Hailstorms. This deterioration was part offset by marginal improvements in the current year attritional and catastrophe components of the loss ratio following favourable experience.

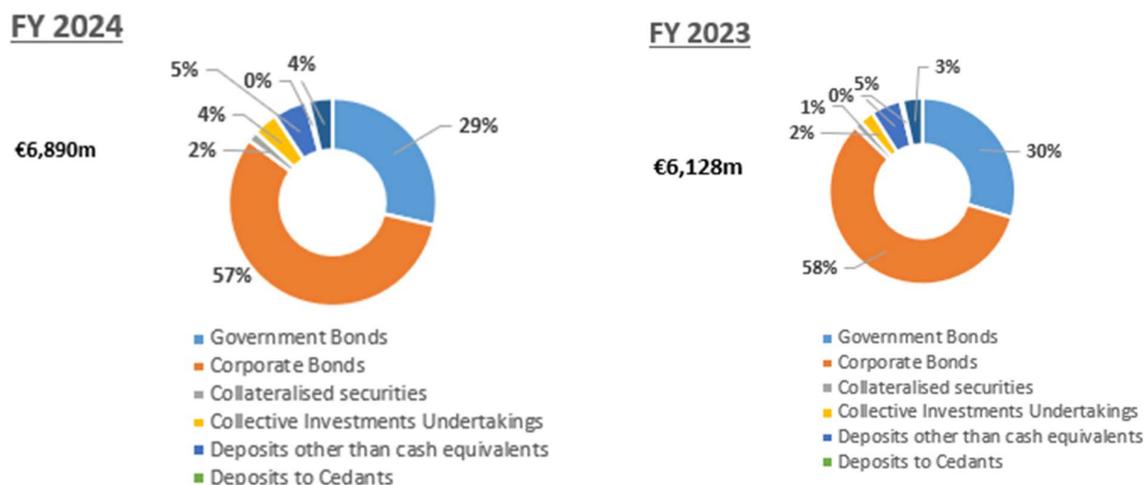
The overall expense ratio remained relatively stable year on year, with a marginal 0.3% increase due to an increment in payroll and bonus costs being largely offset by favourable net commissions as a result of a change in our reinsurance structure.

The foreign exchange gains of €11.0m (2023: losses of €0.4m) were driven by the translation of underlying functional currencies to USD which strengthened more in comparison to prior year.

Further details are provided in Section A.2.

## Investment Portfolio and Investment Return

The composition of the portfolio by category of investments has remained largely consistent since 2023, largely comprising of fixed income government and corporate bonds, as illustrated in the exhibit below.



Overall, the value of the portfolio is higher by €762m during the year, on a Solvency II basis. This is driven by reinvestment of cash received through premium collections. While the rising yield led to falling bond values, the Euro weakened significantly in comparison to the USD leading to assets being valued higher. Note that accrued interest on investments is reported separately on a Lux GAAP basis.

The Company’s investment portfolio generated a return of €143.6m (2023: €132.3m). The uplift in investment income is largely driven by capital being reinvested at a higher yield, generating greater income on debt securities. The underlying interest income yield from bonds during the year was 3.1% (2023: 2.5%). This increase was partially offset by higher realised losses as a result of actively managing the portfolio to acquire higher yielding investments.

The Solvency II investment income includes a component of the change in unrealised gains losses (URGL) on assets held to maturity of €81.5m during FY 2024, arising due to unwinding of the unrealised loss position. The movement in URGL during the year is lower than the equivalent for prior year, as bond prices had fallen significantly during FY 2022 driven by macro-economic factors and rising interest rates, leading to a more significant market correction in FY 2023.

Further details are provided in Section A.3.

**Review of financial position (Lux GAAP Basis)**

Financial position	2024 €'000	2023 €'000
Gross technical provisions	8,933,899	8,499,249
Ceded technical provisions	2,656,748	2,832,705
Investments and cash	6,833,661	6,089,586
Shareholder funds	2,370,806	2,179,327

Financial investments and cash have increased by €744.1m during the year, as explained above. Gross technical provisions increased in line with loss exposure experienced by the Company. Ceded technical

provisions as a percentage of gross have reduced, due to the change in the reinsurance cover for catastrophe's which now trigger recoveries at higher attachment points.

Shareholder funds increased by €191.5m, mainly due to the Company's profit for the year and an improvement in the revaluation reserve, driven by a decrease in unrealised losses on available for sale investments.

Details on movements in capital on a Solvency II basis as well as a reconciliation of Shareholders' funds under Lux GAAP to Solvency II net assets is provided in Section E.

## System of Governance

The LMIE SE Board is responsible for the long-term success of the business within the applicable legal and regulatory framework having regard to the interests of customers, long-term financial interests, solvency and the delivery of sustainable value to the shareholder, stakeholders and policy holders. The Board is headed by an independent non-executive chairman, who is responsible for leadership and ensuring its effectiveness. The Board delegates the responsibility for the day to day running of the Company's business to the General Manager (GM).

### Directors

Dirk Billemon	Authorised General Manager and Executive Director (resigned 1 April 2024)
Nigel Davenport	Non-Executive Director
Pierre-Edouard Fraigneau	Executive Director
Fernand Grulms	Chairman and Independent Non-Executive Director
Pierre Hentgen	Independent Non-Executive Director
Martin Hudson	Independent Non-Executive Director (appointed 5 March 2025)
Virginie Lagrange	Independent Non-Executive Director
Christian Rola	Authorised General Manager and Executive Director
Mark Winlow	Independent Non-Executive Director (resigned 31 May 2024)

The Board also delegates certain matters to the following Board sub-committees in accordance with the terms of reference of those committees:

- Audit Committee
- Risk Management Committee
- Nomination Committee
- Remuneration Committee

The Board and sub-committees are supported by LMIE's key control functions of Actuarial, Risk Management, Compliance, and Internal Audit. LMIE requires all persons who perform key functions to be of good repute and integrity, as well as possess adequate knowledge and experience to enable sound and prudent management of risks facing the Company. The governance structure is further supported by Executive level "Legal Entity Committees", further details of which are provided in section B.1 below.

LMIE operates a Management Committee, the purpose of which is to provide the LMIE Dirigeant Agréé (otherwise known as the “General Manager”) with oversight of the performance of LMIE and its branches.

Each branch of LMIE has a dedicated local management team, headed up by a Branch Manager. Further details on the Branches and Branch Management Committees reporting lines are provided in section B.1 below.

The UK Branch, as a Third Country Branch, operates a separate UK Branch Management Committee which is chaired by the UK Branch Manager and is made up of Branch’s Key Function Holders (KFH). The UK Branch Management Committee provides the executive day-to-day branch business delivery within the strategic context set by the Board, reviews Branch performance and takes corrective actions within their delegated powers. The Committee supports the Branch Manager in discharging certain powers delegated to them in their capacity as the UK Branch Manager. The UK Branch Management Committee reports directly into the LMIE Management Committee, which is chaired by the LMIE GM.

The governance structure is reviewed on an annual basis by the Company Secretary to ensure that it is effective and appropriate for the organisation. There have been no changes to the structure of the Board and Board Sub-Committees in 2024. The Board effectiveness review conducted in 2022 found the Board and the Board sub-committees to be effective, with no material findings.

There were no material changes to the corporate governance structure in 2024.

## Risk profile

All material risks affecting the entity are considered as part of LMIE’s RMF, insofar as they may adversely impact the achievement of its goals.

The aforementioned framework covers both quantitative as well as qualitative risks (e.g., group / contagion / strategic) and is undertaken on ongoing conditions as well as part of stressed scenarios and informs both LMIE’s Own Risk and Solvency Assessment (ORSA) policy, as well as its capital management strategy - including capital needs, transferability and fungibility as appropriate.

The Company has undertaken stress testing as part of its annual ORSA process. The results of this exercise provide assurance that the entity can withstand both plausible and extreme shocks over its planning horizon. The risk profile of the Company is described in Section C in relation to the following risk categories:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Strategic risk (including Group Risk; Sustainability Risk and Climate Change Risk)

The RMF and Internal Control Framework (ICF) have been designed to ensure that risks are managed in a controlled manner consistent with the Board’s risk appetite and keeping in view the available capital, while generating risk adjusted returns to the Liberty Mutual Group.

The LMIE RMF, sets out how the company undertakes the categorisation of exposed risks. The business objectives of the RMF are to ensure that:

- All risks that could impact the ongoing viability of the company are identified.
- Identified risks are measured and managed with the most appropriate method; and
- All risks are owned by the most appropriate member of the Executive and that each risk is reported through the correct committee or working group.

The Risk management function is responsible for preparing the ORSA report. Further details are provided in Section C.

### Valuation for solvency purposes

LMIE prepares its annual financial statements in accordance with Luxembourg GAAP (Lux GAAP) being the applicable reporting framework generally accepted in Luxembourg.

The Solvency II value for assets and liabilities are determined in accordance with Article 75 of the Solvency II Directive:

(a) assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

(b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

Further details around valuation and reclassification differences are described in Section D of this report. The most significant valuation difference relates to the treatment of technical provisions.

### Capital Management

The purpose of own funds management is to maintain, at all times, sufficient capital to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) with an appropriate prudence margin as approved by the LMIE Board.

The Company holds quarterly Board meetings, in which the proportion of own funds over SCR and MCR are monitored and managed. As part of own funds management, LMIE prepares ongoing annual projections in addition to reviewing the structure of own funds and future requirements. The business plan forms the base of the ORSA and contains a two-year projection of funding requirements which help identify and focus actions for future funding.

The CFO Committee on a quarterly basis, monitors the Solvency II ratio and manages the efficiency of LMIE's capital.

In March 2024, the Company received regulatory approval from the CAA to use its Internal Model to determine the Regulatory capital requirement. The solvency ratio benefited from the reduced capital requirement under an IM basis.

. The capital of LMIE comprises of the following components:

- **Tier 1:** Share capital, share premium and reconciliation reserves
- **Tier 2:** Ancillary own funds
- **Tier 3:** Deferred tax

Throughout 2024, LMIE continued to experience the benefit from capital actions undertaken in prior years, including the following:

- The establishment of an Ancillary Own Fund facility;
- The loss portfolio transfer of the run-off ECML book of business to Enstar Group;
- The NRQS with LMIC to provide sustained capital benefit going forward; and
- Adoption of the Internal model for assessing Solvency Capital Requirements, following approval received from the CAA in March 2024.

At 31 December 2024, the Company's eligible own funds, determined in accordance with the Solvency II valuation rules, were €3,827m (2023: €3,223.0m), which was in excess of the IM SCR of €1,086m

(2023: €1,239m). This represented a solvency coverage ratio of 352.3% (2023: 260.0%). Further details of the IM SCR are provided in Section E.2.

The uplift in basic own funds is primarily driven by an increase in value of the investment portfolio of c.€761m, as explained above. This increase is partially offset by higher Net Solvency II Technical Provisions of c.€214m, which are explained in more detail in Section D.2.

The following table provides a snapshot of the key movements in the Solvency Coverage Ratio. Further details are provided in Section E.

<b>Capital Structure</b>		<b>2024</b>	<b>2023</b>
		<b>€'000</b>	<b>€'000</b>
Share Capital	E.1.2.a	255,424	255,424
Share Premium	E.1.2.a	1,617,533	1,617,533
Reconciliation reserve	E.1.2.b	1,505,877	911,967
<b>Available and Eligible Own Funds (to cover the MCR)</b>		<b>3,378,835</b>	<b>2,784,925</b>
MCR	E.2.1	488,748	557,740
<b>MCR Coverage Ratio</b>		<b>691%</b>	<b>499%</b>
<hr/>			
An amount equal to the value of net deferred tax assets	E.1.2.b	37,372	53,386
Ancillary Own Funds	E.1.2.c	410,431	384,736
<b>Available and Eligible Own Funds (for SCR Coverage)</b>		<b>3,826,638</b>	<b>3,223,046</b>
SCR	E.2.1	1,086,106	1,239,421
<b>SCR Coverage Ratio</b>		<b>352%</b>	<b>260%</b>

The latest view on 2024 year-end solvency projects LMIE to remain towards the higher end of its capital appetite. LMIE continues to be a key strategic asset of Liberty Mutual Group, and it is expected that the group will continue to provide financial support to LMIE as and when required to support its continuing operation. Based on the existing solvency coverage, we believe there is appropriate headroom in capital to support the business over the next 12 months.

LMIE is forecast to hold significant solvency surplus, exceeding its target operating range. To align with LMG's growth objectives and optimise the deployment of excess capital, the AoF will be reduced from \$425m to \$25m during 2025. The remaining \$25m AoF are expected to be renewed with the CAA later in the year, to keep the pledged asset facility open.

## DIRECTORS' STATEMENT

### **Approval by the Liberty Mutual Insurance Europe SE (LMIE) Board of Directors of the Solvency and Financial Condition Report for the financial year ended 31<sup>st</sup> December 2024.**

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as CAA rules provide the regulatory framework in which Liberty Mutual Insurance Europe SE operated in 2024. The Directors are responsible for preparing the SFCR in accordance with the regulatory framework.

Liberty Mutual Insurance Europe SE has complied with all Solvency II requirements throughout the financial year 2024. Furthermore, Liberty Mutual Insurance Europe SE reasonably believes that it will continue to comply with the Solvency II requirements for the foreseeable future.

Each of the Directors, whose names and functions are listed in Directors' Report of the Lux GAAP financial statements, confirm that, to the best of their knowledge:

- (a) So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) Each Director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board.



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Christian Rola

LMIE General Manager

15 April 2025



**Liberty**  
Specialty Markets

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**BUSINESS &  
PERFORMANCE**

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## SECTION A - BUSINESS AND PERFORMANCE

This section of the report sets out the details regarding the company's business structure, key operations, market position and the financial performance for 2024.

Key elements of the section are:

- Business information;
- Underwriting performance;
- Investment performance; and
- Performance from other activities.

### SECTION A.1 – Business Information

#### A.1.1 Name and legal form of the undertaking

Liberty Mutual Insurance Europe Societas Europaea (LMIE SE) is a regulated insurance company incorporated in Luxembourg (Registration number B232280 (Registre de Commerce et des Sociétés).

The ultimate parent Company is LMHC of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A. a Company incorporated in the United States of America.

The immediate parent Company is Liberty Specialty Markets Holdco, S.a r.l (LSMH).

The smallest higher sub-group of companies for which group accounts are drawn up and of which this Company is a member is Liberty International Holdings Incorporated, a company incorporated and registered in the U.S.A. .

#### A.1.2 Name of the supervisory authority responsible for the financial supervision of the undertaking and external auditor

The CAA is responsible for the supervision of the Company.

*11, Rue Robert Stumper,  
L-2557 Luxembourg*

The UK Third Country Branch falls under the jurisdiction of the PRA.

*Bank of England  
Threadneedle St.  
London, EC2R 8AH*

As at December 2023, the LIEH College of Supervisors included the DGSFP (as Chair), Commissariat Aux Assurances (as LMIE SE's home state regulator), Central Bank of Ireland (CBI) and the Autoridade de Supervisao de Seguros e Fundos et Pensions (ASF, Portuguese Supervisor). DGSFP supervision of the LIEH subgroup ceased on 31st January 2024, following the sale of Liberty Seguros to Generali. The CAA continues to supervise LMIE on a solo basis. In addition, LMIE is also supervised by the Swiss Financial Market Supervisory Authority (FINMA) for the Swiss Branch.

At the global level, the Group supervision is undertaken by the Division of Insurance of the Commonwealth of Massachusetts, located in 1000 Washington Street, 8th Floor, Boston, MA 02118, US.

### A.1.3 Name of the external auditor

The Company's external auditors are Ernst & Young S.A., 35E Avenue John F. Kennedy, 1855 Grand Duchy of Luxembourg.

### A.1.4 Holders of qualifying holdings

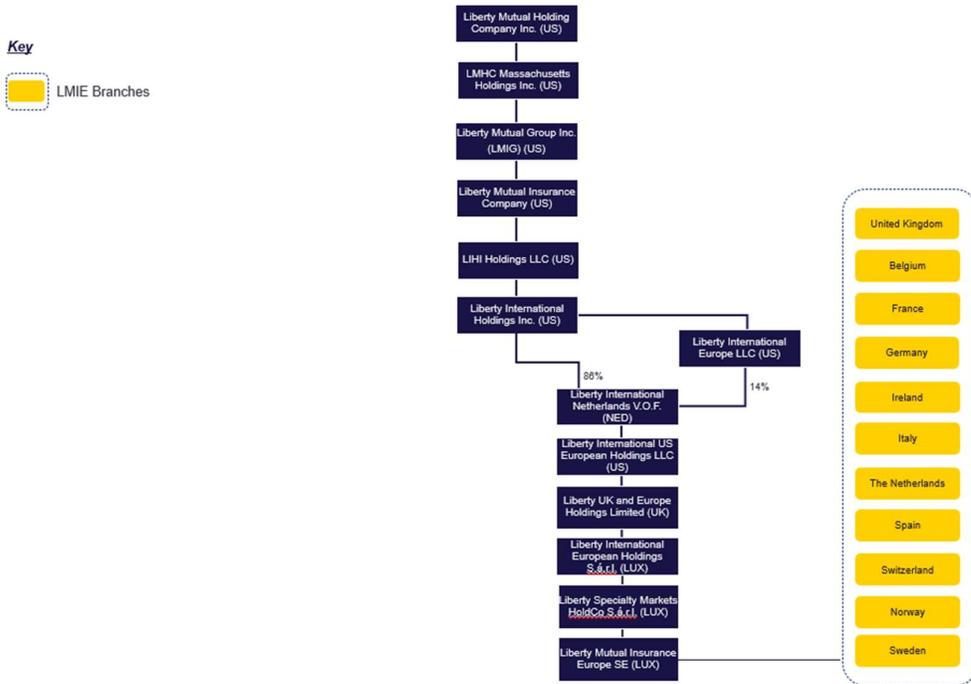
LMIE is wholly owned by its immediate parent company, LSMH.

The members of LMHC are persons or organisations appearing as the primary insured in any in-force policy, or as the principal in the case of a surety bond, issued by only the following stock insurance companies:

1. Liberty Mutual Insurance Company
2. Liberty Mutual Fire Insurance Company
3. Employers Insurance of Wausau and
4. Liberty Mutual Personal Insurance Company

### A.1.5 Details of the undertaking's position within the legal structure of the group

The following is a summarised organisation structure showing LMIE's positioning within the overall Liberty group structure.

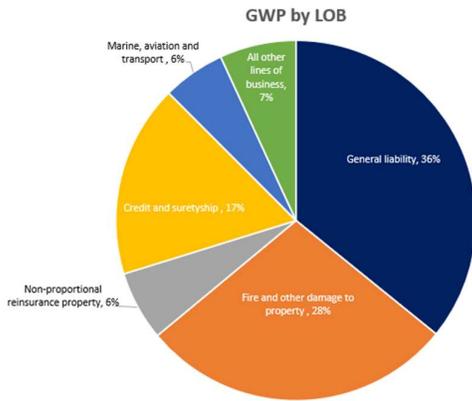


Liberty Mutual Holding Company Inc. ("the Company") is a mutual holding company organized under the laws of the Commonwealth of Massachusetts, and is the ultimate parent of Liberty Mutual Insurance Europe SE. The Company has over three million members as of January 15, 2024 and no one member holds voting membership interest greater than 10% of the Company. There are no such private person(s) who are able to control the Company because of special rights from agreements between the Company and such person(s) (e.g., trust agreement, shareholders' agreement etc.).

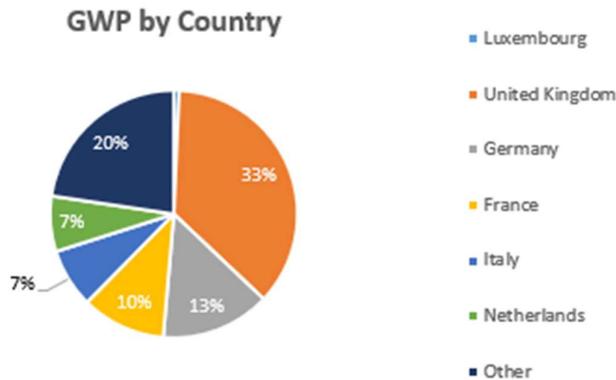
Unless otherwise stated ownership is 100%

### A.1.6 The undertaking's material lines of business and material geographical areas where it carries out business

LMIE is one of the key (re)insurance entities within the Liberty Mutual Group. LMIE offers specialty and commercial insurance and reinsurance products across the UK, Europe, Middle East, US, and other international locations. The key business segments include LII/LMRe and Global Surety.



The majority of LMIE’s business is commercial and specialty insurance. Under Solvency II, insurance products are categorised into 16 lines of business (LOB). General liability continues to be the largest line of business in terms of GWP as illustrated in the exhibit alongside. Further details are provided in section A.2. below



The Company operates through its Head Office in Luxembourg, and through a branch structure in the UK and mainland Europe, consisting largely of Germany, France, Italy and Netherlands. The exhibit alongside details the split of GWP by major country and shows that the United Kingdom is the highest contributor to GWP using the country allocation basis set out by Solvency II. Further details are provided in section A.2. below.

**A.1.7. Significant business or other events that have occurred over the reporting period and up to the date of the report**

No matters to report.

**SECTION A.2 – Underwriting Performance**

## A.2.1 Underwriting performance for the year ended 31 December 2024

LMIE's underwriting performance on a Lux GAAP basis is summarised in the table below for the years ended 31 December 2024 and 2023.

Key Performance Indicators	2024	2023	Variance	Variance
	€'000	€'000	€'000	%
Gross Written Premiums	3,004,999	3,219,993	(214,994)	-6.7%
Net Earned Premiums	868,772	910,088	(41,316)	-4.5%
Net Incurred Claims <sup>(i)</sup>	592,768	597,846	(5,078)	-0.8%
Expenses	265,294	275,058	(9,764)	-3.5%
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Profit / (Loss) before taxation	165,280	169,075	(3,795)	-2.2%
Net Claims Ratio %	68.2%	65.7%		2.5%
Net Expense Ratio %	30.5%	30.2%		0.3%
Net Combined ratio % <sup>(ii)</sup>	98.7%	95.9%		2.8%

(i) Note that ULAE is included within net incurred claims under Lux GAAP, however, is reclassified to expenses on a Solvency II basis.

(ii) The net combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

### Overview

LMIE's underwriting result after expenses and excluding investment return was a profit of €10.7m (2023: €37.2m). The combined ratio deteriorated to 98.7% (2023: 95.9%). Overall, the result for the calendar year was a profit before taxation of €165.3m (2023: €169.1m) driven by an underwriting profit of €10.7m (2023: €37.2m), a net investment return of €143.6m (2023: €132.3m) and foreign exchange gains of €11m (2023: losses of €0.4m).

Gross written premium decreased by 6.7% year on year, predominately driven by lower volume across several classes.

The Company's underwriting result represents a decline of €26.5m compared to prior year which is attributable to the uplift in the net loss ratio of 2.5%. This was primarily driven by strengthening of our reserves on legacy catastrophe events, the majority being in relation to the Italian Hailstorms. This deterioration was part offset by marginal improvements in the current year attritional and catastrophe components of the loss ratio following favourable experience.

The overall expense ratio remained relatively stable year on year, with a marginal 0.3% increase due to an increment in payroll and bonus costs being largely offset by favourable net commissions as a result of a change in our reinsurance structure.

## A.2.2 Underwriting performance by Solvency II Lines of Business

The following tables outline the Company's key financial performance indicators for the year ended 31 December 2024 and 31 December 2023 by material Solvency II lines of business. Note that this output is based on the S.05.01 QRT. The presentation of the underwriting result differs from the Lux GAAP reporting basis. A reconciliation to the Financial Statements has been tabulated on the following page, for illustrative purposes.

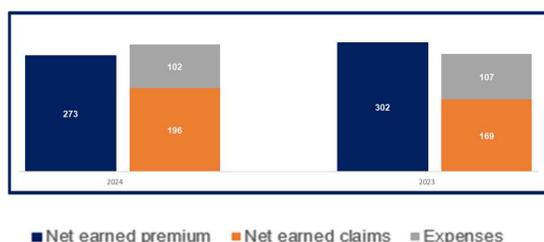
There are five material Solvency II Lines of Business (LOB) driving the underwriting performance for LMIE which together comprise in excess of 90% of the LMIE GWP. These are discussed in more detail below:

2024	Gross Written Premiums €'000	Net Earned Premiums €'000	Net Incurred Claims €'000	Expenses €'000	Underwriting Performance €'000
General liability	1,077,162	272,740	196,331	102,185	(25,776)
Fire and other damage to property	697,162	126,264	136,580	31,458	(41,775)
Non-proportional reinsurance property	335,488	211,318	114,019	65,632	31,667
Credit and suretyship	520,121	130,020	46,296	59,084	24,640
Marine, aviation and transport	168,861	56,992	30,495	10,276	16,221
All other lines of business	206,205	71,439	51,603	21,733	(1,897)
<b>A TOTAL</b>	<b>3,004,999</b>	<b>868,773</b>	<b>575,324</b>	<b>290,369</b>	<b>3,079</b>
B Reclassification of ULAE to Expenses			17,444	(17,444)	
C* Removal of Other expenses included in S.05.01				(7,631)	7,631
D Revised Result (A+B+C)	3,004,999	868,773	592,768	265,294	10,711
<b>E LUX GAAP Financial Statements</b>	<b>3,004,999</b>	<b>868,772</b>	<b>592,768</b>	<b>265,294</b>	<b>10,711</b>

*\*Primarily investment management expenses*

2023	Gross Written Premiums €'000	Net Earned Premiums €'000	Net Incurred Claims €'000	Expenses €'000	Underwriting Performance €'000
General liability	1,188,956	301,505	173,072	105,081	23,352
Fire and other damage to property	674,074	205,486	108,134	59,803	37,549
Non-proportional reinsurance property	433,392	155,279	127,610	42,392	(14,723)
Credit and suretyship	501,597	123,226	89,848	51,523	(18,145)
Marine, aviation and transport	192,900	66,114	41,218	17,346	7,550
All other lines of business	229,074	58,479	42,763	22,063	(6,347)
<b>A TOTAL</b>	<b>3,219,993</b>	<b>910,087</b>	<b>582,645</b>	<b>298,208</b>	<b>29,234</b>
B Reclassification of ULAE to Expenses			15,201	(15,201)	
C* Removal of Other expenses included in S.05.01				(7,949)	7,949
D Revised Result (A+B+C)	3,219,993	910,087	597,846	275,058	37,183
<b>E LUX GAAP Financial Statements</b>	<b>3,219,993</b>	<b>910,088</b>	<b>597,846</b>	<b>275,058</b>	<b>37,183</b>

## General Liability



**General Liability** is the largest Solvency II LOB contributing to c.36% of total GWP (Q4 2023: 36%). It generated an underwriting loss of €28.5m (Q4 2023: €26m profit), resulting in a net combined ratio of 110% (Q4 2023: 92%).

The net loss ratio has moved unfavourably to 72% (Q4 2023: 57%). This is driven both by relatively higher attritional loss experience on D&O, Non-MGA & Dual, compared to prior year, as well as deterioration on legacy catastrophe events. The net Expense ratio shows a slight uplift at 37% (Q4 2023: 35%).

This is driven by more claim costs being allocated to this line of business due to the loss experience noted.

### Fire & Other Damage to Property



**Fire and other damage to property** generated an underwriting loss of €41.8m (Q4 2023: €36.7 profit) resulting in a net combined ratio of 133% (Q4 2023: 82%).

The net loss ratio is higher at 108% (Q4 2023: 53%). CAT exposures in the current period (c.€18m) relating to UAE floods, as well as prior year (PY) deterioration on Italian Hailstorms & Covid-19 are higher compared to FY 2023 (c.€10m) relating to Turkey Earthquake and Hurricane Otis. In addition, unfavourable movements in the attritional loss experience across the business portfolio comprising of Energy, Market Facilities, Property MGA & Construction have been experienced leading to a worsening of the loss ratio.

The net expense ratio is slightly lower at 25% (Q4 2023: 29%), driven by higher-than-expected ceded commission on reinsurance contracts. The expense allocation methodology is subject to periodic review to ensure equitable allocation across SII LOBs, following on from revision of product code mappings.

### Non-Proportional Reinsurance Property



The **Non-Proportional Reinsurance Property** line of business earned an underwriting profit of €31.7m (Q4 2023: €14.7m loss), resulting in a net combined ratio of 85% (Q4 2023: 109%).

The net loss ratio is lower at 54% (Q4 2023: 82%). The CAT losses exposure in 2024 (c.€53m) largely arising from exposure to UAE Floods & Storm Boris as well as PY deterioration on Italian Hailstorms is comparable with the equivalent exposure in FY 2023 (c.€55m), due to the Turkey Earthquake & Italian Hailstorms. The improvement of the loss ratio is therefore largely a consequence of reclassification of business between classes, following updates to the underlying product codes & LOB mappings, thus leading to a higher NEP for 2024. A corresponding decrease in NEP is similarly noted in the Fire & Other Damage to Property LOB noted above.

The expenses ratio is slightly higher at 31% (Q4 2023: 27%). The expense allocation methodology is subject to periodic review to ensure equitable allocation across SII LOBs, following on from revision of product code mappings, which has also impacted the Fire & Other Damage to Property LOB, noted above.

### Credit and Suretyship



**Credit and Suretyship** incurred an underwriting profit of €24.6m (Q4 2023: €14m loss), resulting in a net combined ratio of 72% (Q4 2023: 114%).

The net loss ratio is significantly lower at 36% (Q4 2023: 73%). This is because there was favourable attritional experience across the portfolio of business comprising Short Term Credit, Surety, Financial risk & Structured Risk in prior year.

The net expense ratio is higher at 45% (Q4 2023: 42%), largely driven by higher acquisition costs for underlying products, which offsets the decrease in claims management costs allocated following favourable loss experience.

**Marine, Aviation & Transport**



■ Net earned premium ■ Net earned claims ■ Expenses

The **Marine, Aviation & Transport** line of business achieved an underwriting profit of €12.2m (2023: €7.5m profit), resulting in a net combined ratio of 79% (2023: 89%).

The net loss ratio is lower at 54% (2023: 62%) largely as a result of a reduction in CAT exposures at €2.2m (2023: €4m). The current year impact is driven by the Baltimore Key Bridge Collapse. In addition, relatively benign claims experience was noted across various products.

The expense ratio is comparable at 18% (2023: 26%), in line with expectations, following reduction in premiums & an improved loss ratio.

**A.2.3 Underwriting result by material geographical area**

The following table summarises the underwriting performance of the Company by its material geographic areas. The information is prepared in accordance with the criteria laid out for the Solvency II QRT S.04.05.01 Premiums, Claims and Expenses by risk location, and therefore is not entirely representative of the respective Branch results.

As at 31st December 2024	Gross Written Premiums €'000	Gross Earned Premium €'000	Gross Claims Incurred €'000	Expenses Incurred €'000	Gross Technical Result €'000
Luxembourg	18,740	8,428	6,976	5,195	(3,744)
United Kingdom	986,800	988,718	525,688	409,060	53,970
Germany	388,918	369,397	220,498	189,162	(40,263)
France	298,787	304,008	292,587	108,944	(97,524)
Italy	209,433	170,440	123,176	129,556	(82,292)
Netherlands	206,805	199,691	61,548	99,725	38,418
Other	895,518	905,749	449,501	489,015	(32,767)
<b>TOTAL</b>	<b>3,004,999</b>	<b>2,946,431</b>	<b>1,679,975</b>	<b>1,430,658</b>	<b>(164,202)</b>

LMIE’s geographical footprint continues to focus on the UK and European markets. The strategy focuses and supports its European growth plans and its continued presence in the UK post the UK leaving the EU (Brexit). As part of the Brexit strategy LMIE has licensed in-house cover holders in Luxembourg, Liberty Specialty Markets Europe Sarl (LSME) & Liberty Specialty Markets Europe Sarl 2 (LSME2) which act as intermediary companies that underwrite on behalf of LMIE from their branches throughout Europe.

As illustrated in the table above, the UK remains the single largest contributor of GWP at €987m which represents 33% of total GWP (2023: 26%). Alongside the home country Luxembourg, the other top 4 European countries by GWP – Italy, Germany, France & Netherlands contribute 37% of the total GWP (2023: 34%).

The underwriting performance for the UK & European operations is represented by the exhibits below.

**United Kingdom**



The UK portfolio achieved a Gross Loss ratio of 53% (2023: 56%), and a Gross Expense ratio of 41% (2023: 33%).

The General Liability LOB comprises c.50% of the GWP for UK business, while the Fire & Other Damage to Property, and Credit & Suretyship LOBs collectively comprise another 25%. The loss ratio thus noted is reflective of the respective LOB results discussed in the previous section. The expense ratio is higher than last year, following modifications to the allocation methodology.

**Europe**



The top 4 European countries by GWP, along with the Home-country (Luxembourg) achieved a Gross Loss ratio of 70% (2023: 55%), and a Gross Expense ratio of 54% (2023: 29%).

The business mix for the major European countries reflects c.35% of Property business, and c.35% of General Liability, along with c.15% of Credit & Suretyship. The Gross loss ratio is therefore reflective of the composite results of the respective LOBs discussed in the previous section. It is also impacted by deterioration on PY CAT exposure.

The expense ratio is also significantly higher as a higher proportion of overheads & claims management costs have been allocated to service the losses incurred for the forementioned countries.

## SECTION A.3 – Investment Performance

The investment portfolio is managed by Liberty Mutual Investments, the specialist investment management arm of Liberty Mutual Group, Incorporated (LMIG).

The Board approves the long-term framework and short-term strategy for the investment of assets and management of liquidity.

Limits are established by issue, counterparty, asset type and rating. Securities must be readily marketable. The Company's investment portfolio is made up predominantly of debt securities and other fixed income securities. The following table represents the income, gains and losses arising out of various categories of investments, in accordance with the QRT S.09.01.

2024 €(000)	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total performance
Government bonds	0	47,032	0	(15,999)	16,928	47,962
Corporate bonds	0	124,777	0	(30,908)	61,449	155,318
Collective Investment Undertakings	122	0	0	537	13	672
Collateralised securities (interest)	0	4,230	0	0	3,093	7,323
Cash and deposits	0	21,718	0	0	0	21,718
Mortgages & Loans	0	0	0	0	0	0
<b>Total Investment income</b>	<b>122</b>	<b>197,757</b>	<b>0</b>	<b>(46,370)</b>	<b>81,484</b>	<b>232,993</b>

2023 €(000)	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total performance
Government bonds	0	31,855	0	(3,770)	50,586	75,314
Corporate bonds	0	100,948	0	(7,450)	127,728	210,587
Collective Investment Undertakings	48	0	0	616	(19)	645
Collateralised securities (interest)	0	4,166	0	0	1,991	5,719
Cash and deposits	0	12,814	0	0	0	11,463
Mortgages & Loans	0	0	0	0	0	0
<b>Total Investment income</b>	<b>48</b>	<b>149,783</b>	<b>0</b>	<b>(10,604)</b>	<b>180,286</b>	<b>303,727</b>

Note that the Solvency II regulations require the change in unrealised gains to be recognised within investment performance, whereas unrealised gains under Lux GAAP are recognised in the revaluation reserve. This leads to a difference in the investment income noted in the Solvency II QRTs, and the LMIE Financial Statements. In addition, the investment income reported in the tabulations above is produced in alignment with the S.09.01 QRT, which excludes investment expenses of c.€7.8m (2023: €6.8m).

The Company's investment portfolio generated a return of €151.3m (2023: €139.2m), an increase on 2023. The uplift in investment income is largely driven by capital being reinvested at a higher yield, generating greater income on debt securities. The underlying interest income yield from bonds during the year was 3.1% (2023: 2.5%). This increase was partially offset by higher realised losses arising due to sales of lower yielding assets to acquire higher yielding investments.

The Solvency II investment income includes a component of the change in unrealised gains losses (URGL) on assets held to maturity of €81.5m during FY 2024, arising due to unwinding of the unrealised loss position. The movement in URGL during the year is lower than the equivalent for prior year, as bond prices had fallen significantly during FY 2022 driven by macro-economic factors and rising interest rates, leading to a more significant market correction in FY 2023.

## Investments in Securitisations

The Company's holdings in securitised assets are shown in the below table. The largest increase noted is in relation to Asset backed Securities (ABS), due to acquisitions during the year.

€'000	2024	2023
CMO	19,641	15,592
CMBS	4,180	3,700
ABS	90,570	63,806
<b>Total</b>	<b>114,392</b>	<b>83,098</b>

## SECTION A.4 – Any Other Information

No other matters to report.



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# SYSTEM OF GOVERNANCE

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## SECTION B – SYSTEM OF GOVERNANCE

The ‘system of governance’ section of the report sets out details regarding the administration and management of the company. It outlines the following key elements:

- Overview of the System of Governance.
- Fit and Proper Requirements.
- Risk Management Systems.
- Own Risk and Solvency Assessment; and
- Outsourcing Arrangements

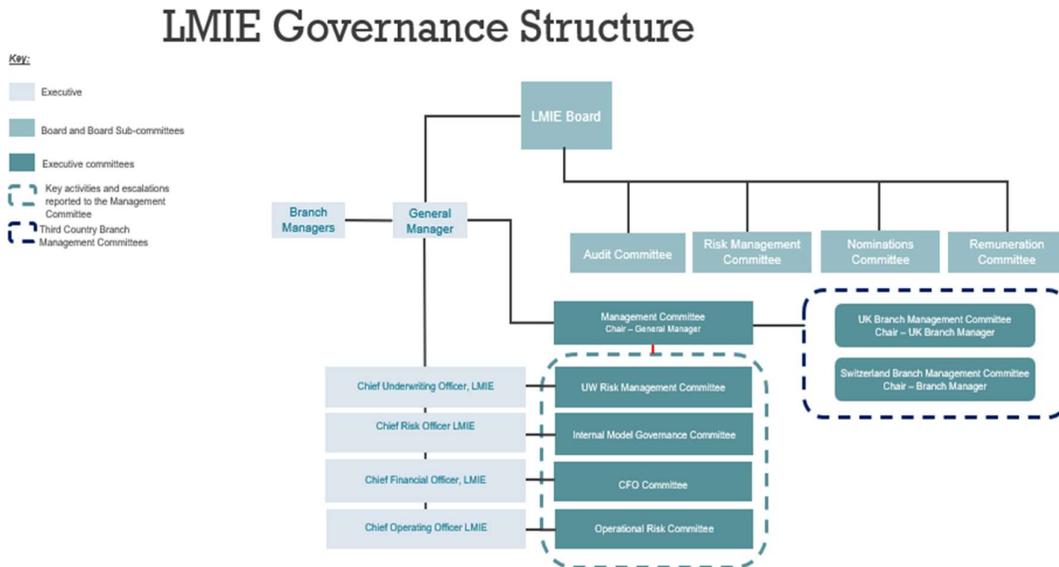
### SECTION B. 1 – Corporate Governance

LMIE’s corporate governance framework sets out the systems by which the Company is directed and controlled. The Board of Directors (the Board) is responsible for the governance of the Company and has established a corporate governance framework as an effective means of meeting that responsibility. LMIE adheres to the provisions of its statutes, legal and regulatory requirements, and principles of good corporate governance.

The corporate governance framework is reviewed on an annual basis to ensure that it continues to remain effective. The 2024 review concluded that the corporate governance framework was effective, with no material findings.

#### B.1.1 Management and Governance Structure

The ultimate supervisory body of the Company is the Board which has the responsibility of ensuring that the principles of good governance are observed throughout the organisation. The structure of the Board, Board sub-committees, Legal Entity Committees and Third Country Branch Management Committees is visually represented below followed by a description of each committee.



## B.1.2 Overview of the role of the Board

### Segregation of Board Responsibilities

The LMIE SE Board is responsible for the long-term success of the business within the applicable legal and regulatory framework having regard to the interests of customers, long-term financial interests, solvency, and the delivery of sustainable value to the shareholder, stakeholders, and policy holders.

The Board ensures there is a sustainable business model, a clear strategy consistent with that set by Liberty Mutual Group (LMG) including Global Risk Solutions (GRS), a system of governance and a risk framework which supports prudent and effective management, and delivery of strategic objectives and regulatory requirements applicable to the Company.

The Board is headed by an independent non-executive Chair who remains responsible for leadership of the Board and ensuring its effectiveness. The composition of the Board includes four Independent Non-Executive Directors (INEDs), whose role is to scrutinize and challenge the performance of management in terms of delivering strategic objectives, and regulatory requirements applicable to the Company. The daily management of LMIE is delegated by the Board to the General Manager (GM) who chairs a Luxembourg-based Management Committee to assist in the discharge of certain duties delegated to him by the Board. The Company Secretarial team supports the Board.

### Overview of the Board sub-committees

The Board delegates certain matters to the Board sub-committees in accordance with the terms of reference of those committees. Below is an overview of each of the sub-committees.

#### B.1.2.1 Audit Committee

The Audit Committee (the “Committee”) assists the Board of Directors in meeting its responsibilities that relate to the oversight and review of:

- financial reporting, internal controls, the audit process including monitoring the integrity of the financial statements and other statutory or regulatory financial reporting of the Company; and
- the adequacy of the design and operating effectiveness of the Company’s internal controls, including the effectiveness, performance, and objectivity of the Internal and External Auditors.

The Committee membership consists of four INEDs, one of whom has recent and relevant financial experience. The Committee is attended by senior management including the Chief Financial Officer (CFO), Chief Risk Officer (CRO), Actuarial Key Function Holder, the General Manager (GM), and Head of Internal Audit, along with the external audit partner(s) and other senior managers.

The Chair of the Committee reports to the Board on the activities of the Committee. The Committee meets with the external auditors and Internal Audit Key Function Holder without members of management present.

#### B.1.2.2 Risk Management Committee

The Risk Management Committee (RMC) is responsible for independent oversight of the risk systems in place and giving assurances to the Board that there is an effective risk-management system comprising strategies, processes, and reporting procedures, that is well integrated into the organisational structure and decision-making processes covering all of the business. The RMC provides independent oversight of compliance with laws and regulations.

The Committee membership consists of four INEDs. The Committee is attended by senior management including the CRO, Compliance Key Function Holder, Actuarial Key Function Holder, Chief Financial Officer (CFO) and the General Manager (GM). The Chair of the Board is a member of the Committee. The Chair of the Committee reports to the Board on the activities of the Committee.

### B.1.2.3. Remuneration Committee

The Remuneration Committee is responsible for governing the remuneration policy Company which is designed to appropriately reward performance and promote sound and effective risk management and to align it to the long-term interests of the Company, while complying with the firm's regulatory obligations under Solvency II and is in line with the 2015 Luxembourg Insurance Law.

The Committee membership consists of four Independent Non-Executive Directors one of whom acts as the Chair. The Chair of the Board is a member of the Committee. The Committee is attended by senior management including the GM, Head of HR, UK & EMEA and the CFO, LII. The Chair of the Committee reports to the Board on the activities of the Committee.

The main responsibilities of the Committee include:

- Annually reviewing and approving the Remuneration Policy and ensuring its ongoing appropriateness.
- Setting remuneration policy and practices for LMIE and LII, LMRe and Surety employees seconded to or underwriting on behalf of LMIE.
- Determining the total individual remuneration package of Solvency II Identified Staff.
- Review the Company's diversity and inclusion aspects related to remuneration disclosures, as applicable.
- Considering and approving annually, the Solvency II Identified Staff Identification Methodology document, and the resulting Solvency II Identified Staff in scope for remuneration decisions in line with Liberty Mutual Group, legal and regulatory requirements.

Review and approve the vesting of awards under the LII and LMRe Long Term Capital Plan, grant size of awards under LMIG's Long Term Plan and short-term incentive plan by those within scope of the Committee to support alignment with long-term shareholder interests.

### B.1.2.4 Nomination Committee

The Nomination Committee is responsible for ensuring that the composition of the Board remains balanced both in terms of skill and experience, and between executive and non-executive directors. It leads the process for appointments to the Board and makes recommendations to ensure there is a formal, rigorous, and transparent procedure being followed.

The Committee membership consists of four independent non-executive directors, one of whom acts as the Chair, and one Group non-executive Director. The Chair of the Committee reports to the Board on the activities of the Committee.

## Overview of the Legal Entity Committees

The governance structure is further supported by Executive level "Legal Entity Committees" which consider specific management information for oversight and management of LMIE operational and regulatory performance prior to presentation at the Board / Board Sub-Committees. Key activities and escalations from the Legal Entity Committees are reported to the Management Committee, and through the governance structure as appropriate. The aim of this is to support the GM in their oversight and day-to-day running of the business. Below is an overview of each of the Legal Entity Committees.

### B.1.2.5 Management Committee

The Management Committee provides the executive day-to-day business delivery within the strategic context set by the Board; conducts all matters delegated from the Board; reviews performance and makes corrective actions within their delegated powers; and prepares papers for Board approval.

The Management Committee is a forum for review and challenge with a focus on business planning, identifying and effectively remediating issues and continuous process improvement. The Management Committee reports to the Board and fully engages with the Legal Entity Committees.

#### B.1.2.6 Underwriting Risk Management Committee

The Underwriting Risk Management Committee (the “UWRMC”) reviews, monitors, and challenges the performance of the underwriting business of the Company against business plan and the delivery of the Underwriting strategy, and promotes an effective governance, risk, and compliance culture within decision-making.

The UWRMC assists the Chief Underwriting Officer (CUO), RMC, and Board in considering the delivery of the Underwriting Strategy and providing oversight of the underwriting operations. It coordinates the oversight of the underwriting activities whilst ensuring LMIE remains within the insurance risk appetites.

The Committee membership consists of senior executives, including the LMIE General Manager, LMIE CFO, LMIE CRO and LMIE UK Branch Manager, who also acts as Chair.

#### B.1.2.7 Internal Model Governance Committee

The Internal Model Governance Committee (IMGC) assists the RMC in overseeing the Internal Model governance and also ensures compliance with the required Solvency II Tests. It does this through review and challenge of:

- Internal model outputs use and to ensure that the model and outputs accurately reflect the LMIE risk profile.
- Internal Model policies and technical risk module documentation, where appropriate.
- Model change and ensuring appropriateness of internal and external models.
- Validation findings and ensuring they are tracked to completion; and
- Expert judgments, to ensure they have been set appropriately.

The Committee membership consists of senior executives including the LMIE General Manager, LMIE CFO and the Actuarial Key Function Holder and is chaired by LMIE CRO.

#### B.1.2.8 CFO Committee

The CFO Committee supports the CFO in fulfilling their role. The Committee reviews reports and information relating to relevant aspects of Actuarial and Reserving, Investments, Risk Appetites, Strategy, Business Planning, Performance, Capital and Solvency and Regulatory Reporting, including the Financial Control environment for LMIE.

The Committee membership consists of senior executives, including the LMIE GM, LMIE CFO, Chief Actuary and the LIICFO who acts as the Chair.

#### B.1.2.9 Operational Risk Committee

The Operational Risk Committee oversees the operational risk management framework, including operational risks and incidents, non-financial internal controls, and control assurance activity. In addition to this, the ORC oversees LMIE’s approach to Digital Operational Resilience Act (DORA) Business Continuity and Crisis Management. It ensures compliance with applicable laws and regulations throughout the jurisdictions LMIE operates in.

The Committee is chaired by the LII Chief Operating Officer (COO) to assist them in carrying out their duties in respect of operations as they relate to LMIE. The Committee membership consists of senior executives including the LMIE CRO.

#### B.1.2.10 Delegation of Board authority and decision making

The Board delegates certain decision-making powers to individuals and other bodies, including Board sub-committees and the day to day running of the Company to the GM, who is assisted by the Management Committee. The Board itself remains responsible for all decisions taken and therefore receives reports on all delegated matters.

In addition to the above, there are a variety of protocols that operate across the Company.

### B.1.3 LMIE Key Functions

The following sections set out a summary of the LMIE key control functions of Actuarial, Risk Management, Compliance, and Internal Audit. Each function is headed by an individual who performs the Key Function Holder role and has received the Fit and Proper approval from the CAA.

#### B.1.3.1 Actuarial Function

The LMIE & LII Europe Chief Actuary, as the approved Actuarial Function Holder for the company and resident in Luxembourg, has functional reporting lines to the Chief Actuary - LMRe and LMAL and the LII Chief Actuary and has an additional reporting line into the LMIE General Manager. The authority, resources and independence of the Actuarial Function are detailed in section B.6.1. The activities of the Actuarial Function are reported to the sub-committees and to the Board via the Legal Entity Committees as appropriate.

The Actuarial Function co-ordinates work carried out by the Actuarial, Capital Management, Underwriting, Exposure Management, Reinsurance and Finance teams in calculating Technical Provisions and providing an opinion on underwriting policy and reinsurance arrangements, aside from contributing to the effective implementation of the risk management system. The Actuarial Function also performs capital management activities such as determining internal and regulatory capital requirements, and applying it to business planning, ORSA reporting and strategic decision making.

The Head of Actuarial Function – Legal Entity is also a member of the LMIE Management Committee, which supports the LMIE GM in discharging executive day-to-day business delivery within the strategic context for the Company set by the Board.

#### B.1.3.2 Risk Management

The Risk Management function is headed by LMIE's CRO, who is the approved Key Function Holder for the company. The LMIE CRO reports to the LMIE GM and has an additional functional reporting line to the GRS Head of Operational Risk and Legal Entity Risk Management. The LMIE CRO also has a reporting line directly to the Chair of the RMC who is an independent Non-Executive Director.

The authority, resources and independence of the Risk management function are detailed in section B.3. The activities of the Risk management function are reported to the RMC or the Board as appropriate, as well as through its membership to the management committee, LMIE UK Branch Management Committee, CFO Committee, Underwriting Risk Management Committee, Internal Model Governance Committee, and Operational Risk Committee.

The Company's approach to risk management centres on the principle that 'risk' is fundamental to the way in which the Company operates. It is embedded in the roles and responsibilities of individuals and committees throughout the Company's first line functions. The Risk Management function role is purely a second line activity in line with Solvency II requirements. The role of the risk function is to ensure that all risks are identified, managed, monitored, and reported.

The LMIE CRO is also a member of the Management Committee, which supports the LMIE GM in discharging executive day-to-day business delivery within the strategic context for the Company set by the Board.

### B.1.3.3 Compliance Function

The Compliance function is led by the European Head of Compliance, who is the approved Key Function Holder for the company and is based in Luxembourg. The Head of European Compliance reports to the LMIE GM and has an additional functional reporting line to the GRSI Head of Compliance. The European Head of Compliance is also the nominated Compliance Officer for LMIE UK Branch (SMF 16).

The authority, resources and independence of the Compliance Function are detailed in section B.4.2. The activities of the Compliance Function are reported to the RMC and to the Board. It also provides monthly reports to the Management Committee and other Legal Entities Committees as appropriate.

The Compliance function provides advice and assurance to the LMIE GM and Board on regulatory matters. The Compliance Function is responsible for assisting the business in ensuring compliance and monitors and oversees the business in this regard. The Compliance Function interprets, advises, monitors, and reports on all regulatory matters for LMIE. The Compliance Officer has direct access to the independent non-executive directors of LMIE should they need to raise any issues with them.

The European Head of Compliance is also a member of the Management Committee, which supports the LMIE GM in discharging executive day-to-day business delivery within the strategic context for the Company set by the Board.

The Head of European Compliance is also a member of the UK Branch Management Committee.

### B.1.3.4 Internal Audit

Internal Audit is an independent, objective assurance and consulting activity designed to help LMIE accomplish its objectives, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, Control and Governance processes.

The Internal Audit function is led by the Head of Internal Audit, who is the approved Key Function Holder for the company and is based in Luxembourg. The LMIE Head of Internal Audit has functional reporting lines to the Chair of the LMIE Audit Committee and into the wider Liberty Mutual Global Internal Audit Function with direct access to the LMIE General Manager.

The authority, resources and independence of the Internal Audit Function are detailed in section B.5.3. Independence and Objectivity. The findings of the Internal Audit function are reported to the Audit Committee. The Chair of the Audit Committee provides a summary of the Committee's activities to the Board.

### B.1.4 Group Structure

LMIE is part of Liberty Mutual Insurance Group (LMIG), which is currently listed on the Fortune 100 list of US corporations. Boston-based Liberty Mutual Insurance Group is a diversified global insurer and amongst the largest P&C insurers in the world based on GWP. Liberty Mutual Insurance Group offers a wide range of insurance products and services through three Strategic Business Units (SBU's): GRM, GRS and LMI.

### B.1.5 Material changes in the system of governance

The governance structure is reviewed on an annual basis in a normal cycle of business. Included in that review is a review of the Board and its sub-committee terms of reference to ensure that they continue to be fit for purpose, perform their duties and are acting within their authority. The annual effectiveness review ensures that the performance of the Board, its sub-committees and individual directors are formally evaluated. No material changes occurred during the year.

## B.1.6. Remuneration Policy

### B.1.6.1 Principles of the Remuneration Policy

The Company's remuneration policy applies to all employees and is based on the Liberty Mutual Group's compensation philosophy: to be competitive to market, to pay for performance, and to provide pay growth through promotional opportunities.

The policy describes the components of fixed and variable pay delivered to employees and demonstrates how good corporate governance and sound risk management prevent excessive risk taking which are the keystones of LMIG's compensation philosophy.

The Company is committed to ensuring that:

- Performance goals are clearly designed and communicated to all employees through a robust, but transparent, performance management process.
- Performance goals are aligned with the long-term strategy of the business and the requirements of each individual employee.
- Customers and the insurance markets are protected from any negative impact associated with mismanagement of remuneration at any level of the organization.
- Incentive schemes are designed in such a way as to reward short-term and long-term performance and ensure that employees are not incentivized to engage in inappropriate risk taking.

The Remuneration Policy is overseen and approved by the Board Remuneration Committee and reviewed annually to ensure alignment of pay practices with all relevant legislation and regulations. Further details have been provided in Section B.1.2.3.

### B.1.6.2 Share options, shares, or variable components of remuneration

The Board remains responsible for ensuring that all remuneration components comply with the Remuneration Policy. Remuneration programmes may be made available to company employees through and administered by one or more Liberty Mutual Group affiliates. Remuneration elements typically consist of the following categories:

Compensation	Fixed/Variable
Base Salary	Fixed
Benefits, pre-requisites, and any allowances	Fixed/Variable
Annual Incentives	Variable
Long Term Incentives	Variable

### B.1.6.3 Variable Remuneration

#### Variable remuneration – Short Term Performance

Short term performance is measured by achievement of individual (personal) objectives and business objectives measured over a one-year timeframe.

Business unit and overall business performance is measured against annually established targets which take account of the prior year performance, business plans and the operating environment.

## Variable remuneration – Long Term Performance

There are three long-term performance plans in operation: two cash plans (one based on LII and LM Re performance and the other specific to one based on Business Unit Global Transaction Solutions (GTS) performance) and a performance-derived unit value plan (based on LMIG performance).

For the cash plan based on LII and LM Re performance, long term performance is measured by reference to combined LII's and LM Re's return-on-equity performance against the business plan over a period of three financial years, commencing with the financial year in which the award is made to eligible employees. Awards are available for payment at the beginning of the fourth year following the cycle. No new awards are being granted under this plan as participants have been transferred to the LMIG's long-term incentive plan. Any outstanding awards in the plan at the end of 2025 will be cashed out in 2026. The plan will then formally close.

For the cash plan based on GTS performance, long term performance is measured with reference to a three-year average of Year of Account (YOA) net underwriting results against a three-year average of planned net underwriting results. A proportion of the award is paid at the beginning of the fourth year following the cycle with the remaining proportion paid two years onwards, which is based on an actuarial reassessment of the net underwriting results for each YOA. No new awards are being granted under this plan as participants have been transferred to the LMIG's long-term incentive plan. The last outstanding awards will vest in 2028. The plan will then formally close.

As an unlisted mutual holding company, LMIG has no share price that can be utilised or shares to be granted through stock options, so the unit value plan uses performance derived unit values for grants to eligible employees. Awards vest pro-rata over a three-year performance period.

### B.1.6.4 Supplementary pension schemes for members of the Board and other key function holders

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders. The Company offers all staff the opportunity of making contributions into a defined contribution scheme, which the company will match up to a limit.

### B.1.6.5 Material transactions during the reporting period

No matters to report.

## SECTION B. 2 – Fit and Proper Requirements

### B.2.1 Specific requirements concerning skills, knowledge, and expertise applicable to the persons who effectively run the undertaking

LMIE requires all persons who perform key functions and are classified as Authorised Persons, (being natural persons subject to supervision by the CAA) under the Law of 7 December 2015 on the Insurance Sector to be fulfilling the following requirements, on a continuous basis:

- a) Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (**Fit**); and
- b) They are of good repute and integrity (**Proper**)."

The professional competence (**Fit**) is based on the person's experience, knowledge and professional qualifications and is dependent on the person demonstrating due skill, care, diligence, and compliance with relevant standards in the area that he/she has been working in. Such a person should also be of good repute (**Proper**), and the assessment includes taking relevant references, criminal record checks and the making of appropriately witnessed declarations of honour.

For the propriety assessment, the person in question must be assessed by LMIE to establish that they meet LMIE's minimum requirements for a 'Fit & Proper' person. These requirements include being able to demonstrate appropriate levels of probity, honesty, integrity, reputation, competence & capability, previous experience, knowledge of their area and financial soundness. In order to establish this, a person's credit & criminal record, professional qualifications (including Continuous Performance Development or equivalent training requirements) and supervisory experiences will be checked, alongside the recruitment process which will involve a CV review, interview and reference check.

In addition, every person carrying out a Solvency II Key Function or holds a Directorship or other Office for LMIE must be approved by the CAA to do so. Directors and Key Function Holders Managers must also comply with all applicable regulatory conduct standards and rules including the requirements set by the Law of 7 December 2015 on the Insurance Sector and applicable Circular letters.

Some requirements have been, or can be, assessed as 'collective knowledge', i.e., that not every member in the management body (or any function) are expected to possess expert knowledge, competence, and experience within all areas of LMIE, but that they as a whole have the ability to provide sound and prudent management of the Company.

Subsequently, on an ongoing basis, LMIE also considers whether a person remains fit and proper on their:

- Business conduct; and
- Whether the person performs their key functions in accordance with the applicable regulatory standards and requirements.

LMIE takes all reasonable steps to gather and consider information about the extent to which individuals are compliant with the requirements via a Fit and Proper annual attestation. Approved Persons shall also provide a copy of their criminal record on an annual basis as part of the Fit and Proper assessment. Compliance keeps a record of this assessment on file.

The required annual Fit and Proper assessments were performed for all LMIE Key Function Holders in Q4 2024. No concerns were identified for any of Key Function Holders. Assessment outcomes were reported to the LMIE SE Board as part of the European Compliance Officer's report.

### **B.2.2 Process for assessing the fitness and propriety of the persons who effectively run the undertaking**

The specific requirements outlined above will be reviewed using the 'Fit & Proper' process adopted by LMIE. This evaluation will normally take place on an annual basis, or alternatively at any time that there is a material change such as promotion or internal move. The process is performed by the Compliance function and consists of the following:

- Assessment of the person's professional and formal qualifications, knowledge, and relevant experience within the insurance sector, other financial sectors, or other businesses and whether these are adequate to enable sound and prudent management; take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of the person.

- Assessment of the person's honesty, integrity, reputation, and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects relevant for the purpose of the assessment.

Evidence of the outcomes of this assessment must be retained. The records of this will be maintained in the following places (where appropriate); within the performance review, within the record of the recruitment process, within minutes of Board meetings which record annual performance reviews, within training records & Continuous Performance Development, and within reports relating to annual Board effectiveness reviews.

In the case of recruitment, HR will be responsible for recruiting appropriate staff.

The procedures outlined above ensure that all those holding controlled functions:

- Meet the requirements of the Regulatory 'Fit and Proper' test and follow its principles;
- Comply on an ongoing basis with their stated responsibilities; and
- Report anything that could affect their ongoing suitability.

## SECTION B. 3 – Risk Management System including Risk and Solvency Assessment (ORSA)

### B.3.1 Description of the Risk Management System

LMIE's approach to risk management centres on the principle that 'risk versus reward' is fundamental to the way in which it operates, including the way decisions are made. In order to support LMIE to make risk-based decisions, a fully defined risk management process is implemented and embedded across the business.

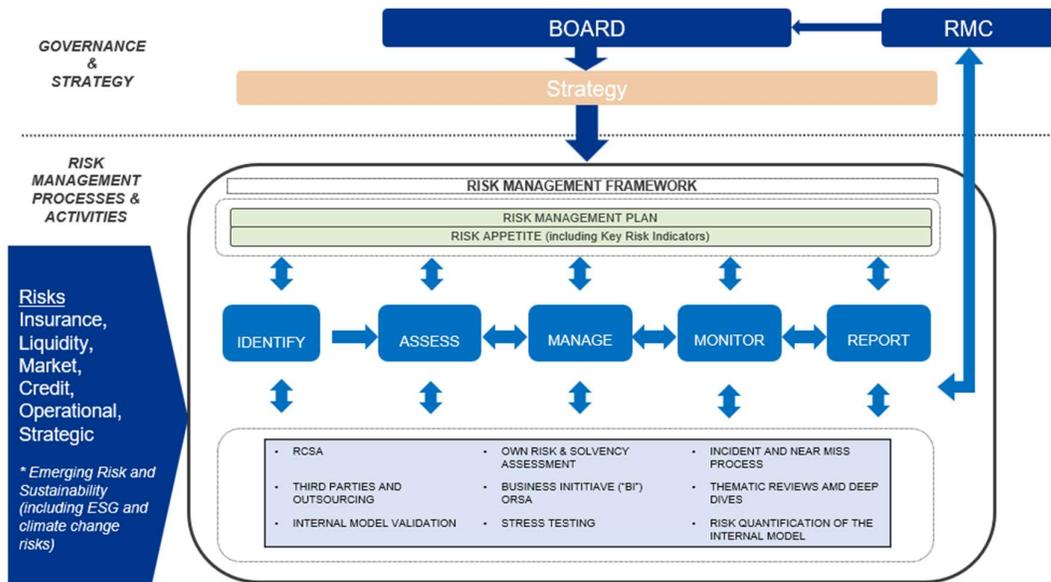
At a strategic level, the Board are supported in their risk-based decision-making process by the RMC, who provide quarterly updates on risk-related matters relevant to the Board. In turn, this enables the Board to consider key risks during the strategy setting and business planning processes (this then influences the risk appetite and Risk Management Strategy for LMIE, with input from Risk Management). The risk appetite process occurs during the business planning process.

The risk management process outlined in the RMF is focused around LMIE's five core principles of risk management:

- I. Identifying
- II. Assessing
- III. Mitigating
- IV. Monitoring
- V. Reporting

The key stages of the process are outlined in the following diagram, which shows:

- Key roles and responsibilities highlighted to demonstrate ownership and shared responsibility between Risk Management and the business.
- The 'Governance and Strategy' elements of the diagram (above the dotted line) set the overall approach and context around which risk management activities operate, as described within the RMF.
- The 'Risk Management processes and activities' elements of the diagram (below the dotted line) are all within the scope of the RMF.



\* As Emerging Risks and Sustainability (Including ESG and climate change risks) 'cross cut' against all risk categories, these are considered where relevant.

### B.3.2 Implementation of the Risk Management System

All the key components of the risk management lifecycle (from identification to reporting) are undertaken on an ongoing basis to enable material risk exposures to be identified and addressed as quickly and effectively as possible. The risk register is a tool to enable the business to monitor its risk exposures.

The Risk Management process has multiple, iterative feedback loops to determine the significant risks to which LMIE is exposed. Risk management is considered during the strategy setting and business planning processes in identifying and assessing the underlying risks related to the strategy and business plan. Risk management is also considered during day-to-day business activities, processes, and systems, to ensure that appropriate risk-based decisions can be made. Therefore, a combination of a top-down (i.e., senior management, RMC, and Board oversight) and bottom-up (i.e., day-to-day operational management) approach helps the business to give due consideration to the inherent and unforeseen threats, residual risks, and opportunities, to make optimal risk versus reward decisions.

### B.3.3 Own Risk and Solvency Assessment (ORSA)

The purpose of the ORSA is to guide LMIE's decision making process and confirmation to the Board and regulators of the adequacy of the solvency and capital profile against our risk profile on a forward-looking basis, thereby aiming to ensure that risk drivers during the coming year have been anticipated, and where necessary, contingency plans (CP) put in place.

LMIE takes the definition of the ORSA from EIOPA: The entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short-and-long term risks a (re)insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's overall solvency needs are met, at all times.

#### **Methodology**

Risk Management is responsible for preparing the ORSA report. This involves summarising the outcomes of the RMF and other activities performed as part of the ORSA process throughout the year, including the evolution of the risk profile, performance against risk appetites, results of various stress and scenario tests and emerging risks considerations. Risk Management will also evaluate capital

requirements as calculated by the Capital Management and Actuarial teams against actual levels of capital held by LMIE.

LMIE projects its solvency capital requirements for the next three years based on the approved LMIE business plan. It then tests the impact of certain scenarios on the projected solvency because of changes in projected profits, own funds, and regulatory capital requirements. The details on the solvency projections are reported in the LMIE ORSA report.

The preparation of the ORSA report requires input from multiple areas around the business, including Finance, Actuarial, Strategy, and Capital Management. Risk Management works with these teams to obtain the relevant information for the ORSA report. A mapping of ORSA report inputs to the business area responsible is maintained at a granular level via the ORSA Record, which assists in providing a roadmap for future iterations of the ORSA report. Data inputs are subject to data quality standards as set out in the Data Policy.

### **ORSA Process**

The ORSA process and reports are ultimately owned by the LMIE Board, which delegates some of its powers of challenge and review to its associated committees. The Board considers the ORSA reports in detail, provides comments and feedback to Risk Management before final approval. The IMGC provides expert challenge and sign-off of the quantitative outputs of the internal model which are prepared as part of the business planning and regulatory capital-setting process and presented in the ORSA report.

The ORSA includes LMIE's regulatory capital position, by reference to the SCR and the MCR, as at 31<sup>st</sup> December 2024.

ORSA report for LMIE are prepared for review by the RMC/Board and submission to the relevant regulator at least annually.

Ad-hoc ORSA reports may be prepared at any time following material changes to LMIE's risk profile. These can be identified through several ORSA triggers, including but not limited to:

- A material business decision is under consideration and the Board requires additional comfort that the modelled consequences are reasonably accurate.
- An incident whose impact is rated as 'material' according to risk rating methodology.

The evaluation of ORSA triggers is reviewed every quarter and summarised in the quarterly Risk report and reported to the RMC on an exception basis.

### **ORSA Report**

The following components are in scope of the LMIE ORSA report and wider ORSA process:

- Strategy, performance, and business plans.
- Risk Profile.
- Capital requirement assessment.
- Forward looking assessment.
- ORSA process and RMF.

## SECTION B. 4 – Internal Control System

### B.4.1 Description of Internal Control System

The LMIE Internal Control Framework (ICF) is designed and implemented across all business areas of LMIE, in order to establish a control environment with controls that are designed and operated to materially reduce all risks that might have an adverse impact on LMIE's entity objectives.

The ICF is a key component of the RMF, which sets out the over-arching approach to risk management at LMIE, including the interactions between risk and control processes and practices. The ICF is a standalone policy document but strongly interrelates with the RMF, as LMIE recognises that a robust control environment materially reduces the risks to which LMIE is exposed. The main objectives of the ICF are to:

- Establish accountability for the ongoing management, monitoring, testing, remediation, and reporting of LMIE's controls.
- Support control owners in carrying out their control owner responsibilities, and to ensure they have an accurate view of the controls under their ownership.
- Enable control owners to have an accurate, real-time view of their control's performance – in turn this leads to good business practices, with minimal deviation from BAU processes and activities.
- Provide a dynamic control framework, as the control environment evolves over time with the impacts of change and technology.
- Provide management with better controls assurance across the control environment.
- Meet industry best practice and regulatory requirements.
- Provide guidance and set consistent minimum standards for:
  - Documenting a comprehensive set of internal controls that are aligned to the risk register and the risks that LMIE is exposed to.
  - Setting out a robust, consistent, and comprehensive Control Self-Assessment process (as part of the Risk and Control Self-Assessment process), so that LMIE can periodically assess the effective design and operation of controls, with appropriate action plans for all control deficiencies. This should reduce residual risk exposures and create a more robust control environment.
  - The accurate identification and documentation of controls, including evidence that they are designed and operated effectively.
  - The practice of control testing, which includes control owners' responsibilities for conducting management testing, and Risk Management responsibilities for conducting independent control testing (in conjunction with other stakeholders).

### B.4.2 Description of how the Compliance Function is implemented

The Compliance function has in place a Policy and Annual Compliance Plan that is approved by the RMC. The GRSI Compliance Policy and Annual Compliance Plan is in scope of the GRSI Documentation standards and therefore requires approval on an annual basis or when significant changes are made to them.

No changes have been made to the GRSI Compliance Policy or Annual Compliance Plan outside of its normal annual review cycle.

The RMC has the following formal responsibilities in respect of GRSI's Compliance Function:

- Review annually the risk management and ICF's.
- Review risk management principles and policies, and management's efforts regarding the establishment of cultural awareness of risk and compliance with such policies and consider approval of significant policies.

- Review reports on legal and regulatory compliance and development.
- Review the adequacy of regulatory risk mitigation programmes.

## SECTION B. 5 – Internal Audit Function

### B.5.1 Internal Audit Policy

The Internal Audit (IA) Policy provides a summarised view of the areas in which Internal Audit operates, its main objectives and the approach to reach these. The Internal Audit Policy is reviewed on an annual basis by the Internal Audit Department and approved by the Audit Committee. There have been no significant changes to the policy during the 2024 reporting period.

### B.5.2 Operations and Assurance

The scope of the IA activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board Audit Committee, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes. Internal audit assessments include evaluating whether:

- Risks relating to achievement of strategic objectives are appropriately identified and managed;
- The actions of the officers, directors, employees, and contractors are compliant with the policies, procedures and applicable laws, regulations, and governance standards;
- The results of operations or programs are consistent with established goals and objectives;
- Operations and programs are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the business;
- Information and the means used to identify, measure, classify and report such information are reliable and have integrity; and
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Whilst Internal Audit staff should have sufficient knowledge to identify the indicators of fraud, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

### B.5.3 Independence and Objectivity

Internal Audit is an independent, objective assurance and consulting activity designed to help LMIE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, Control and Governance processes.

The LMIE Head of Internal Audit has functional reporting lines to the Chair of the LMIE Audit Committee and into the wider Liberty Mutual Global Internal Audit Function with direct access to the LMIE GM. The findings of the Internal Audit function are reported to the LMIE Audit Committee. The Chair of the Audit Committee is also a member of the LMIE Board and provides a summary of the Committee's activities to the Board.

Annually the LMIE Head of Internal Audit and LII Head of Internal Audit will meet in isolation with the Audit Committee to confirm that their independence and objectivity has not been impaired by undue influence.

In accordance with Article 271(2) of Delegated Regulation (EU) 2015/35 there are no persons within the Internal Audit function who assumes any responsibility for any other function or carry out activities

that are inappropriate with respect to the nature, scale, and complexity of the risks inherent in the business or poses a conflict-of-interest risk.

## SECTION B. 6 – Actuarial Function

### B.6.1 Governance of the Actuarial Function

The Actuarial Function performs the effective implementation of Article 48 of the Solvency II directive 2009/138/EC.

The Actuarial Function reports to the LMIE Board and is headed up by the LMIE Chief Actuary. The LMIE Chief Actuary reports to the LMIE General Manager and is responsible for the work carried out in the Actuarial Function. The work relied upon by the Actuarial Function is carried out by many different departments with the LMIE Chief Actuary co-ordinating and reviewing this work. The departments contributing work include the Actuarial, Capital Management, Underwriting, Exposure Management, Reinsurance, Risk Management and Finance teams.

The LMIE Chief Actuary is a Fellow of the Institute and Faculty of Actuaries with over 10 years post qualification experience and is subject to professional requirements. As such the work carried out will meet the independence and free from influence requirement of Solvency II. The Actuarial Function reports its recommendations to the LMIE Board in order to maintain its independence

The actuarial function is implemented through carrying out the following tasks:

- Coordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions, oversee the calculation of technical provisions in the cases set out in Article 82;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system referred to in Article 44, particularly with respect to the risk modelling underlying the calculation of the capital requirements set out in Chapter VI, Sections 4 and 5 and to the assessment referred to in Article 45.

### B.6.2 Co-ordinating the calculation of Technical Provisions

In coordinating the calculation of technical provisions, the actuarial function will, at a minimum:

- Apply methodologies and procedures to assess the sufficiency of technical provisions and ensure that their calculation is consistent with the underlying principles
- Assess the uncertainty in the estimates;
- Apply judgement as appropriate, using any relevant information and the knowledge and expertise of the individuals involved;
- Ensure that problems related to data quality are dealt with appropriately and that, where there are deficiencies in data quality, appropriate alternative methods are applied, subject to proportionality;
- Ensure that risks are appropriately categorised into homogeneous risk groups;
- Factor in relevant market information;
- Track against previous estimates and justify any material differences; and
- Ensure appropriate allowance is made for embedded options and/or guarantees.

With regards to technical provisions, the actuarial function will also:

- Ensure that methodologies and models used to calculate the technical provisions are appropriate, both in themselves and with regards to the specific lines of business they are applied to, taking account of the way the business is managed and the available data;
- Ensure that management actions included in the calculation of technical provisions are objective, reasonable and verifiable;
- Review revised best estimates against past best estimates and use the insights gleaned to improve the quality of current best estimates;
- Compare observed values against the assumptions used in the calculation of technical provisions, in order to evaluate the appropriateness of the data used and the methods applied in their estimation;
- Assess whether the IT systems used in the actuarial reserving procedures are adequate for that purpose;
- Inform the Board on the reliability and adequacy of the calculation of technical provisions, on the degree of uncertainty in the ultimate outcome and the circumstances that might lead to a significant deviation from the best estimate. It must clearly set out how it arrived at its opinion and explain any concerns it may have as to the sufficiency of technical provisions.
- Determine when data is of insufficient quality to apply a standard actuarial method and a case-by-case approach should be followed instead. It must apply judgment to establish assumptions and safeguard the accuracy of the results.

### B.6.3 Providing an opinion on underwriting policy and reinsurance arrangements

The actuarial function's opinions and reports to the Board will include:

- Opinion on the overall business plan and sufficiency of premiums to cover future losses in expected and stressed scenarios;
- Inclusion of the analysis and results of the actuarial function's assessment;
- Consideration of any concerns that the actuarial function may have as to the adequacy of the business plan;
- Outline recommendations to improve the plan and considerations of realistic alternatives to the current business plan;
- Inclusion of an assessment of the consistency of the plan with the risk appetite;
- Assessment of the consistency of the plan with the assumptions used in the estimation of the technical provisions;
- Comment on the sufficiency of premium to cover any option or guarantees in the future;
- Consideration of exposures to external and internal influences such as inflation, legal risk, or changes in mix; and
- Consideration of anti-selection, of whether the underwriting process and controls used to manage the risk of anti-selection have been effective and of the likelihood of any anti-selection.

The actuarial function's opinion on the adequacy of reinsurance arrangements will include:

- Opinion on the adequacy of the reinsurance arrangements;
- Consideration of any concerns that the actuarial function may have as to the adequacy of the reinsurance arrangements, including recommendations for improvement and consideration of alternative structures;
- Assessment of consistency of the reinsurance arrangements with the risk appetite and underwriting policy;
- Analysis of effectiveness of risk mitigation including impact on capital requirements and claims volatility;
- Analysis of the adequacy of the reinsurance providers considering their credit standing;
- Expected cover under stress scenarios in relation to underwriting policy; and
- The adequacy of the calculation of technical provisions arising from reinsurance.

The actuarial function will provide written reports to the Board at least annually documenting the tasks undertaken and highlighting any shortcomings identified, and how such deficiencies could be remedied.

**B.6.4 Contribution to the effective implementation of the risk management system** In respect of the contribution to the effective implementation of the risk management system, the actuarial function's opinion on underwriting policy will include discussion of the following issues:

- Outline the actuarial function's role in the wider RMF of LMIE
- Highlight how the actuarial function contributes to the SCR calculations;
- Highlight how the actuarial function contributes to the ORSA; and
- For LMIE, indicate any inconsistencies between the technical provisions, the reinsurance arrangements, the overall underwriting policy and the related assumptions and values in the internal model.

## SECTION B. 7 – Outsourcing Arrangements

### B.7.1 Description of the Outsourcing Policy

LMIE has in place an Outsourcing and Third-Party Risk Management Policy that ensures that all outsourcing arrangements within LMIE are assessed properly and managed effectively throughout their lifecycle from inception to termination. The Outsourcing and Third-Party Risk Management Policy also addresses the requirements of the EIOPA cloud outsourcing guidelines and applies to all critical and important cloud outsource service provider arrangements. The rationale for the Company's outsourcing is multi-faceted and depends upon several different considerations. From a business perspective, any outsourcing arrangement must be commercially viable, and a materiality assessment must be completed before inception of the arrangement. The policy applies to all the Company's branches, including Third Country Branches.

When engaging in any Outsourcing or Non-Outsourcing Third Party Arrangements the Company must ensure that the activities are not undertaken in a way that will lead to any of the following:

- Materially impair the quality of the Company's governance;
- Unduly increase operational risk;
- Impair the ability of the Company's supervisory authorities to monitor our compliance with our obligations; and/or
- Undermine the continuous and satisfactory service to the Company's policy holders.

Furthermore, there are several other components making up the rationale for outsourcing arrangements including:

- Analyse how the arrangement will fit with the Company's organisation and reporting structure, business strategy, overall risk profile and ability to meet its regulatory obligations;
- Consider whether the agreements establishing the arrangement will allow the Company to monitor and control its operational risk exposure relating to the outsourcing;
- Conduct appropriate due diligence of the service provider's financial stability and expertise;
- Consider how it will ensure a smooth transition of its operations from its current arrangements to a new or changed outsourcing arrangement (including what will happen on termination of the agreement);
- Consider any concentration risk implications, such as the business continuity implications that may arise if a single service provider is used by several firms.

- Ensure that we have appropriate contingency arrangements to allow business continuity in the event of a significant loss of service from the provider. Particular issues to consider include a significant loss of resources at, or financial failure of, the provider, and unexpected termination of the outsourcing arrangement.
- Ensure that testing has been carried out for exit in stressed circumstances – applicable to material arrangements only, e.g., following the failure or insolvency of the service provider (stressed exit); and through a planned and managed exit due to commercial, performance, or strategic reasons (non-stressed exit).
- Consider the extent to which the Company is able to control or influence a service provider that is part of the Group.

Regardless of jurisdiction, the service provider will be expected to go through the same thorough assessment as to their suitability to engage in an LMIE outsourcing arrangement. LMIE will ensure that any service provider is within LMIE’s risk appetite.

Lastly, it should be noted that all outsourcing arrangements are subject to the thorough standards and processes regardless of whether the service provider is within or outside the LMIE group. Day to day Oversight of each arrangement will be the responsibility of the individual business owners. Business owners of Material Outsourcing Arrangements will have a reporting line to the LMIE GM and/or the Responsible LMIE Key Function Holder. This accountability will be documented in Business owner role descriptions and included in Business Owner annual performance objectives,

LMIE UK Branch provides services to the LMIE Zurich Branch (as well as LMIE head office) for a variety of support functions, which are governed through an Insourcing Memorandums of Understanding (“MOU”). Service performance and compliance with MOU requirements is monitored by the LMIE Management Committee and the LMIE Switzerland Branch Management Committee, as applicable.

### B.7.2 Outsourcing Register

Outsourcing of any critical or important operational functions or activities and the jurisdiction in which the service providers of such functions or activities are located are as follows:

Description of services provided	Jurisdiction
Head Office IT Support	USA
Binder Management services	UK
Exposure Management services	UK
Investment Management	USA
Various Support functions	UK
Underwriting, Claims and Various Support Functions	Luxembourg
Operational Support	India

## SECTION B. 8 – Any Other Information

The governance structure and corporate governance framework is reviewed annually to ensure that we incorporate any new regulatory developments, and that we meet the risk appetite set by the management and signed off by the Board. An independent externally conducted review was last conducted in 2022 which found the Board and the Board sub-committees to be effective, with no material findings. The system of governance during the reporting period and the governance structure is deemed adequate for the company’s risk profile.



# RISK MANAGEMENT



## SECTION C – RISK MANAGEMENT

The risk management section of the report captures the complexity of the overall risk status of the company, considering all the material risks to which the company is exposed.

For each major risk grouping, this section provides a description of the following key aspects:

- Risk Assessment
- Risk Mitigation
- Measures used to monitor effectiveness of Risk Mitigation

The LMIE RMF sets out how the company undertakes the categorisation of exposed risks. The business objectives of the RMF are to ensure:

- All risks that could impact the ongoing viability of the company are identified.
- Identified risks are measured and managed in the most appropriate method.
- All risks are owned by the most appropriate Executive and that each risk is reported through the correct committee or working group.

LMIE has divided its risk exposures into high-level risk categories to enable the RMF to be focused on the most significant risks that impact the business objectives. These categories also help to provide an aggregated and holistic view of the LMIE risk profile. The key risk categories are listed below, each of which is discussed in more detail in this section.

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Strategic risk (including Group risk, Responsible Business and Climate Change)

### SECTION C.1 – Insurance Risk

Insurance risk arises from two sources:

- Adverse claims development (reserve risk); and
- Inappropriate underwriting (premium risk).

#### a) Risk Assessment

- **Reserve risk** is mitigated through usage of detailed analysis performed by the Actuarial Function, which is discussed at various working groups, such as the Pillar Reserving Working Groups, Large Loss Working Group and other discussion forums as required. The CFO Committee oversees reserving risk matters and reports into the Audit Committee. Discussion in the various forums includes regular assessment of the results of actuarial studies, claims analysis, underwriting reviews, and benchmarking exercises. In addition, business plans are developed to ensure that the long-term reserve profile of LMIE remains stable.
- **Premium risk** is mitigated through usage of a diversified business plan operating within Board risk appetites and supported through the Company's control environment, including underwriting controls. Reinsurance is utilised to mitigate against exposure to individual events.

Material risk exposures are managed through insurance risk appetites, which are detailed in LMIE's Board Risk Appetite Statements. LMIE has risk appetites covering exposure management, reserving, cyber insurance, and climate change risk. Appetite positions are reported quarterly to the UWRMC and RMC.

LMIE is relatively more exposed to casualty and long tail liability business as opposed to natural catastrophe risks. Realistic Disaster Scenarios (RDS) are developed by the Exposure Management Working Group and reported to the Underwriting Risk Management Committee.

Insurance risk concentration occurs due to the concentration of an insurance operation in a particular geographic area, industry, or insurance peril. It may also occur as a result of a correlation between individual insured perils.

Actual levels of risk relative to risk appetite measures are continually monitored, and LMIE may either revise approved business plans to stay within appetite, or if appropriate, revise appetite where it is reflective of a change in the external / internal environment.

#### **b) Risk Mitigation**

LMIE manages insurance risks by monitoring and controlling the nature of an accumulation by geographic location of the risks in each line of business underwritten, the terms and conditions of the underwriting and the premiums the Company charges for taking on the risk. Some of the key risk mitigation strategy for insurance risk are pricing guidelines, review of large and unusual transactions and purchase of reinsurance.

In addition to managing insurance risk through usage of risk appetites and the purchase of reinsurance, there are specific operational processes related to the acceptance, measurement, and management of insurance risk exposures. LMIE had no investment in Special Purpose Vehicles during the reporting period, hence no risk transfer took place. The overarching approach to the management of all operational risks is covered by the RMF and ICF (Refer Sections B3.1 and B4.1 respectively).

#### **c) Measures used to monitor effectiveness of Risk Mitigation**

The RMC actively monitors the effectiveness of the above risk mitigation techniques. Sensitivity testing over the business plan has been performed along with the results of stress tests over capital, and reverse stress tests, where the focus is on identifying the basis, impact, and potential management actions to mitigate the effect of threats to the viability of the business.

The LMIE actuarial function opines on the underwriting policy and the adequacy of reinsurance arrangements were presented to the LMIE Board and concluded that:

- The business plan is appropriate as premiums are sufficient to cover expected claims and expenses in aggregate, taking expected investment income into account; and
- LMIE's outwards reinsurance strategy is in line with risk and underwriting policy.

## SECTION C.2 – Market Risk

Market risk is the risk of realised or unrealised investment losses or adverse net asset movements resulting from factors that affect the invested assets or insurance liabilities, including economic and financial variables. Market risk is subcategorised into asset-liability management risk (relating to mismatches in asset-liability currency mix and/or interest rate duration) and investment risk (which includes credit risk, spread risk, equity risk, property risk, concentration risk, alternative asset risk, illiquid asset pricing risk and inflation risk).

The Company has defined its investment objectives, to prioritise risk-adjusted investment return and policy holder protection, limit the capital requirement within risk appetite, and maintain sufficient liquidity. The Company reviews its investment strategy annually in line with these objectives.

### a) Risk Assessment

Material risk exposures are managed through the market risk appetite, which is detailed in LMIE's Board Risk Appetite Statements. The risk appetites are:

- Market risk – invest assets in line with investment guidelines. The investment guidelines are dependent upon the outcome of investment strategy reviews and are subject to Management's discretion.
- Market climate risk - invest assets in line with the Responsible Investment Policy. There is limited appetite to invest in companies that generate revenues from thermal coal mining, utility companies that generate electricity production from thermal coal, oil sands or new Arctic energy exploration. (Market Climate Risk is not listed as a separate risk in the LMIE Risk Taxonomy, with Climate Risk instead being viewed as a risk that cuts across all other risk categories.)

### b) Risk Mitigation

The Investment Working Group (IWG) makes recommendations to the management level committees, who then share recommendations to the Board regarding the framework and investment strategy for LMIE's assets.

The investment portfolios are managed by Liberty Mutual Investments, the investment management arm of LMIG, in accordance with investment guidelines approved by the Board of LMIE. Limits are established regarding issue, counterparty, asset type and rating concentrations. In addition to managing market risk through usage of risk appetites and monitoring the economic environment, there are specific operational processes related to the acceptance, measurement, and management of market risk exposures.

These procedures ensure that LMIE meets the requirements of the 'Prudent Person Principle' set out in Article 132 of the Solvency II Directive, namely that:

- LMIE only invests in assets and instruments whose risks LMIE can properly identify, measure, monitor, manage, control and report;
- All assets, particularly those covering the Minimum Capital Requirement and the Solvency Capital Requirement, are invested in such a manner as to ensure the security, quality, liquidity, and profitability of the entire portfolio.

### c) Measures used to monitor effectiveness of Risk Mitigation

Risk appetites over market risk are set by the Board and align to the business plan. These, along with the related key risk indicators, are monitored by the RMC. Sensitivity testing and stress and scenario

testing form a key part of LMIE's RMF and cover all risk categories including market risk. These will assess the impact on the capital requirement and own funds of different scenarios that could impact these risks, and the management actions that would be taken.

## SECTION C.3 – Credit Risk

Credit risk is defined as the risk of a financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations. Credit Risk is split into Reinsurer Credit Risk and Broker, Delegated Authority & Insured Credit risk.

Credit risk is mitigated through controls encompassing due diligence and continued monitoring to ensure the appropriate selection of counterparties, and Board risk appetites to prevent inappropriate credit risk concentrations.

### a) Risk Assessment

Material risk exposures are managed through the credit risk appetites, which cover the following areas:

- Reinsurers: Minimum credit rating of A-, unless there is pre-authorisation by the LMIE Chief Underwriting Officer (CUO), and in some instances, the LMIE CFO.
- Delegated authorities and brokers – No appetite to conduct business with brokers or cover-holders who fail the initial or renewal due diligence, unless otherwise Approved Delegated authorities: limits on exposure to individual cover holders on the watch list (5% of GWP and other individual cover-holders (1% of GWP), unless otherwise approved.

The position against the Board risk appetites for the three areas above are monitored and reported on a quarterly basis to the RMC, and to the Board by exception.

### b) Risk Mitigation

LMIE's reinsurers are at least of A- rating at the time the contract was placed. No reinsurance programme would be considered by LMIE with a carrier that was less than this rating unless this has been through the appropriate preauthorisation. Where a reinsurance transaction is being considered with reinsurers that hold a rating of less than A-, a credit exposure review will be carried out to enable the LMIE CUO, and in some instances the LMIE CFO, to agree the level of collateralisation required.

LMIE's approach is to place a significant proportion of outwards reinsurance with Liberty Mutual Insurance Company (LMIC). LMIE remains comfortable with the level of counterparty credit risk posed by such arrangements due to insight into LMIC and considering the above listed requirements for a third party. LMIE accepts that there will be a commensurate increase in its capital requirement for credit concentration risk due to the strategy of using LMIC as the primary reinsurance provider. This is factored into the entity's capital calculations.

### c) Measures used to monitor effectiveness of Risk Mitigation

The Outwards Reinsurance team tracks the internal (Liberty Mutual Group companies) reinsurance purchase as a percentage of GWP and, the quarterly Risk report to the RMC tracks the internal reinsurance recoverable relative to LMIE balance sheet assets.

In addition to managing credit risk through usage of risk appetites and monitoring thereof, there are specific operational processes related to the acceptance, measurement, and management of credit risk exposures. The overarching approach to the management of credit risks is covered by the Credit Risk Policies.

## SECTION C.4 – Liquidity Risk

Liquidity risk defined as the risk of the Company being unable to meet its financial obligations as they fall due, as a result of the insufficient liquid resources.

### a) Risk Assessment

Liquidity risk exposures are managed through the liquidity risk appetites, which focus on ensuring that highly liquid investments exceed a specified percentage of the total investment portfolio. The strategy is to maintain a diversified and appropriately liquid portfolio aimed at minimising the mismatch in cash flows between assets and net-liabilities.

Exposures are managed through a liquidity risk appetite with a risk preference to manage exposure with the aim of achieving an appropriate level of reward in exchange for exposure to these risks within the constraints of tightly defined limits.

Maintain sufficient liquidity to meet liabilities as they fall due. Cash will only be held for routine cash flow purposes, or where there is a specific regulatory requirement.

### b) Risk Mitigation

The IWG Group makes recommendations to the management level committees, who then share recommendations to the Board regarding the framework and investment strategy for LMIE's assets.

Assets are selected and held subject to the liquidity risk appetite set by the Board.

These procedures ensure that LMIE meets the requirements of the 'Prudent Person Principle' set out in Article 132 of the Solvency II Directive, namely that:

- LMIE only invests in assets and instruments whose risks LMIE can properly identify, measure, monitor, manage, control and report;
- Assets are invested in such a manner as to ensure the security, quality, liquidity, and profitability of the portfolio as a whole.

### c) Measures used to monitor effectiveness of Risk Mitigation

The risk appetite over liquidity risk is set by the Board and aligns to the business plan. This is monitored by the RMC. Sensitivity testing and stress and scenario testing form a key part of LMIE's RMF and cover all risk categories including liquidity risk. These will assess the impact on the capital requirement and own funds of different scenarios that could impact these risks, and the management actions that would be taken.

## SECTION C.5 – Operational Risk

Operational risk covers the risks arising from the failure of internal processes, people, or systems, or from external events. This includes cyber and security issues, IT and risks arising from outsourced functions.

Full details of the risks to which LMIE is exposed can be found in the LMIE Risk Register, which is a central repository of LMIE's risks by category, including Operational Risk (People, Process & System).

### a) Risk Assessment

LMIE has an 'averse' appetite for operational risks, and recognises that some risks are unavoidable as a consequence of conducting and operating in a complex business environment, and therefore aims to

reduce exposure to these risks to as low as cost-effectively as possible and will have effective remediation plans, system of controls and appropriate risk culture to reduce these risks at the earliest opportunity if needed.

Conduct risk considerations covering customer focus and market integrity are a specific area of operational risk.

Outsourcing is also noted as a specific area of operational risk, which is managed through the Outsourcing and Third-Party Supplier Management Policy, as discussed in Section B.7.

#### **b) Risk Mitigation**

The primary mechanism for operational risk mitigation is controls, which are a mechanism which supports the achievement of LMIE's corporate objectives within its agreed appetite by either preventing or detecting issues. Controls are embedded into day-to-day business processes and mitigate business risks identified by the Risk Owners.

Examples of the types of controls are:

- Preventative: e.g., underwriting guidelines/authorities, documented policies & procedures
- Detective: e.g., underwriting exception reports

#### **c) Measures used to monitor effectiveness of Risk Mitigation**

The Risk Management team works with control owners across the organisation to ensure that all the controls are regularly assessed and appropriately documented.

Incident reporting is an important aspect of effective operational risk management. LMIE captures both loss events and near misses to ensure that these are fed into the overall view of risk.

Incidents will normally be identified by an individual or their manager/head of department as part of business-as-usual processes. LMIE utilises a Governance Risk and Compliance (GRC) system to capture the LMIE Risk Register, and controls against those risks listed. It also contains management risk ratings, results from self-assessment of controls, details of incidents and near misses, and actions.

The Operational Risk Committee assists the Risk Management Committees, as appropriate, in its oversight of:

- Operational risks and incidents;
- Non-Financial internal controls and compliance with applicable laws and regulations throughout the jurisdictions in which it operates.

This committee provides a more detailed view and understanding on the operational risk profile, control assurance, cyber and technology, operational resilience, and other key operational risk topics. Further details are provided in Section B.1.2.9.

### **SECTION C.6 – Strategic risk (including Group Risk; Sustainability Risk and Climate Change Risk)**

LMIE recognises that along with the benefits of being part of wider Liberty Mutual Insurance Group, there is also a risk that matters could arise in one part of the organisation that negatively impact the other parts of the organisation. To mitigate the impact of this, the chairman of any committee reviewing risk information ensures that due attention is given to each legal entity. LMIE recognises that this must continue even in times of stress to one entity.

LMIE's RMF also identifies sources of 'other risk' which are not fully captured via the quantitative risk modelling process:

- Strategic risk
- Group risk

Risk appetite statements for insurance risk incorporate several metrics that also cover elements of strategic risks (e.g., delegated authority arrangements and brokers); these are included and measured under insurance risk.

There are no quantitative risk appetite statements for group or strategic risk; they are either controlled to an acceptable level and/or monitoring measures are put in place, with reporting on an exceptions' basis.

The identification of emerging risks is an important part of LMIE's Risk Management process. The Emerging Risk Working Group ("ERWG") is an information and ideas sharing forum to facilitate timely and responsible management of emerging risks, enabling leaders at all levels to better understand future threats to growth and make more informed business decisions. The ERWG is made up of stakeholders from a number of departments and risk areas across the business who have detailed knowledge of their specific areas of the business. The Risk Management team works with the ERWG members to consider the implications of emerging risks to LMIE.

The identified emerging risks are recorded by the Risk Management team in the Emerging Risk Radar.

#### Sustainability Risk

Sustainability risks, which consider environmental, social and governance risks, affect the Company's relationship with external stakeholders. Failure to address sustainability factors may lead to reputational damage, loss of trust with customers, and regulatory and financial interventions. Integrating sustainability across business and operations functions is an important part of the strategy.

Sustainability Risk, which includes climate change risk, impacts several risk areas across the Company and as such it is being mitigated through the existing Risk Management Framework.

#### Climate Change Risk

Climate change risk is defined as the risks posed to LMAL's business plan, strategy, and people as a result of the accelerated warming of the Earth's atmosphere. Risks are expected to materialise over an extended timeline, i.e. short-term (1-5yrs), medium-term (5-15yrs) and long-term (15yrs+), and will manifest as either physical, litigation, or transition risks. For physical risks, the time horizon for short-term may vary between 5-10 years, as physical climate impacts manifest in varied decadal trends that may take longer to materialize due to variations in earth system processes. In assessing how climate-related risks affect the seven key risk categories, Liberty Mutual is aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and considers physical and transition risks as key drivers of financial impact for climate-related risks. In addition, given the potential financial impacts for property and casualty insurers, we view climate-related litigation as a separate driver.

- **Physical risks:** resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

- **Transition risks:** transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.
- **Litigation risks:** from claims, lawsuits, or other legal disputes that may arise from or relate to a party's alleged contribution to climate change; a party's alleged failure to prepare for, respond, or adapt to physical, legal, economic, or social consequences of climate change; laws, regulations, and legal duties related to climate change.

Work continues towards meeting Greenhouse Gas (GHG) emissions reductions commitments to reduce Scope 1 and 2 emissions by 50% by 2030 (from 2019 levels). In 2023, we achieved a 4.5% reduction from 2022 levels, resulting in a cumulative 46% reduction from the 2019 baseline, contributing toward a low-carbon future.

Climate risk exposures are managed within the Board risk appetites and supported through the Company's control environment. To assist in the management of sustainability risks (including climate change), governance structures, thresholds and guidelines are in place. These guidelines set out requirements in respect of thermal coal, oil sands and new Arctic energy exploration activities, as well as specific sensitive topic underwriting guidelines. In relation to investments, a policy is in place that outline expectations in relation to new asset purchases and assets currently held.

## SECTION C.7 – Any Other Information

### **Sensitivity analysis and scenario testing**

As part of the ORSA process, LMIE conducts sensitivity analyses to assess the variability of its solvency position in response to changes in specific risk factors. These analyses cover a broad range of sensitivities, evaluating the resilience of LMIE's capital position to different risk drivers.

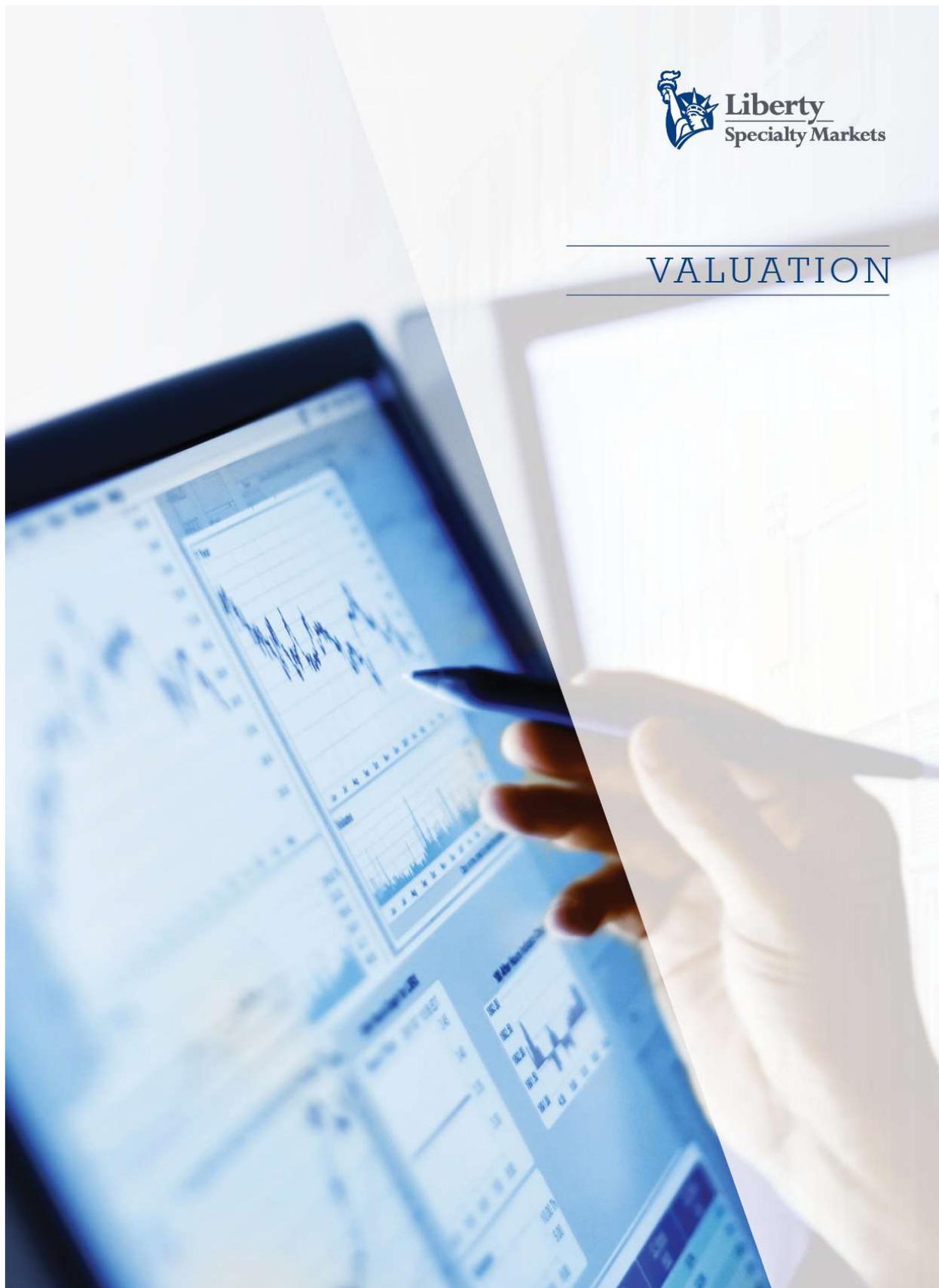
The results of these tests provide valuable insights into the resilience of the business, its alignment with the company's risk appetite framework, and adherence to solvency thresholds. This informs strategic decision-making to address potential vulnerabilities effectively.



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# VALUATION

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## SECTION D – VALUATION FOR SOLVENCY PURPOSES

This section describes the approach and methodology adopted for the valuation of Assets, Technical Provisions and Liabilities (other than Technical Provisions) under the Luxembourg GAAP accounting framework & the Solvency II valuation basis while outlining the key presentational and valuation differences.

Key elements of the section are:

- Assets;
- Technical Provisions (TPs); and
- Liabilities (other than TPs)

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities sheet in accordance with Article 75 of the Solvency II Directive 2009/138/EC. This presents several differences in the valuation of assets and liabilities compared to the disclosures in the LMIE Financial Statements for the year-ended 31<sup>st</sup> December 2024.

The tables on the following page provide a summary of the Solvency II and the Lux GAAP valuation of assets, based on the Solvency II balance sheet line items and the approach to classifying assets and liabilities, for both periods under comparison. An explanation of the Solvency II valuation methodology is provided in the following sections.

2024	Solvency II Adjustments				
	€'000	Section	Lux GAAP	Reclassification	Valuation
Deferred acquisition costs	D.1.1	402,028		(402,028)	0
Deferred tax assets	D.1.2	37,372		1,317	38,689
Pension benefit surplus	D.1.3	5,079			5,079
Property, plant & equipment held for own use	D.1.4	3,298		(3,298)	0
Investments	D.1.5	6,203,867	401,326		6,605,193
Reinsurance recoverable	D.2	3,056,133		(1,434,226)	1,621,907
Deposits to cedants	D.1.6	28,995			28,995
Insurance and intermediaries receivables	D.1.7	1,767,097	0	(1,508,673)	258,424
Reinsurance receivables	D.1.8	281,916			281,916
Receivables (trade, not insurance)	D.1.9	167,338			167,338
Cash and Cash equivalents	D1.10	600,799	(345,066)		255,734
Any other assets	D1.11	65,689	(56,260)		9,427
<b>Total Assets</b>		<b>12,619,611</b>	<b>(0)</b>	<b>(3,346,908)</b>	<b>9,272,702</b>
Technical Provision	D.2	8,905,853		(3,285,453)	5,620,400
Deferred tax liabilities	D.1.2	0		1,317	1,317
Insurance & intermediaries payables	D.3.2	72,634			72,634
Reinsurance payables	D.3.1	755,229		(755,229)	0
Payables (trade, not insurance)	D.3.3	416,607		(352,945)	63,662
Any other liabilities, not elsewhere shown	D.3.4	98,482			98,482
<b>Total Liabilities</b>		<b>10,248,805</b>	<b>0</b>	<b>(4,392,310)</b>	<b>5,856,495</b>
<b>Excess of assets over liabilities</b>		<b>2,370,806</b>	<b>(0)</b>	<b>1,045,402</b>	<b>3,416,207</b>

Note: The table above represents the Balance sheet in accordance with applicable Solvency II regulations. There may be classification differences against the Lux GAAP Financial Statements.

2023	Solvency II Adjustments				
	€'000	Section	Lux GAAP	Reclassification	Valuation
Deferred acquisition costs	D.1.1	378,583		(378,583)	0
Deferred tax assets	D.1.2	53,386	2,228		55,614
Pension benefit surplus	D.1.3	6,186			6,186
Property, plant & equipment held for own use	D.1.4	3,619		(3,619)	0
Investments	D.1.5	5,554,136	339,268		5,893,404
Reinsurance recoverable	D.2	2,832,705		(1,149,264)	1,683,441
Deposits to cedants	D.1.6	24,707			24,707
Insurance and intermediaries receivables	D.1.7	2,193,669		(1,929,429)	264,240
Reinsurance receivables	D.1.8	225,135			225,135
Receivables (trade, not insurance)	D.1.9	119,803			119,803
Cash and Cash equivalents	D1.10	510,757	(300,458)		210,299
Any other assets	D1.11	115,153	(38,811)		76,299
<b>Total Assets</b>		<b>12,017,839</b>	<b>2,228</b>	<b>(3,460,895)</b>	<b>8,559,128</b>
Technical Provision	D.2	8,499,250		(3,030,977)	5,468,273
Deferred tax liabilities	D.1.2	0	2,228		2,228
Insurance & intermediaries payables	D.3.2	52,049			52,049
Reinsurance payables	D.3.1	903,170		(903,170)	0
Payables (trade, not insurance)	D.3.3	290,205		(185,775)	104,430
Any other liabilities, not elsewhere shown	D.3.4	93,837			93,837
<b>Total Liabilities</b>		<b>9,838,512</b>	<b>2,228</b>	<b>(4,119,922)</b>	<b>5,720,817</b>
<b>Excess of assets over liabilities</b>		<b>2,179,327</b>	<b>0</b>	<b>659,027</b>	<b>2,838,311</b>

Note: The table above represents the Balance sheet in accordance with applicable Solvency II regulations. There may be classification differences against the Lux GAAP Financial Statements.

## SECTION D. 1 – Assets (other than Technical Provisions)

### D.1.1 Deferred acquisition costs (DAC)

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs are deferred under Lux GAAP and amortised in line with the earning of the corresponding premiums. Deferred acquisition costs (DAC) are not recognised on the Solvency II Balance Sheet, leading to a valuation difference.

### D.1.2 Deferred Tax Assets (DTA) / Deferred Tax Liability (DTL)

Deferred tax is calculated on the difference between the values ascribed to certain assets and liabilities recognised and valued for Solvency II purposes and the values ascribed to assets and liabilities as recognised and valued for tax purposes. A deferred tax asset or liability can be recognised based on the temporary difference where it is probable that they will reverse in future periods.

On a Lux GAAP basis, LMIE SE provides for DTA in respect of unrealised investment losses, and a DTL in relation to the asset surplus arising in respect of the defined benefit pension plan. This approach has been approved by the CAA. The net DTA calculated is considered reasonable on a Lux GAAP & Solvency II basis and is deemed to be recoverable at branch level.

### D.1.3 Pension benefit surplus

LMIE operated a defined benefit plan for certain employees which closed to future accrual on 1 July 2012, with active members of the scheme becoming deferred pensioners in the Scheme from 2 July 2012. The scheme provides retirement benefits based upon final salary. The scheme is administered by a separate Board of Trustees which is legally separate from the Company. LMIE is able to recognise

any scheme surplus on its balance sheet provided that it is able to recover the surplus either through reduced contributions in the future or through refunds from the Scheme.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets less the defined benefit obligation at the reporting date. The valuation is uniform for both the Lux GAAP and Solvency II balance sheets.

As at 31 December 2024, the pension benefit surplus in respect of the defined benefit scheme is €5.1m (2023: €6.2m).

#### D.1.4 Property, plant and equipment held for own use (PPE)

Plant and equipment consist of computer equipment, fixture, fittings, and office equipment valued at historic cost less accumulated depreciation and accumulated value adjustments under Lux GAAP. PPE is presented at fair value on a Solvency II basis, the fair value being determined by reference to active market values for such assets. As at December 2024, there was deemed to be no active market for these assets. As such they are not recognised on the Solvency II balance sheet.

#### D.1.5 Investments

##### Financial Investments and cash and cash equivalents

Financial Investments and cash and cash equivalents	Lux GAAP €'000	SII adjustments €'000	Solvency II €'000
Bonds	5,924,478	57,389	5,981,866
<i>Government Bonds</i>	1,951,696	17,551	1,969,246
<i>Corporate Bonds</i>	3,858,607	39,622	3,898,228
<i>Collateralised securities</i>	114,176	216	114,392
Collective Investments Undertakings	264,920	0	264,920
Deposits other than cash equivalents	14,496	343,911	358,407
<b>Total Investments</b>	<b>6,203,893</b>	<b>401,299</b>	<b>6,605,192</b>
Cash and Cash Equivalents	600,799	(345,065)	255,734
<b>Total Investments and Cash and Cash Equivalents</b>	<b>6,804,692</b>	<b>56,233</b>	<b>6,860,926</b>

Financial investments are recognised at fair value, both under Lux GAAP and on a Solvency II basis. However, while under Lux GAAP, any accrued interest (€57.4) is reported separately under 'Other assets', it is reclassified and included with market value on the Solvency II balance Sheet.

Under Solvency II the financial investments are classified by their market characteristics, using specific Complementary Identification Codes (CIC):

- **Bonds** - includes government bonds, corporate bonds, and collateralised securities. These are valued predominately in accordance with Level 2 of the Fair Value Hierarchy (Quoted Market Prices for similar assets) as described below, with some securities valued using Level 1 (Quoted Market Prices) or Level 3 (Alternative Valuation Methods) inputs.
- **Collective Investment Undertakings** – refers to an undertaking for collective investment in transferable securities (UCITS) as defined in Article 1(2) of the UCITS Directive, or an alternative investment fund (AIF) as defined in Article 4(1) of AIFMD. These are Valued in accordance with Level 3 as described below.

The following fair value hierarchy is used for reporting under Lux GAAP, which is consistent with the requirements of Article 10 of the Delegated Acts:

**Level 1** – quoted market prices in active markets for the same assets.

**Level 2** – quoted market prices in active markets for similar assets.

**Level 3** – alternative valuation methods using a variety of valuation techniques that include the use of discounted cash flow models and/or other mathematical models. The inputs from these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

- **Deposits other than Cash Equivalents** - Bank balances that require more than 48 hours to withdraw are treated as deposits under Lux GAAP. However, under Solvency II, the CIC definition is based on the legal form of the instrument. This results in a reclassification of €343.9m between Deposits and Cash & Cash Equivalents on the Solvency II Balance sheet, as noted in the tabulation above.

#### D.1.6 Deposits to cedants

Deposits to cedants are carried at nominal value under Lux GAAP. This is equivalent to fair value for Solvency II purposes.

#### D.1.7 Insurance and intermediaries' receivables

Insurance and intermediary receivables are held at fair value under both Lux GAAP and Solvency II reporting basis. The fair value of insurance receivables is derived from discounting expected future cash flows by a risk-adjusted discount rate, however where the time value of cash flows is not significant, cash flows are not discounted.

Premiums receivable that are not yet due are re-classified to Technical Provisions on the Solvency II balance sheet, while due and overdue premiums continue to be reported within 'insurance and intermediaries' receivables'.

#### D.1.8 Reinsurance receivables

Reinsurance receivables are held at amortised cost under Lux GAAP, and fair value under Solvency II. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the two reporting bases.

#### D.1.9 Receivables (trade, not insurance)

Trade receivables are valued at amortised cost under Lux GAAP, and Fair value under Solvency II. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the two reporting bases.

#### D.1.10 Cash and cash equivalents

Cash and cash equivalents, comprising of cash-in-hand and on demand deposits with banks, are measured at amortised cost in the Lux GAAP financial statements, and fair value in the Solvency II balance sheet. Cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the two reporting bases.

#### D.1.11 Any other assets

Other assets, comprising largely of unsettled securities, prepayments, and accrued income. These are valued at amortised cost under Lux GAAP, and Fair value under Solvency II. Since fair value is derived

from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the two reporting bases.

## SECTION D. 2 – Technical Provisions

The Company has applied appropriate methodologies and procedures to assess the sufficiency of the Technical Provisions (TPs) and the calculation is consistent with the requirements set out in Articles 76-86 of the Solvency II Directives.

The TPs consist of the earned claims technical provision, the unearned premiums technical provision (which together form the best estimate liability) and the risk margin.

The TPs have been estimated at a homogeneous line of business level. The segmentation of lines is based on obligations that are managed together and which have similar characteristics. General Liability and Fire and Other Damage to Property business represent approximately 67% of the LMIE TPs. The Company has no Life TPs, including no Periodic Payment Orders.

### D.2.1 Technical Provisions by Solvency II Line of Business

A quantitative summary of the Gross and Reinsurance Best Estimate Liability (BEL), Technical and Risk Margin by Solvency II Line of Business is provided in the table below.

Solvency II Class of Business	Gross BEL €'000	Reinsurance Recoverable BEL €'000	Risk Margin €'000	Total Technical Provisions €'000
General liability	3,184,212	(1,149,932)	81,278	2,115,558
Fire and other damage to property	667,271	(114,694)	15,583	568,160
Non-Prop RI - Property	491,384	(76,491)	24,151	439,043
Credit and suretyship	400,645	(41,237)	21,187	380,595
Marine, aviation and transport	238,027	(25,678)	6,098	218,447
All Other Lines	469,037	(213,875)	21,527	276,689
<b>Total non-life obligations</b>	<b>5,450,576</b>	<b>(1,621,907)</b>	<b>169,824</b>	<b>3,998,492</b>

### General Liability Insurance

The General Liability Line makes up 53% of the Solvency II TPs. The underlying reserves for direct Financial Lines (D&O and FI), Casualty, Professional Lines, and Dual contribute the majority of the TPs for this Solvency II line. Solvency II adjustments are applied to the Lux GAAP reserves (net of future premium) to obtain the Solvency II TPs. The most material adjustments, that result in a small increase in the TPs when compared to the Lux GAAP reserves for this line, include:

- €81m for the Risk Margin and €32m for additional expense provisions; and
- €15m for Events Not in the Data (ENID)

### Fire and Other Damage to Property

The Fire and Other Damage to Property Line makes up 14% of the Solvency II TPs. The underlying reserves for Property and Energy Lines contribute the majority of the TPs for this Solvency II line.

Solvency II adjustments are applied to the Lux GAAP reserves (net of future premium) to obtain the Solvency II TPs. The most material adjustments, that result in a small increase in the TPs when compared to the Lux GAAP reserves, include:

- €16m for the Risk Margin and €13m of additional expense provisions; and
- €7m for ENID.

### Credit and Suretyship

The Credit and Suretyship Line makes up 10% of the Solvency II TPs. The underlying reserves for Financial Risk, Reinsurance Financial Risk and Surety lines contribute the majority of the TPs for this Solvency II line. Solvency II adjustments are applied to the Lux GAAP reserves (net of future premium) to obtain the Solvency II TPs.

The most material other adjustments that result in a movement in the TPs when compared to the Lux GAAP reserves include:

- €21m for the Risk Margin and €16m of additional expense provisions
- €10m for ENID

### Non-Proportional Reinsurance Property

The Non-Proportional Property Line makes up 11% of the Solvency II TPs. The underlying reserves for Treaty Property, London Market Retrocession Reinsurance and Specialty Reinsurance Financial Risk division contribute the majority of the TPs for this Solvency II line. Solvency II adjustments are applied to the Lux GAAP reserves (net of future premium) to obtain the Solvency II TPs.

The most material other adjustments that result in a movement in the TPs when compared to the Lux GAAP reserves include:

- €24m for the Risk Margin and €9m for additional expense provisions
- €6m for ENID

### Marine, Aviation and Transport

The Marine, Aviation and Transport Line makes up 6% of the Solvency II TPs. The underlying reserves for Specialty Marine classes, such as Cargo, Specie or Terror, contribute the majority of the TPs for this Solvency II Line. Solvency II adjustments are applied to the Lux GAAP reserves (net of future premium) to obtain the Solvency II TPs. The most material other adjustments that result in a movement in the TPs when compared to the Lux GAAP reserves include:

- €6m for the Risk Margin and €3m for additional expense provisions
- €2m for ENID

No other Solvency II Lines of Business make up more than 5% of the Company's total Solvency II TPs, and the aggregate change relative to the Lux GAAP basis across all the other Solvency II Lines is less than 1% of the total TPs.

### D.2.2 Technical Provisions Valuation Methodology

The relevant Solvency II Directive and Delegated Acts text and associated guidance require the TPs to represent a best estimate plus a risk margin, where the best estimate corresponds to the probability-weighted average of future cash flows, taking account of the time value of money.

Technical Provisions valuation methodology of the Company groups the following key components:

- **Claims Provisions:** best estimate provisions that relate to earned exposure.
- **Premium Provisions:** best estimate provisions that relate to unearned exposure and include policies which are bound but not yet incepted at the valuation date.
- **Risk Margin:** additional provision to bring the above best estimate to the level required to transfer the obligations to a third-party undertaking.

The Claims and Premium Provisions would include allowance for future premiums, expenses and ENIDs. Payment projections are then derived for all the future cash in-flows and out-flows.

#### D.2.2.1 Claims Provisions

The gross claims provisions are calculated separately for attritional, large and catastrophe claims with no margin allowance for prudence. The methodology is the same as that used to estimate the Actuarial Function's view of the Lux GAAP reserves (with no margin for prudence), before allowance for ENIDs, expenses, discounting, and pipeline premium.

The methods used to estimate the Claims Provisions are deterministic claims-based, exposure-based and cashflow methods and are in line with best practice non-life actuarial techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. They allow explicitly for the impact of inflation on ultimate claims settlement.

The process for estimating the reinsurance recoveries follows a netting-down approach of the gross claims provisions. The gross attritional, large and catastrophe splits do not apply. Instead, reinsurance claims provisions are estimated for Proportional and Non-Proportional outwards reinsurance treaties separately.

Reinsurance bad debt (counterparty default) is taken into account using the credit rating of each individual reinsurer and their ability to pay.

#### D.2.2.2 Premium Provisions

Premium provisions relate to claim events occurring after the valuation date and during the remaining in-force coverage period of policies.

The ultimate premium by year of account is broken down into the following components:

- Earned (included in claims provisions)
- Unearned incepted
- Bound but Not Incepted (BBNI)
- Unbound

The analysis and split of premium between unearned incepted, BBNI and unbound is carried out at the policy level. Earning patterns are calculated by policy considering inception and expiry date. The inception date of a policy is used to determine whether it is incepted or not, except for delegated authorities where the underlying inception profile is used. The commitment date recorded on source underwriting systems is used to determine whether a policy is bound or not except for delegated authorities – see Definition of an Existing Contract. The ultimate premium that is unbound is not included in the Technical Provisions. The gross Premium Provisions are calculated separately for unearned incepted and BBNI risks:

- Unearned Incepted claims are calculated as the unearned incepted premium multiplied by the relevant underwriting year latest actuarial loss ratio; and
- BBNI claims are calculated as the BBNI premium multiplied by the actuarial plan loss ratio for each line of business.

### D.2.2.3 Definition of an Existing Contract

Under Solvency II all existing contracts are included in the valuation as opposed to inception contracts under Lux GAAP Technical Provisions. Contracts are recognised as existing once LMIE becomes a party to the contract or when the contract between the insurance undertaking and policy holder is legally formalised. The source underwriting systems record the commitment date, written date, and the inception date of the contract.

For binder and delegated authority business this is assessed on a “look through” basis with the boundaries of the actual underlying contracts of insurance being tested. The Company’s approach is to include one month’s worth of new business of underlying inceptions for each delegated authority.

### D.2.2.4 Outwards Reinsurance

The key principle followed for LMIE reinsurance Premium Provisions is to ensure the best estimate underlying the Technical Provisions is consistent with the inwards policies (the Principle of Correspondence). In addition, for existing reinsurance contracts, any contractually bound contracts are also included in full, with no consideration to the future inwards business.

The Solvency II valuation assumes that future reinsurance purchases will be made in line with the current business plan (a future management action) and that an equivalent reinsurance spend, and benefit will be available to cover unearned and BBNI business.

The future claims inflow on unearned and BBNI business is adjusted for the probability of counterparty default. The methodology takes into account both the probability of default and the loss given default.

### D.2.2.5 Future Premium

The estimation of the TPs allows for claims cashflows to be offset by premiums receivable (gross of reinsurance) and premiums payable (on outwards reinsurance) that are expected to occur in the future but are not overdue at the valuation date.

The premium receivable and payable for Claims Provisions and Premium Provisions are valued consistently with the Lux GAAP basis other than the additional allowance for BBNI business. Therefore, the premium receivable and payable are both larger than the GAAP basis.

Any potential lapses in premiums are taken account in the cashflow analysis.

### D.2.2.6 Expenses

Solvency II requires the best estimate to include all cashflows arising from expenses that will be incurred servicing the policies over their lifetime.

Allocated loss adjustment expenses (“ALAE”) figures are included within the claims numbers used for premium provisions and claims provisions.

Expenses have been split for analysis purposes into acquisition costs, unallocated loss adjustment expenses (“ULAE”) and other additional expenses including Investment Management Expenses.

- Acquisition Costs: Gross and reinsurance acquisition costs by year of account and line of business are supplied from the underwriting source systems.
- ULAE: ULAE provision is estimated using the same methodology as the Lux GAAP reserves.
- Investment Management Expenses and Other Expenses: The actual and budgeted investment management expenses incurred by LMIE on a per annum basis are used as the basis to estimate the total investment management expense provision for the run-off of the current liabilities,

assuming a future rate of management expense inflation and that the expenses will reduce in line with the managed assets.

Other expenses have been derived using the Company's expense model to derive an estimate of the headcount and associated cost for each department which supports the legally bound contracts over the life of their future cash flows.

#### D.2.2.7 Events not in Data (ENIDs)

Solvency II requires that the best estimate Technical Provisions be a probability weighted average of all possible future outcomes.

The methods used such as Chain Ladder and Bornhuetter-Ferguson are based to a degree on historical information and therefore do not allow for all future outcomes.

ENIDs are those events of high severity, but very low frequency that are missing from our historical data sets and exposure information. An example of an ENID would be a latent claim such as the health hazard losses from asbestos and pollution that emerged in the 1980's.

By their nature any methodology applied will be subjective for ENIDs. The Company has taken the following approach:

- An uplift factor is obtained by comparing the current claims best estimate to the best estimate excluding the observations beyond the 1 in 200-year point from internal analysis of reserve risk and underwriting risk.
- For claims relating to earned business the reserving risk distribution is used.
- For claims relating to Premium Provisions the attritional and large combined underwriting distribution is used.
- The uplift factor has been applied to the undiscounted claims reserves, as well as the attritional and large undiscounted premium reserves.
- A minimum uplift is applied by line of business.

#### D.2.2.8 Cashflows and Discounting

The best estimate Technical Provisions under Solvency II take into account the time-value of money using the relevant risk-free interest rate term structure. This is undertaken for each material currency.

Claims and Premium Provisions are converted to deterministic cash flows by application of quarterly payment patterns. Ceded cash flows are assumed to be equal to those applied to the gross with a quarter lag.

The term structures used for discounting have been supplied by EIOPA for each currency. The Company has relied upon EIOPA to prepare these yield curves.

#### D.2.2.9 Risk Margin

The Risk Margin is calculated using a cost of capital approach implemented in our Internal Model. The cost of capital approach requires the Risk Margin to be calculated by determining the cost of providing the Solvency Capital Requirement (SCR) necessary to support the Technical Provisions over their lifetime. The approach we implemented ensures that the Technical Provisions and SCR are calculated for each future year until the business is fully run off.

The risk margin was estimated in the Internal Model, which estimates future proxy Solvency Capital Requirements (“SCRs”) based on the LMIE’s current SCR and estimates of TP’s run-off. A cost of capital rate of 6%pa is used and then discounted using the risk-free yield curves.

The Risk Margin is calculated in aggregate for LMIE and allocated to Solvency II lines of business.

#### D.2.2.10 Options and Guarantees

The Company has no material options and guarantees that require explicit consideration or adjustment within the TPs.

#### D.2.3 Comparison of GAAP and Solvency II Valuation of Technical Provisions

The table below presents a comparison of the Company’s Lux GAAP provisions to those on a Solvency II basis as at 31 December 2024. Note that the Company’s Lux GAAP reserve estimates contain margins when compared with the Solvency II best estimate.

	Lux GAAP	SII Basis	Lux GAAP vs. SII Basis
	€'000	€'000	€'000
<b>Gross of Reinsurance</b>			
Claims reserve (incl Risk Margin)	(6,627,144)	(7,894,775)	1,267,631
ULAE (and other SII expenses)	(92,810)	(183,188)	90,378
UPR	(2,185,899)	-	(2,185,899)
Future Premium Cashflows	-	2,457,563	(2,457,563)
<b>Gross Technical Provisions</b>	<b>(8,905,853)</b>	<b>(5,620,400)</b>	<b>(3,285,453)</b>
<b>Reinsurance</b>			
Claims reserve	2,080,904	3,608,493	(1,527,589)
Bad Debt	(9,993)	(9,993)	-
UPR	585,837	-	585,837
Future Premium Cashflows	-	(1,976,593)	1,976,593
<b>Reinsurance Technical Provisions</b>	<b>2,656,748</b>	<b>1,621,907</b>	<b>1,034,841</b>
<b>Net GAAP / SII TP (including future premium)</b>	<b>(6,249,104)</b>	<b>(3,998,492)</b>	<b>(2,250,612)</b>

The largest difference in moving from a Lux GAAP to a Solvency II basis are due to the Premium Provisions concept in Solvency II, which considers cashflows, and consequently profits, on all existing, legally bound contracts as opposed to incepted contracts under Lux GAAP. Details of this, as well as other, less material, differences are explained below, in the order shown in the table above:

- Higher gross claims reserves under SII due to the allowance for unearned future claims, ENIDs and because the Risk Margin under Solvency II is generally greater than the removal of the Lux GAAP reserve margin. This is partly offset by the benefit obtained from discounting for the time value of future cashflows.
- ULAE and other Solvency II expenses: An increase in expense provisions under Solvency II to cover the wider definition of all expenses that will be incurred servicing the in-force policies over their lifetime.
- A decrease in the Technical Provisions as a result of moving from the Lux GAAP concept of holding a UPR, to the SII allowance for Future Premium Cashflows on all existing legally bound contracts.
- Movements in Reinsurance Technical Provisions are generally in line and proportional to gross movements.

#### D.2.4 Changes in Technical Provisions from prior Reporting Period

There has been no change to the methodology or assumptions used to derive the technical provisions versus the prior reporting period.

#### D.2.5 Assumptions and Use of Expert Judgement:

##### D.2.5.1 Future Management Actions within the Technical Provisions

A key assumption within the valuation of the reinsurance Technical Provisions is that the reinsurance programmes will be renewed with similar terms to those currently in place. Deviations from this could have a material impact on the Technical Provisions required.

No other future management actions were explicitly allowed for in the Technical Provisions.

##### D.2.5.2 Reserving Methods

The methods used are in line with best practice non-life actuarial techniques such as Chain-Ladder method or Bornhuetter-Ferguson method.

##### D.2.5.3 Assumption Selection

All modelling assumptions are documented by the Actuarial Function in line with relevant professional standards. The assumptions used are appropriate for the work carried out by the Actuarial Function.

##### D.2.5.4 Consistency with Financial Market Information

Assumptions:

- Future Inflation: Where historical development profiles are extrapolated into the future via the Chain Ladder method, the Company's traditional reserving projection methods include an implicit assumption that historical trends in inflation will persist in the future. Trends in superimposed inflation are closely monitored through claims analysis, and collaboration between claims, actuarial and underwriters. They are allowed for with additional judgment for impacted classes, both in the reserving of attritional and large claims. Since year end 2022, traditional methods are supplemented by a cash flow model that helps us quantify additional loads to the reserves in respect of inflation.
- Currency Rates of Exchange: Future exchange rates are assumed to remain stable over the year, in line with the reserving rate of exchange set for year-end reporting.
- Reserving Cycle: Where possible allowance has been made for the reserving cycle.

##### D.2.5.5 Expert Judgement

The use of Expert Judgement is documented by the Actuarial Function. All modelling selections contain judgement, and these reflect the nature of the insurance obligations, the material risks faced by the insurer and the purpose of that work.

#### D.2.6 Uncertainty associated with the Technical Provisions

There is a wide range of possible outcomes in assessing the Company's TPs. The TPs represent a best estimate plus a risk margin, where the best estimate corresponds to the probability-weighted average of future cash flows, taking account of the time value of money. Some of the key uncertainties in valuing the TPs include:

- For all actuarial projections there are a range of possible results. The final outcome will depend on the actual development of claims. Most actuarial techniques use historical data to predict the likely development by line of business. Unforeseen changes may affect the suitability of that data and would be expected to have an impact on the accuracy of the results. Whilst these are addressed as soon as they arise, such issues would include unexpected claims inflation, changes in legislation and the emergence of new types of claims.
- In the current uncertain macro-economic and political environment, the risk of recession in the main territories where we underwrite exposures is heightened. This can introduce the risk of higher loss experience in some classes due to fraudulent claims/ an elevated propensity to claim and loosening of risk management and controls linked to budget cuts. This could result in more claims, or larger settlements across affected classes than allowed for in the Technical Provisions.
- Societal trends are impacting third party liability classes with exposure to the US. In particular, the US exposures on Treaty Casualty, D&O and Casualty Binders. The social inflation observed in the US is a type of super-imposed inflation mainly related to jury court awards related to auto, general liability, and professional lines on primary, excess and umbrella risks. Although the reserves have been strengthened in response to this, intrinsic limitations exist similar to those imposed by economic inflation discussed above. The limitation is mitigated to an extent in the US as a result of the close GRSI links to the wider Liberty Mutual Group to validate assumptions used.
- Some of the Company's property, casualty and specialty lines of business are exposed to catastrophe events and are inherently uncertain in their nature. Some lines are exposed to natural catastrophes. Some underwriting classes could be exposed to increased insurance liabilities from climate change. This could take the form of increased frequency, severity and volatility of weather events, failure of firms to adapt leading to increased litigation, higher liability claims or damage to value of financial assets. Some underwriting lines of business have results that are dependent on the performance of certain key contracts, either through high sums at the binary nature of claims. There can be uncertainty around coverage interpretation due to the uniqueness of policies, which can add uncertainty to future underwriting results.
- The Company writes material and increasing amounts of business through cover holders and facilities. This can lead to lengthened development in lines which are a combination of open market and binding authority business as the proportion of binding authority business increases.
- ENIDs are inherently difficult to value. The Actuarial Function has had to determine what is not included within its original best estimate, to avoid double counting, and to determine what the best estimate would be for the very low frequency, high severity ENIDs. ENIDs, by their nature, are challenging to validate, due to the absence of historical observations in the LMIE dataset.
- The timing of future payments is always uncertain and can greatly be affected by many variables. The timing of the Company's cashflows and the yield curves by currency provided by EIOPA impact the discounting credit within the TPs.
- The uncertainty associated with the Premium Provisions is greater than the earned reserves as a result of the greater impact of future economic & market conditions, plus the potential for insured unknown catastrophes.
- The Company is particularly exposed to FX volatility due to the mix of business, which is materially spread over three currencies (USD, GBP, EUR). FX rates were volatile over 2024, which adds to the uncertainty around projected reserves once consolidated in the reporting currency.

- Generally, provision is not made in our estimates for post balance sheet events occurring after 31st December 2024. However, the Technical Provisions at the 2024 year-end were updated to reflect the change in reinsurance placements following the 1 January 2025 renewals.

#### D.2.7 Matching Adjustment

The matching adjustment referred to in Article 77b of Directive 2009/138/EC has not been applied by the Company. Therefore, no quantification is provided of the impact of a change to zero of the matching adjustment on that undertaking's financial position, including on the amount of Technical Provisions.

#### D.2.8 Volatility Adjustment

The volatility adjustment referred to in Article 77d of Directive 2009/138/EC has not been applied by the Company. Therefore, no quantification is provided of the impact of not applying the volatility adjustment on the undertaking's financial position, including on the amount of Technical Provisions.

#### D.2.9 Transitional Risk-free Interest Rate-term Structure

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC has not been applied by the Company. Therefore, no quantification is provided of the impact of not applying the transitional measure on the undertaking's financial position, including on the amount of Technical Provisions.

#### D.2.10 Transitional Deduction

The transitional deduction referred to as Article 308d of Directive 2009/138/EC has not been applied by the Company. Therefore, no quantification is provided of the impact of not applying the deduction measure on the undertaking's financial position, including on the amount of Technical Provisions.

### SECTION D. 3 – Liabilities (other than Technical Provisions)

#### D.3.1 Reinsurance payables

Reinsurance payables are held at amortised cost under Lux GAAP and fair value under Solvency II. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the respective reporting bases.

#### D.3.2 Insurance and intermediaries' payables

The Lux GAAP insurance and intermediaries' payables are held at their settlement value, except for any loans due from affiliated undertakings, which are valued at amortised cost. Solvency II requires insurance and intermediaries' payables to be reported at fair value. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the respective reporting bases.

#### D.3.3 Payables (trade, not insurance)

Payables (trade, not insurance) are valued at amortised cost under Lux GAAP and fair value under Solvency II. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the respective reporting bases.

The only exception to the above methodology relates to the foreign exchange provision held on the Lux GAAP balance sheet. The foreign exchange provision, recognised on the balance sheet following the change of LMIE's reporting currency from Dollars to Euros, was valued at €186m at the opening balance sheet date. Following weakening of the Euro against the USD over the course of FY 2024, the value of provision at the balance sheet date amounts to €353m at the closing balance sheet date. However, the provision is not deemed a Solvency II concept as it does not have an impact on future cash-flows. It is therefore eliminated from the Solvency II Balance Sheet.

#### D.3.4 Any other liabilities not elsewhere shown

Other liabilities, comprising largely of accruals and deferred income, are valued at amortised cost under Lux GAAP and fair value under Solvency II. Since fair value is derived from discounting expected future payments by a risk-adjusted discount rate, cash flows are not discounted where the time value of payments is not significant. Therefore, no valuation differences exist between the respective reporting bases.

### SECTION D. 4 – Alternative Methods for Valuation

There are no material assets or liabilities for which alternative valuation methods are used, other than the valuation of certain financial investments, as described in section D.1.4. Financial investments amounting to €32.4m (2023: €25.9m) were valued in accordance with Article 10(4) of the Delegated Acts (Level 3).

### SECTION D. 5 – Any Other Information

LMIE does not have any other material information to be disclosed.



CAPITAL  
MANAGEMENT



## SECTION E – CAPITAL MANAGEMENT

The 'Capital Management' section of the report describes the internal operational structures and procedures underlying capital management within the company. The capital plan is updated at least annually or more frequently if a material change occurs to the company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

Key elements of the section are:

- Own Funds; and
- SCR and MCR

### SECTION E. 1 – Own Funds

#### E.1.1 Objective, Policies and Processes for managing Own Funds

The purpose of own funds management is to maintain, at all times, sufficient own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) with an appropriate margin in line with LMIE's Capital and Solvency risk appetite.

The Company holds quarterly Board meetings, in which the proportion of own funds over SCR and MCR are reviewed. As part of own funds management, LMIE prepares ongoing annual projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

The solvency monitoring plan has been updated to reflect the Risk Appetite following adoption of the Internal Model (IM), as illustrated below.

Solvency Ratio*	Management Action
> 180% of SCR	<ul style="list-style-type: none"> <li>Decision framework for excess capital                             <ul style="list-style-type: none"> <li>i. Dividends vs revised growth plans</li> </ul> </li> <li>Update solvency forecasts for future planning periods.</li> </ul>
150% - 180% of SCR	<ul style="list-style-type: none"> <li>Business as usual</li> <li>No dividends will be paid</li> </ul>
135% - 150% of SCR	<ul style="list-style-type: none"> <li>Update solvency forecast over the next three months.</li> <li>Board discussion on possible capital remediation to bring solvency levels within target range.</li> <li>No dividends will be paid.</li> <li>Monitoring of risk of solvency deterioration over next three months.</li> </ul>
115% - 135% of SCR	<ul style="list-style-type: none"> <li>Board approval of capital remediation plan to restore solvency level to Green Zone within three months (likely capital call/reinsurance purchase).</li> <li>No dividends will be paid/revisit business planning.</li> <li>Reperform IM calculation following capital remediation.</li> <li>Monitoring of risk of solvency deterioration over next three months.</li> </ul>
100% - 115% of SCR	<ul style="list-style-type: none"> <li>Board approval of capital remediation plan to restore solvency level to Green Zone within three months (necessary capital call/reinsurance purchase).</li> <li>No dividends will be paid/revisit business planning.</li> <li>Reperform IM calculation following capital remediation.</li> </ul>
MCR – IM SCR	<ul style="list-style-type: none"> <li>Restore SCR cover within six months.</li> <li>Notify CAA of SCR breach within three months.</li> <li>No dividends will be paid.</li> </ul>
<100% of MCR	<ul style="list-style-type: none"> <li>Capital injection to restore MCR cover with Tier 1 capital within three months.</li> <li>Notify CAA of MCR breach within one month.</li> <li>No dividends will be paid.</li> </ul>

LMIE consider the IM calculations to be appropriate, as explained in further detail in Section E.4 below.

LMIE policy holders benefit from a guarantee from the parent company; and LMIE’s parent company requires the entity to maintain appropriate solvency coverage as defined in Section E.1.2. The requirement is monitored on an ongoing basis and takes account of future capital requirements, as indicated by the business plans.

The purpose of own funds management is to maintain, at all times, sufficient own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) with an appropriate margin in line with LMIE’s Capital and Solvency risk appetite.

The Company holds quarterly Board meetings, in which the proportion of own funds over SCR and MCR are reviewed.

As part of own funds management, LMIE prepares ongoing annual projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

The solvency monitoring plan has been updated to reflect the Risk Appetite following adoption of the Internal Model (IM), as illustrated alongside.

LMIE consider the IM calculations to be appropriate, as explained in further detail in Section E.4 below. LMIE policy holders benefit from a guarantee from the parent company; and LMIE’s parent company requires the entity to maintain appropriate solvency coverage as defined in Section E.1.2. The requirement is monitored on an ongoing basis and takes account of future capital requirements, as indicated by the business plans.

### E.1.2 Structure, Amount and Quality of Own funds by Tier

Solvency II distinguishes between basic Own Funds and Ancillary Own Funds. The Own Funds structure for FY 2024 and FY 2023 is illustrated in the table below.

<b>Capital Structure</b>		<b>2024</b>	<b>2023</b>
		<b>€'000</b>	<b>€'000</b>
Share Capital	E.1.2.a	255,424	255,424
Share Premium	E.1.2.a	1,617,533	1,617,533
Reconciliation reserve	E.1.2.b	1,505,877	911,967
<b>Available and Eligible Own Funds (to cover the MCR)</b>		<b>3,378,835</b>	<b>2,784,925</b>
MCR	E.2.1	488,748	557,740
<b>MCR Coverage Ratio</b>		<b>691%</b>	<b>499%</b>
<hr/>			
An amount equal to the value of net deferred tax assets	E.1.2.b	37,372	53,386
Ancillary Own Funds	E.1.2.c	410,431	384,736
<b>Available and Eligible Own Funds (for SCR Coverage)</b>		<b>3,826,638</b>	<b>3,223,046</b>
SCR	E.2.1	1,086,106	1,239,421
<b>SCR Coverage Ratio</b>		<b>352%</b>	<b>260%</b>

The Capital planning team is tasked with monitoring the Solvency II ratio. LMIE has continued to experience the benefit from capital actions undertaken in prior years, including the following:

- The establishment of an Ancillary Own Fund facility in 2020;
- The loss portfolio transfer of the run-off ECML book of business to Enstar Group performed in 2020;

- The NRQS with LMIC to provide a sustained capital benefit, implemented in 2021; and the
- Adoption of the Internal model for assessing Solvency Capital Requirements, following approval received from the CAA in March 2024.

The key components of the **Own Funds** are discussed below:

- Share Capital & Share Premium:** There has been no increase in the Share Capital & Share Premium, classified as Tier 1 Capital, during the year.
- Reconciliation Reserve:** This is made up of the remainder of the excess of assets over liabilities and is classified as Tier 1 capital in accordance with the Solvency II regulations. The composition of the reconciliation reserve is illustrated in the following table. It also includes net deferred tax assets, calculated primarily of a charge on the Unrealised Gains and Losses for investments held to maturity.

Description	2024 €'000	2023 €'000
<b>Excess of assets over liabilities</b>	<b>3,416,208</b>	<b>2,838,311</b>
Other basic own fund items - Ordinary share capital (gross of own shares)	(255,424)	(255,424)
Other basic own fund items - Share premium account related to ordinary share capital	(1,617,533)	(1,617,533)
Other basic own fund items - An amount equal to the value of net deferred tax assets	(37,372)	(53,386)
<b>Reconciliation reserve</b>	<b>1,505,878</b>	<b>911,967</b>

- Ancillary Own Funds (AoF)** of €410m (2023: €385m), classified as Tier 2 Capital, are structured through an Equity Commitment Agreement between LMIC, LSMH, and LMIE as approved by the CAA in 2020. A pledge facility with a minimum funding to ensure that the Market Value of pledge accounts is at least \$425m, remains in-force as collateral against this commitment, which is revalued at the period end Euro rate. Tier 2 Ancillary Own Funds are not considered eligible to cover the MCR requirements in accordance with Solvency II rules.

LMIE is forecast to hold significant solvency surplus, exceeding its target operating range per the Risk Appetite Framework. To align with LMG's growth objectives and optimise the deployment of excess capital, the AoF will be reduced from \$425m to \$25m during the year. The remaining \$25m AoF are expected to be renewed with the CAA later in the year, to keep the pledged asset facility open.

LMIE is required to satisfy local solvency requirements in certain non-EU jurisdictions. In some cases, this requires holding funds in local custody accounts, but these funds are considered fungible and not ring-fenced.

### E.1.3 Own Funds changes in the period

The changes to Basic Own Funds during the reporting period are illustrated in the following table.

The increase of €578m in Own funds over the year is primarily driven by the following factors:

- Underwriting profit after tax of €130.9m as recognised in the Income statement;
- An improvement in the Other Comprehensive income of €60.5m driven by a significant decrease in the unrealised losses for investments held to maturity;
- Favourable Solvency II Technical Provision adjustments, discussed in Section D.2 of €118.1m;
- Favourable movements in the EIOPA yield curves have led to a discounting credit benefit of €91.7m;

- An increase in the value of the foreign exchange provision by €167.2m given the weakening of the Euro against the USD over the course of the year. The FX translation provision is eliminated from the Solvency II Balance Sheet as it does not represent a true cash flow. Its elimination provides an uplift to the Own Funds.

	2024 €'000	2023 €'000
<b>Own Funds at 1 January</b>	<b>2,838,311</b>	<b>2,415,618</b>
Profit on ordinary activities after tax	130,881	144,490
Comprehensive (loss)/income for the year	60,599	134,299
Issue of ordinary shares	0	0
Movement in Fixed Assets Write off	321	685
Movements in Solvency II Adjustments to Technical Provisions	118,047	55,501
Movement in Solvency II Discounting Adjustments	91,702	102,798
Movement in Solvency II Risk Margin	9,133	64,637
Movement in FX Provision / Other	167,213	(79,716)
<b>Own Funds at 31 December</b>	<b>3,416,208</b>	<b>2,838,311</b>

#### E.1.4 Material Differences between Financial Statement Equity and Solvency II Excess of Assets over Liabilities

LMIE prepared its financial statements for the year ended 31 December 2024 in accordance with Luxembourg legal and regulatory requirements. The financial statements have been prepared using generally accepted accounting policies applied within the insurance and reinsurance industry in the Grand-Duchy of Luxembourg. Aside from those laid down by the law of 19 December 2002, accounting policies and valuation rules are determined and applied by the Board of Directors. The following table provides an explanation of the differences between Lux GAAP equity and the Solvency II excess of assets over liabilities. The major differences in the quantum of Solvency II adjustments are as follows:

- An increase in the favourable impact of Solvency II Technical provision adjustments, as explained in more detail in Section D.2;
- An increase in Discounting credit following increase in EIOPA Yield curves; and
- An increase in the value of the FX translation provision, which is eliminated from the Solvency II balance sheet, thus providing an uplift to the Own Funds.

	2024 €'000	2023 €'000
<b>Lux GAAP equity attributable to shareholders</b>	<b>2,370,806</b>	<b>2,179,327</b>
Valuation differences:		
Solvency II valuation adjustment movements:		
Fixed assets	(3,298)	(3,619)
Technical Provisions	322,605	204,558
Discounting	542,973	451,271
Risk Margin	(169,824)	(178,957)
FX Provision	352,945	185,732
<b>Solvency II excess of assets over liabilities</b>	<b>3,416,208</b>	<b>2,838,311</b>

#### E.1.5 Description of Deductions from Own Funds

No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

## SECTION E. 2 – Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Details and changes since the prior period reporting of the Solvency Capital Requirement and Minimum Capital Requirement

Following approval received from the CAA in March 2024, LMIE now uses an approved Internal Model to assess the Solvency Capital Requirement. The SCR is calculated using the Value at Risk subject to a confidence level of 99.5% over a one-year period, in line with Solvency II requirements. The tabulation by key risk modules is provided below.

	2024 €'000	2023 €'000	Variance	Variance %
Insurance Risk	1,224,829	1,242,046	(17,217)	-1%
Market Risk	274,562	306,209	(31,647)	-10%
Counterparty Default Risk	136,874	170,345	(33,471)	-20%
Operational Risk	299,403	275,513	23,890	9%
Diversification	(849,563)	(754,692)	(94,871)	13%
<b>SCR</b>	<b>1,086,105</b>	<b>1,239,421</b>	<b>(153,316)</b>	<b>-12%</b>

*Note: Non-Life UW risk and Health UW risk are collectively considered under within the Insurance Risk (Non-Life Underwriting Risk) module*

Overall, the Year-End 2024 Internal Model (IM) SCR is at €1,086m, reflecting a decrease from prior year of €153m. The IM SCR is calculated in USD, and converted to Euros, which is the reporting currency of LMIE. Without the impact of changes in FX conversion, the IM SCR has reduced by €236m.

The main risk component for LMIE is **Insurance Risk**, which is composed of Premium Risk (risk of insufficiency in both future written and unearned premium) and Reserve Risk (risk of insufficiency in the existing reserve). Changes in the outwards reinsurance structure as well as lower loss ratios observed for certain risks have contributed to a reduction in Insurance Risk, before FX impacts are taken into account.

**Credit Risk** is designed to reflect the change in value caused by unexpected default or deterioration in the credit standing of debtors and reinsurance counterparties. The decrease observed since last year is primarily driven by lower probabilities of downgrade and default.

The **Market Risk** is composed of various sub-risks, in particular credit and spread risks from financial instruments, as well as interest rate risk. The decrease observed since last year is driven by higher returns assumed when considering the external interest rate risk environment.

**Operational Risk** arises from inadequate or failed internal processes, personnel, systems, and external events. Operational Risk has remained materially stable compared to last year before FX impacts are taken into account.

Given that there is no Deferred Tax Liability (DTL) in the Solvency II Balance Sheet at Year-End 2024, no benefit for Loss Absorbing Capacity of Deferred Taxes (LACDT) has been recognized in the Internal Model SCR calculations.

The **reported MCR** is computed at €488.8m, capped at 45% of the SCR charge noted above.

The reported MCR is lower than the **Linear MCR** of €626.8m (2023: €604.7m) which represents a 6% increase in Technical Provisions partially offset by a 5% reduction in Net Written Premium, compared to prior year. The key inputs are tabulated in the following table by Solvency II line of business.

SII Classes	2024			2023		
	Net TPs	NWP	MCR Charge	Net TPs	NWP	MCR Charge
	€'000	€'000	€'000	€'000	€'000	€'000
Medical expense insurance	1,685	222	90	1,010	530	72
Income protection insurance	5,781	749	611	3,446	1,873	611
Workers' compensation insurance	0	0	0	0	0	0
Motor vehicle liability insurance	24,606	1,808	2,395	18,265	8,965	2,395
Other motor insurance	4,981	531	589	3,936	3,911	589
Marine, aviation and transport insurance	212,349	73,905	30,711	210,648	64,390	30,711
Fire and other damage to property insurance	552,577	196,312	70,964	503,758	314,809	70,964
General liability insurance	2,034,280	266,329	241,633	1,892,095	356,847	241,633
Credit and suretyship insurance	359,408	318,784	96,099	389,135	240,900	96,099
Legal expenses insurance	0	0	0	0	0	0
Assistance and proportional reinsurance	0	0	0	0	0	0
Miscellaneous financial loss insurance	15,009	68,635	9,699	19,972	49,051	9,699
Non-proportional health reinsurance	156	519	1,224	4,691	2,208	1,224
Non-proportional casualty reinsurance	143,815	35,179	26,613	110,790	37,773	26,613
Non-proportional marine, aviation and transport reinsurance	59,131	22,915	5,396	22,199	7,969	5,396
Non-proportional property reinsurance	414,893	282,204	118,694	425,931	248,241	118,694
<b>TOTAL</b>	<b>3,828,669</b>	<b>1,268,092</b>	<b>626,829</b>	<b>3,605,875</b>	<b>1,337,467</b>	<b>604,698</b>

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

This section is not applicable.

### SECTION E. 4 – Differences between the standard formula and any internal models used.

LMIE uses its Internal Model, approved by the CAA, to calculate its capital requirements under Solvency II for the whole of the business of the Company.

#### E.4.1. Use of the Internal Model

The Internal Model is widely integrated within LMIE’s Risk Management and Governance Framework. It is the primary tool used to understand the material and quantifiable risks associated with LMIE’s insurance operations. Model outputs are used extensively in business decisions across LMIE, informing key business processes.

LMIE has identified a number of model uses for the Internal Model:

- Capital Management**  
 The primary use of the Internal Model is to calculate capital requirements which reflect LMIE’s risk profile and own view of the risks. Additionally, the model is used to assess the uncertainty around other elements of the regulatory balance sheet such as technical provisions and its components.
- Risk Management:**  
 The Risk Appetite Statement approved by the Board defines scenarios and appetite limits within which the Company must operate, including the level of capital to hold over and above its regulatory capital requirements.  
 Outputs from the Model are used and monitored, at a minimum quarterly, to identify any breaches in LMIE’s risk appetite. These breaches, if any, are reported to the Board and may lead to the Board issuing instructions that lead to changes in exposures, as appropriate.  
 In addition, and on a forward-looking basis, the ORSA Report reviews the potential for aggregation of risks and breach of appetite, which includes several other areas where the Internal Model outputs are used (e.g., scenario and stress testing).

The Internal Model is also used to produce the Profit & Loss Attribution Report, which looks at the variance between the original plan and subsequent actual performance and then checks that the variance is appropriately modelled in the relevant risk category of the capital model.

- **Reinsurance Management**  
The Internal Model is used to evaluate the capital and business plan impact of potential risk mitigation strategies. Changes in terms and conditions compared to the existing programme are taken into account, where possible. The Internal Model is also used outside of renewal season in the assessment of alternative capital mitigation solutions and in the Actuarial Function Report to the Board which provides an opinion on the reinsurance arrangements.
- **Portfolio Management**  
Key outputs produced by the Internal Model are used in the business planning process, such as loss ratios by class of business. Another use of the Internal Model is to evaluate the capital requirements needed to support the business plan.  
Where there is consideration given to underwriting a new class of business, the Internal Model is used to consider the potential impact that this opportunity would have on its capital requirements.  
The Internal Model is also used by the Actuarial Function in the annual Actuarial Function Report to the Board, which provides an opinion on the plan and underwriting policy. This includes an assessment of the risk versus return of various classes, the risk of not making underwriting profit, as well as scenario and sensitivity tests around the business plan.
- **Investment Management**  
The Internal Model provides input to the investment strategy through the assessment of the capital impact of potential investment strategies. It is also used to evaluate the impact and value of potential mergers, acquisitions, or transfers of business, as well as other strategic decisions.

#### E.4.2. Scope of the Internal Model

The LMIE Internal Model has been developed in line with the European Insurance and Occupational Pensions Authority ('EIOPA') Solvency II Directive.

LMIE's model constitutes a full Internal Model and is used to calculate the Solvency Capital Requirement for LMIE as a standalone entity.

All classes of business within the LMIE business plan are included in the Internal Model. LMIE is a shared model and as such some elements of the model are shared between LMIE and other legal entities. The scope of the Internal Model covers its governance and the following risks, data, processes, and systems:

- All material quantifiable risks which LMIE is exposed to have been captured, more materially insurance risk, market risk, credit risk and operational risk (excluding risks arising from strategic decisions, as well as reputation risks);
- All Internal Model specific systems and processes used to calculate the SCR except for input that are governed by their own processes and policies (e.g., reserving process, pricing process, risk register process, exposure management process, reinsurance placement process, business planning process, ORSA process, GAAP financial reporting process);
- All material external models and external data sets that impact the calculation of regulatory capital;
- All data that is used in the calculation of the SCR or other model uses; and
- All related IT systems, relevant to the model.

Each risk is modelled to support an assessment of LMIE's risk profile, and the associated capital requirement considered. Risks from the Risk Register, which is updated and independently reviewed on a regular basis in line with the LMIE Risk Management Framework, are considered for inclusion in the Internal Model.

### E.4.3. Partial Internal Model

LMIE does not use a Partial Internal Model.

### E.4.4. Methodology used in the Internal Model

The LMIE Internal Model is a full stochastic model which produces an aggregate distribution of the change in basic own funds over a one-year time horizon from which the SCR can be directly derived (i.e., the SCR is the Value-at-Risk of basic own funds subject to a confidence level of 99.5%). The model also produces the same output over the full runoff period of liabilities.

The SCR covers existing business as well as new business expected to be written over the following 12 months.

The model is initially run on an ultimate basis (i.e., until full run-off of liabilities) and for most of the risks, emergence patterns are used to translate the Ultimate SCR to a One Year SCR. Other risks are directly modelled on a one-year basis.

The core component of the Internal Model is known as the Calculation Kernel, which is the calculation engine that ultimately produces the capital outputs. Some inputs used in the Calculation Kernel are generated outside the kernel by ESG and Natural Catastrophe models.

Statistical distributions, calibrated based on historical experience, market data, and expert judgements, are used to model the behaviour of the different risks modelled within the Internal Model, whilst ensuring that sufficient simulations have been performed to ensure a stable result. Expert judgement is used to supplement the lack of relevant historical data.

The design of the Internal Model allows for projections of profits, losses, and basic own funds in monetary amounts for model use and regulatory reporting purposes. The starting point of the capital calculations is the Solvency II Balance Sheet and the allocation of each line item to risk categories.

The Calculation Kernel stochastically projects and applies a dependency structure for each Risk Category. Distributions are selected to reflect the underlying elements of each risk, ensuring richness across the distribution, whilst not impairing the reliability of estimates at extreme percentiles. The dependency structure between risks is parameterised using copulas and driver-based dependencies.

The Risk Category models (except operational risk and other credit risk), along with cash-flow assumptions (claims and premium payment patterns) and economic assumptions are combined to produce overall technical accounts. This feeds into the Accounts Model which combines the technical accounts for all classes of business, along with other items and risks that exist only at the aggregate level: Operational Risk, Credit Risk on Receivables, Liquidity risk, Reinsurance Disputes, and Risk Margin. The Internal Model then produces the following accounting statements: Opening Balance Sheet, Income Statement, Closing Balance Sheet and Cashflow Statement. Currencies the Company is exposed to are modelled using information from the ESG, which are used to assess both the asset and liability positions. The individual currencies can then be converted to the reporting currency.

A wide range of testing and review processes are performed to ensure that the Risk Categories' calibrations are appropriate, and the Internal Model outputs are reasonable. Validation tests include risk ranking, analysis of change, risk coverage, business expert reviews, stress and scenario testing, reverse stress tests, sensitivity testing, benchmarking, back-testing as well as profit and loss attribution exercises.

### E.4.5. Differences between Internal Model and Standard Formula

The key difference between the Standard Formula and Internal Model methodology is that the Internal Model methodology and assumptions reflect LMIE's risk profile more appropriately. The Standard Formula assesses the capital charge associated to each risk based on exposure-driven formulae, calibrated based on market-wide data and applied to a limited number of lines of business. These capital charges are then aggregated using a hierarchical correlation approach to combine risk sub-categories and risk categories. In the Internal Model, loss distributions are calibrated for each risk and defined

class of business; a dependency structure is applied in order to reflect LMIE’s view on the joint tail of these losses. Calibrating risks for the Internal Model, therefore, requires a deeper level of granularity of model inputs. It also gives LMIE more flexibility to select the most appropriate statistical models and derive a joint loss distribution that reflects better LMIE’s risk profile.

The key drivers of the difference between LMIE’s Internal Model SCR and the Standard Formula SCR are the dependency structure and the consideration of LMIE’s reinsurance arrangements.

In particular:

- The Internal Model can explicitly capture key sources of diversification benefit within LMIE’s portfolio which are not reflected in the Standard Formula.
- The Standard Formula models whole account reinsurance structures at the sub-risk level and the Internal Model at the overall net Insurance Risk loss level, which better reflects how this type of contract works in practice.
- The Internal Model captures the specific drivers to which LMIE’s assets and liabilities are exposed to, as well as diversification benefit which these drivers benefit from. Additionally, the Internal Model allows for the impact of expected investment profit for interest rate risk on assets.
- The Standard Formula does not allow for any diversification benefit between Operational Risk and other risk types whilst the Internal Model relies on Operational Risk scenarios which are correlated to each other and to specific non-operational risks.
- The Standard Formula aggregation method is an approximation and implicitly assumed that different sources of Market Risk are normally distributed, whereas they are in fact mostly skewed (e.g., Credit / Spread Risks).
- Higher levels of diversification could also be observed at a sub-risk level given the Internal Model better capturing the tail nature of credit events and the different drivers of credit events.
- The Standard Formula uses a simplified approach to model natural catastrophe exposures, in particular outside of the EEA, where the Standard Formula risk charge is calculated as a function of premiums. Catastrophe risk can be more accurately modelled in the Internal Model through third-party models.
- The Internal Model offers a better flexibility to assess emerging risks, for example, the Standard Formula does not capture explicitly claims inflation volatility or cyber scenarios.

#### E.4.6. Data used in the Internal Model

Data feeding into and from the Internal Model are listed in a dedicated data inventory (‘Data Directory’). Data items included in the Data Directory are based on the nature and scale of their likelihood to impact the Internal Model and associated reporting. This might include model inputs, model outputs, and calibration data (data used to calibrate risk categories) in a range of formats (Excel, Access Databases, etc.).

Key Data Controls exist to ensure the completeness, accuracy and appropriateness of data and are documented to include a description of the control activity; the frequency of that activity; the objective of the control; the evidence to indicate that the control is operating effectively; and the individual responsible for operating the control. A Statement of Validation is signed annually by each Data Owner in relation to the appropriateness, completeness and validity of their data and the operating effectiveness of Key Data Controls. All data deficiencies are reported and logged into the Data Deficiency Log.

Key data included in the Internal Model are:

Section	Data items
Data used for calibration, Actuarial & Finance data	e.g., Historical incurred and paid claims triangles, written premium, premium rate changes, business plan and actuarial loss ratios, maximum line size, payment, earned and earnings patterns, best estimate of claims reserves.

Non-Cat premium risk	e.g., Unbound business and ULO parameters, ENIDs parameters, attritional/large loss parameters
Catastrophe	e.g., CAT YLTs, CAT loss ladders parameters.
Reserve risk	e.g., Gross Reserve Risk volatility parameters, ENIDs parameters.
Market risk	e.g., Discount rates, asset portfolio, ESG parameters, exchange rates.
Counterparty Risk	e.g., Credit rating, transition matrix, loss given default – for each type of counterparty.
Operational risk	e.g., Frequency and severity parameters for a range of scenarios.
Dependencies	e.g., Correlation factors and Copulas parameters.
Reinsurance	e.g., Reinstatement premiums, Reinsurance programmes.

## SECTION E. 5 – Non-compliance with the Minimum Capital Requirement and with the Solvency Capital Requirement

Compliance with both the MCR and SCR has been maintained during the reporting period.

## SECTION E. 6 – Any Other Information

No additional matters to report.

## GLOSSARY OF TERMS

Reference	Description	Reference	Description
ABS	Asset Backed Security	LMIG	Liberty Mutual Group
AF	Actuarial Function	LMIE	Liberty Mutual Insurance Europe SE
ALAE	Allocated Loss Adjusted Expenses	LOC	Letter of Credit
AOCI	Accumulated Other Comprehensive Income	LSM	Liberty Specialty Markets
BEC	Board Executive Committee	MCR	Minimum Capital Requirement
BBNI	Bound but Not Incepted	MI	Management Information
CAA	Commissariat Aux Assurances	NRQS	Net Result Quota Share
COR	Combined Operating Ratio	ORSA	Own Risk and Solvency Assessment
CP	Contingency Plans	P&C	Property & Casualty
CRO	Chief Risk Officer	PRA	Prudential Regulation Authority
CUO	Chief Underwriting Officer	PTOI	Pre-Tax Operating Income
DGSFP	Direccion General de Seguros for Insurance & Pension Funds	QRT	Quantitative Reporting Templates
EIOPA	European Insurance and Occupational Pensions Authority	RAG	Red, Amber, Green
EPIFP	Expected Profit in Future Premium	RDS	Realistic Disaster Scenario
ENID	Events not in Data	RM&ICF	Risk Management and Internal Control Framework
EWI	Early Warning Indicator	RMC	Risk Management Committee
FCA	Financial Conduct Authority	RMF	Risk Management Framework
GAAP	Generally Accepted Accounting Practices	RMS	Risk Management Solutions
GBP	Great British Pound	RST	Reverse Stress Test
GRSI	Global Risk Solutions International	SII	Solvency II
GWP	Gross Written Premium	S&P	Standard & Poor's
IA	Internal Audit	SCR	Solvency Capital Requirement
ICA	Individual Capital Assessment	SF	Standard Formula
IIA	Institute of Internal Audit	SFCR	Solvency and Financial Condition Report
IFRS	International Financial Reporting Standards	SST	Stress & Scenario Test
IM	Internal Model	TPs	Technical Provisions
LAP	Liberty Attestation Process	ULAE	Unallocated Loss Adjusted Expenses

Reference	Description	Reference	Description
LMAL	Liberty Managing Agency Limited	USD	United States Dollar
YOA	Year of Account		

## APPENDIX A – QRTs

All QRT's are €000's.

### **List of Reported Templates:**

S.02.01.02 - Balance sheet

S.04.05.21 - Premiums, claims and expenses by country: non-life insurance and reinsurance obligations

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.25.05.21 - Solvency Capital Requirement - for undertakings using an internal model (partial or full)

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

# Liberty Mutual

## Solvency and Financial Condition Report

### Disclosures

31 December

**2024**

(Monetary amounts in EUR thousands)

## General information

Undertaking name	Liberty Mutual Insurance Europe SE
Undertaking identification code	213800W500IOPYK9QY33
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Full internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- 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.25.05.21 - Solvency Capital Requirement - for undertakings using an internal model (partial or full)
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
	<b>Assets</b>	
R0030	Intangible assets	0
R0040	Deferred tax assets	38,689
R0050	Pension benefit surplus	5,079
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,605,193
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	5,981,866
R0140	<i>Government Bonds</i>	1,969,246
R0150	<i>Corporate Bonds</i>	3,898,228
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	114,392
R0180	<i>Collective Investments Undertakings</i>	264,920
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	358,407
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	1,621,907
R0280	<i>Non-life and health similar to non-life</i>	1,621,907
R0290	<i>Non-life excluding health</i>	1,621,487
R0300	<i>Health similar to non-life</i>	421
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	28,995
R0360	Insurance and intermediaries receivables	258,424
R0370	Reinsurance receivables	281,916
R0380	Receivables (trade, not insurance)	167,338
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	255,734
R0420	Any other assets, not elsewhere shown	9,428
R0500	<b>Total assets</b>	<b>9,272,704</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	5,620,400
R0520	<i>Technical provisions - non-life (excluding health)</i>	5,612,129
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	5,442,535
R0550	<i>Risk margin</i>	169,594
R0560	<i>Technical provisions - health (similar to non-life)</i>	8,271
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	8,041
R0590	<i>Risk margin</i>	230
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	1,317
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	72,634
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	63,662
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	98,482
R0900	<b>Total liabilities</b>	5,856,495
R1000	<b>Excess of assets over liabilities</b>	3,416,208

S.04.05.21

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

R0010

Home Country	Top 5 countries (by amount of gross premiums written): non-life					
	GB	DE	FR	IT	NL	
	C0010	C0020	C0021	C0022	C0023	C0024
<b>Premiums written (gross)</b>						
R0020 Gross Written Premium (direct)	2,838	751,671	156,306	175,672	91,291	179,415
R0021 Gross Written Premium (proportional reinsurance)	11,000	197,635	57,563	11,455	96,143	4,634
R0022 Gross Written Premium (non-proportional reinsurance)	4,901	37,494	175,049	111,660	21,999	22,756
<b>Premiums earned (gross)</b>						
R0030 Gross Earned Premium (direct)	2,464	759,075	146,389	172,843	93,316	161,596
R0031 Gross Earned Premium (proportional reinsurance)	1,003	187,407	51,211	17,471	59,479	18,832
R0032 Gross Earned Premium (non-proportional reinsurance)	4,961	42,236	171,797	113,693	17,644	19,263
<b>Claims incurred (gross)</b>						
R0040 Claims incurred (direct)	321	435,478	66,954	113,024	46,861	52,404
R0041 Claims incurred (proportional reinsurance)	1,240	49,285	55,524	26,995	42,295	8,118
R0042 Claims incurred (non-proportional reinsurance)	5,416	40,925	98,020	152,568	34,020	1,025
<b>Expenses incurred (gross)</b>						
R0050 Gross Expenses Incurred (direct)	3,138	315,323	97,469	94,369	74,939	95,037
R0051 Gross Expenses Incurred (proportional reinsurance)	1,263	80,112	48,183	7,550	47,581	1,894
R0052 Gross Expenses Incurred (non-proportional reinsurance)	794	13,624	43,510	7,026	7,036	2,794



S.17.01.02  
**Non-Life Technical Provisions**

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	<b>Technical provisions calculated as a whole</b>	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0
<b>Technical provisions calculated as a sum of BE and RM</b>																		
<b>Best estimate</b>																		
<b>Premium provisions</b>																		
R0060	Gross	2	7	0	227	3	-3,630	-12,078	-37,025	-85,484			-45,812	-81	145	-997	-35,045	-219,768
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1	-4	0	439	-78	-13,886	-41,370	-15,641	-130,742			-12,128	-70	1,702	-1,331	-28,710	-241,821
R0150	<b>Net Best Estimate of Premium Provisions</b>	4	12	0	-212	81	10,255	29,292	-21,383	45,258			-33,684	-11	-1,557	334	-6,335	22,053
<b>Claims provisions</b>																		
R0160	Gross	1,744	5,983	0	70,993	6,915	241,658	679,349	3,221,236	486,130			62,957	386	295,842	70,724	526,429	5,670,344
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	63	214	0	46,175	2,015	39,564	156,063	1,165,573	171,980			14,264	219	150,470	11,928	105,201	1,863,729
R0250	<b>Net Best Estimate of Claims Provisions</b>	1,681	5,769	0	24,818	4,900	202,094	523,285	2,055,663	314,150			48,693	167	145,372	58,796	421,227	3,806,616
R0260	<b>Total best estimate - gross</b>	1,746	5,991	0	71,220	6,918	238,027	667,271	3,184,212	400,645			17,144	305	295,987	69,727	491,384	5,450,576
R0270	<b>Total best estimate - net</b>	1,685	5,781	0	24,606	4,981	212,349	552,577	2,034,280	359,408			15,009	156	143,815	59,131	414,893	3,828,669
R0280	<b>Risk margin</b>	20	192	0	1,466	127	6,098	15,583	81,278	21,187			2,888	18	13,572	3,245	24,151	169,824
R0320	<b>Technical provisions - total</b>	1,766	6,183	0	72,685	7,045	244,125	682,854	3,265,490	421,832			20,033	323	309,559	72,971	515,534	5,620,400
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>	61	210	0	46,614	1,937	25,678	114,694	1,149,932	41,237			2,135	149	152,172	10,596	76,491	1,621,907
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	1,705	5,973	0	26,071	5,108	218,447	568,160	2,115,558	380,595			17,897	173	157,387	62,375	439,043	3,998,492

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year											C0170 In Current year	C0180 Sum of years (cumulative)
	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +		
R0100	Prior											37,926	37,926
R0160	-9	31,108	169,579	102,267	95,103	102,234	66,989	52,522	28,830	1,920	34,901	34,901	685,452
R0170	-8	31,365	145,848	89,712	52,966	62,181	31,023	42,475	33,274	37,449		37,449	526,293
R0180	-7	31,098	170,188	130,587	126,614	62,987	54,966	45,861	56,363			56,363	678,664
R0190	-6	19,360	137,360	135,546	109,671	77,797	71,244	97,317				97,317	648,296
R0200	-5	20,422	212,221	226,488	186,815	142,010	165,180					165,180	953,135
R0210	-4	64,925	190,975	167,120	141,709	152,528						152,528	717,258
R0220	-3	63,269	382,250	350,083	206,613							206,613	1,002,215
R0230	-2	51,963	253,244	327,717								327,717	632,924
R0240	-1	45,893	363,696									363,696	409,589
R0250	0	43,801										43,801	43,801
R0260													
											<b>Total</b>	1,523,491	6,335,552

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											C0360 Year end (discounted data)	
	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +		
R0100	Prior											413,376	379,481
R0160	-9	0	476,229	466,887	397,568	375,326	254,398	158,643	127,308	131,987	38,125	37,802	
R0170	-8	322,470	482,942	394,446	362,631	300,582	243,476	201,346	149,229	144,068		131,299	
R0180	-7	416,141	555,684	617,685	466,346	388,115	344,448	299,262	245,189			221,283	
R0190	-6	334,622	720,562	634,212	591,903	474,389	382,809	392,741				357,219	
R0200	-5	760,722	1,150,972	1,046,147	934,511	808,356	678,535					604,533	
R0210	-4	830,389	1,144,120	1,008,317	886,868	694,041						629,744	
R0220	-3	1,127,947	1,300,337	1,094,409	806,992							727,630	
R0230	-2	823,536	1,118,871	978,580								881,595	
R0240	-1	858,985	1,163,893									1,053,146	
R0250	0	721,568										646,612	
R0260													
											<b>Total</b>	5,670,344	

**S.23.01.01****Own Funds****Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

**R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

**R0230 Deductions for participations in financial and credit institutions**

**R0290 Total basic own funds after deductions**

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

**R0580 SCR**

**R0600 MCR**

**R0620 Ratio of Eligible own funds to SCR**

**R0640 Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

**Expected profits**

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
255,424	255,424		0	
1,617,533	1,617,533		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
1,505,878	1,505,878			
0		0	0	0
37,372				37,372
0	0	0	0	0
0				
0				
3,416,208	3,378,836	0	0	37,372

0				
0				
0				
0				
0				
0				
0				
0				
410,431			410,431	
410,431			410,431	0

3,826,639	3,378,836	0	410,431	37,372
3,378,836	3,378,836	0	0	
3,826,639	3,378,836	0	410,431	37,372
3,378,836	3,378,836	0	0	

1,086,106
488,747
352.33%
691.33%

C0060
3,416,208
0
1,910,330
0
1,505,878

0
2,027,063
2,027,063

S.25.05.21

Solvency Capital Requirement - for undertakings using an internal model (partial or full)

Risk type

R0020	Total diversification
R0030	Total diversified risk before tax
R0040	Total diversified risk after tax
R0070	Total market & credit risk
R0080	Market & Credit risk - diversified
R0190	Credit event risk not covered in market & credit risk
R0200	Credit event risk not covered in market & credit risk - diversified
R0270	Total Business risk
R0280	Total Business risk - diversified
R0310	Total Net Non-life underwriting risk
R0320	Total Net Non-life underwriting risk - diversified
R0400	Total Life & Health underwriting risk
R0410	Total Life & Health underwriting risk - diversified
R0480	Total Operational risk
R0490	Total Operational risk - diversified
R0500	Other risk

Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0070	C0090	C0120
-849,563	0		
1,086,106	0		
1,086,106	0		
627,936	0		
274,562	0		
136,874	0		
136,874	0		
0	0		
0	0		
1,989,120	0		
1,224,829	0		
0	0		
0	0		
299,403	0		
299,403	0		
0	0		

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0120	Adjustment due to RFF/MAP nSCR aggregation
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0211	of which, capital add-ons already set - Article 37 (1) Type a
R0212	of which, capital add-ons already set - Article 37 (1) Type b
R0213	of which, capital add-ons already set - Article 37 (1) Type c
R0214	of which, capital add-ons already set - Article 37 (1) Type d
R0220	Solvency capital requirement

C0100

1,935,668
-849,563
0
0
1,086,106
0
0
0
0
0
0
1,086,106

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

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

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the loss absorbing capacity for deferred taxes
R0400	Capital requirement for duration-based equity risk sub-module
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring-fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation
R0460	Net future discretionary benefits

0
0
0
0
0
0
0
0
0
No adjustment
0

For non-life underwriting risk:

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

Approach to tax rate

R0590	Approach based on average tax rate
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Yes/No

C0109

Yes

LAC DT

C0130

R0640	Amount/estimate of LAC DT
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit
R0670	Amount/estimate of AC DT justified by carry back, current year
R0680	Amount/estimate of LAC DT justified by carry back, future years
R0690	Amount/estimate of Maximum LAC DT

0
0
0
0
0
0

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

C0010

R0010 MCR<sub>NL</sub> Result

626,829
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
--	---

C0020

C0030

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

1,685	222
5,781	749
0	0
24,606	1,808
4,981	531
212,349	73,905
552,577	196,312
2,034,280	266,329
359,408	318,784
0	0
0	0
15,009	68,635
156	519
143,815	35,179
59,131	22,915
414,893	282,204

Linear formula component for life insurance and reinsurance obligations

C0040

R0200 MCR<sub>L</sub> Result

0
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
--	---

C0050

C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations


Overall MCR calculation

C0070

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

626,829
1,086,106
488,747
271,526
488,747
4,000
488,747