XL Re Europe SE

AN AXA GROUP COMPANY

Solvency and Financial Condition Report

Year Ended

31 December 2022

Contents

Directors' Statement

The Board of directors of XL Re Europe SE ("the Board") acknowledges its responsibility for ensuring that this Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the Central Bank of Ireland ("CBI") rules and Solvency II regulations. The Board confirms that there is a written Solvency II Public Disclosure & Private Reporting Policy in place to ensure the ongoing appropriateness of any information disclosed. The Board is satisfied that:

(a) throughout the financial year in question, XL Re Europe SE ("the Company") has complied in all material respects with the requirements of the CBI rules and Solvency II regulations as applicable to the Company; and

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

By order of the Board

A.Barrage

Director

30th March 2023

Summary

Unless otherwise stated, all amounts in this report are presented in thousands of Euro (€'000), with the Euro being The Company's reporting currency in the Financial Statements. This includes the Quantitative Reporting Templates ("QRT") included in Section E. This may result in a limited number of immaterial rounding differences in the report. Comparative figures and commentary have been disclosed where appropriate.

The Company's ultimate owner is AXA. AXA will publish its Group Financial Condition Report by May 19, 2023, and a copy will be available on the AXA website (https://www.axa.com/). Any references to AXA group refer to AXA SA together with its direct and indirect subsidiaries.

The Company operates under the AXA XL brand.

Business and performance

The Company is a member of the AXA XL division within AXA and became a member of the AXA Group ("the Group") in 2018. AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises situated around the world.

AXA XL's operating entities underwrite both insurance and reinsurance ("RI") business within its Property and Casualty ("P&C") business segment. The P&C segment is structured into two segments; Insurance and Reinsurance, with Insurance further divided into territories. AXA XL underwrites across all the platforms available to best service both brokers and clients.

Further details of the Company's business and performance are provided in Section A below. Also refer to AXA's Annual Report for the year ended 31 December 2022 for additional information on the AXA Group's performance. A link to the 2022 earnings presentation is here.

The Company, formerly XL Re Europe Limited, was incorporated in Ireland on 10 July 2006. Its principal activity is writing non-life reinsurance business together with the orderly winding down of its life reinsurance business. The business conducted is primarily International Property, US and International Casualty, Property Retrocession, Property Facultative and Specialty (including Marine and Energy, and Aviation) coverage.

The Company underwrites business predominately originating in Europe alongside other reinsurance centres including the US, the Middle East, Japan and Australia.

In line with an improving market across most lines and geographies, the portfolio was favourable to the prior year across all metrics. As well as favourable rating environment, 2022 also saw continued tightening of coverages and clauses across most lines of business.

In 2022, the Company generated €1,075m (2021: €843m) of gross written premium ("GWP"). This increase was predominantly due to an uplift in non-life business by €233m or by 28% from €831 m to €1,064m. The movement is driven by Casualty and Marine premium increased compared to the prior year due to new business opportunities, although this was offset by a continued reduction in Property lines business due to a strategic decision to reduce exposure.

The combined ratio increased slightly for non-life business to 119.1% in 2022 (2021: 118.8%). The loss ratio decreased from 94.7% in the prior year to 91.2% in 2022. During the year, the Company experienced current year losses related to property cat events and deterioration on prior year specific property cat and casualty reserves. In addition the Company was impacted by Russian-Ukraine war related losses. The acquisition ratio went from 24.1% in the prior year to 27.89% in 2022 due to increased external acquisition costs (commission on expenses).

Total portfolio performance for the year was -13.3% in 2022 compared to -1.1% in 2021. During the year, the Company experienced an increase in the overall net unrealised loss on investments compared to the prior year primarily attributable to the fixed income portfolio which we expect to unwind with the maturity of the bonds.

System of governance

The Company is authorised by the CBI to undertake the business of non-life and life reinsurance in accordance with the European Union (Insurance and Reinsurance) Regulations, 2015. It has established branch operations in London, Le Mans, Zurich and Dubai.

The Board has ultimate responsibility for, and is committed to, effective corporate governance and has established a comprehensive governance and risk management framework ("RMF") for the Company's operations. The Company's governance framework begins with the Board and its two Board sub-committees, an Audit Committee and a Risk Management Committee ("RMC"). The delegation of certain responsibilities from the Board to these two sub-committees is complemented by the additional delegation of responsibility to the Executive & Outsourcing Committee and to senior management under written terms of reference. The Company's risk management, compliance, internal audit and actuarial functions are the key control functions in its system of governance. These four functions and other critical or important functions, such as underwriting, claims management, finance and investment management, operate in accordance with written policies, which are reviewed regularly.

The Company's internal control framework operates according to a "three lines of defence" model where the (1) business, (2) risk management and compliance functions and (3) internal audit function work together to ensure that risk management is effective.

The internal control framework ensures that risk appetites and risk limits can be effectively monitored and managed, establishes risk policies, identifies and manages the risks to the Company's objectives and monitors the capital requirements. All of this is captured by the RMF and the Own Risk and Solvency Assessment ("ORSA") activities that are carried out throughout the year with oversight by the Board. The Company is supported by several group-wide processes in the achievement of its risk management objectives.

The Company calculates its Solvency Capital Requirement ("SCR") using the Standard Formula ("SF").

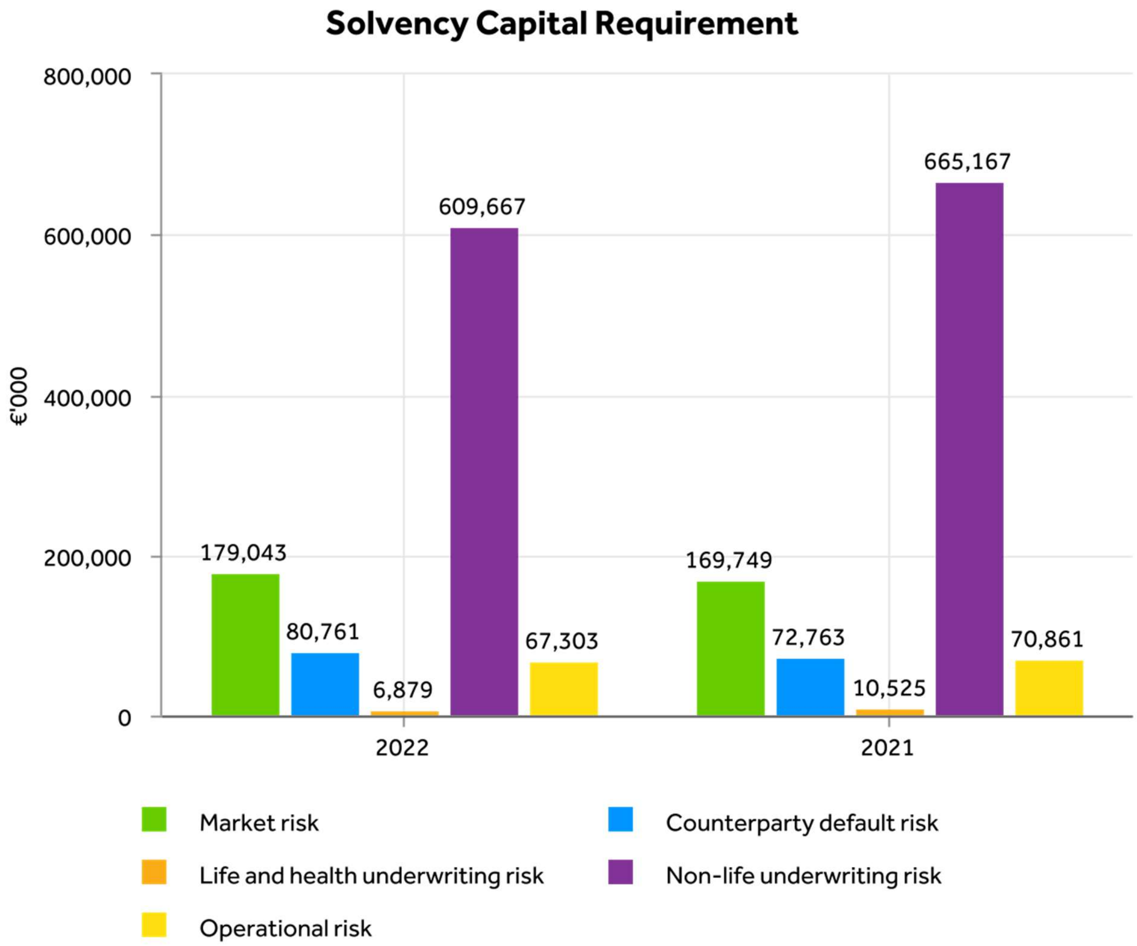
Further details of the Company's systems of governance are provided in Section B below.

There were changes to the Company's board of directors during the reporting period including the appointment of Bertrand Romagne as the new Chief Executive Officer ("CEO") on 1st August 2022. See section B.1.1 for more information on these changes.

No other material changes were made to the Company's system of governance during or since the end of the reporting period.

Risk profile

The key risks, excluding diversification and the loss absorbing capacity of deferred taxes, within the SCR are shown below:



See the Capital Management section of the Summary for commentary on the main drivers.

The risk profile of the Company is dominated by non-life reinsurance underwriting risk. Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- Business planning;
- Underwriting processes (including guidelines and escalation authorities);
- Reserving and claims processes;
- Enterprise Risk Management ("ERM") risk assessment processes; and
- The use of Realistic Disaster Scenario's ("RDS") and other scenarios.

Non-life underwriting risk is the largest component of the SF SCR and is mainly driven from:

- Premium and reserve risk, driven by earned premiums, forecast premiums and claims provisions of non-life business lines; and

- Catastrophe ("CAT") risk, driven by the Company's exposure to both man-made CAT and Natural catastrophe ("Nat Cat") risks.

Underwriting risk is mitigated through the purchase of RI, controls over Actuarial pricing and reserving, rating adequacy and underwriting authorities and guidelines.

Market risk is driven primarily by spread risk due to the Company's investments in bonds and securitised assets.

The Company is exposed to counterparty risks in the form of cash deposits, recoveries from reinsurers, funds withheld, receivables from intermediaries, policyholders and other debtors.

Operational risk is driven by technical provisions and earned premiums of all lines of business.

All other risk categories are less significant to the Company.

Further information on each separate category of risk can be found in detail in Section C below, including a description of the measures used to assess these risks and a description of the material risks which the Company is exposed to.

Valuation for solvency purposes

An analysis of the valuation of non-technical assets and liabilities in the Solvency II ("SII") balance sheet, together with the recognition and valuation bases applied, is provided in Sections D.1 and D.3.

Section D.2 discloses the value of technical provisions as well as a description of the bases, methods and main assumptions used for their valuation for solvency purposes.

No significant changes were made to the recognition and valuation bases applied to assets or liabilities during the year.

Capital management

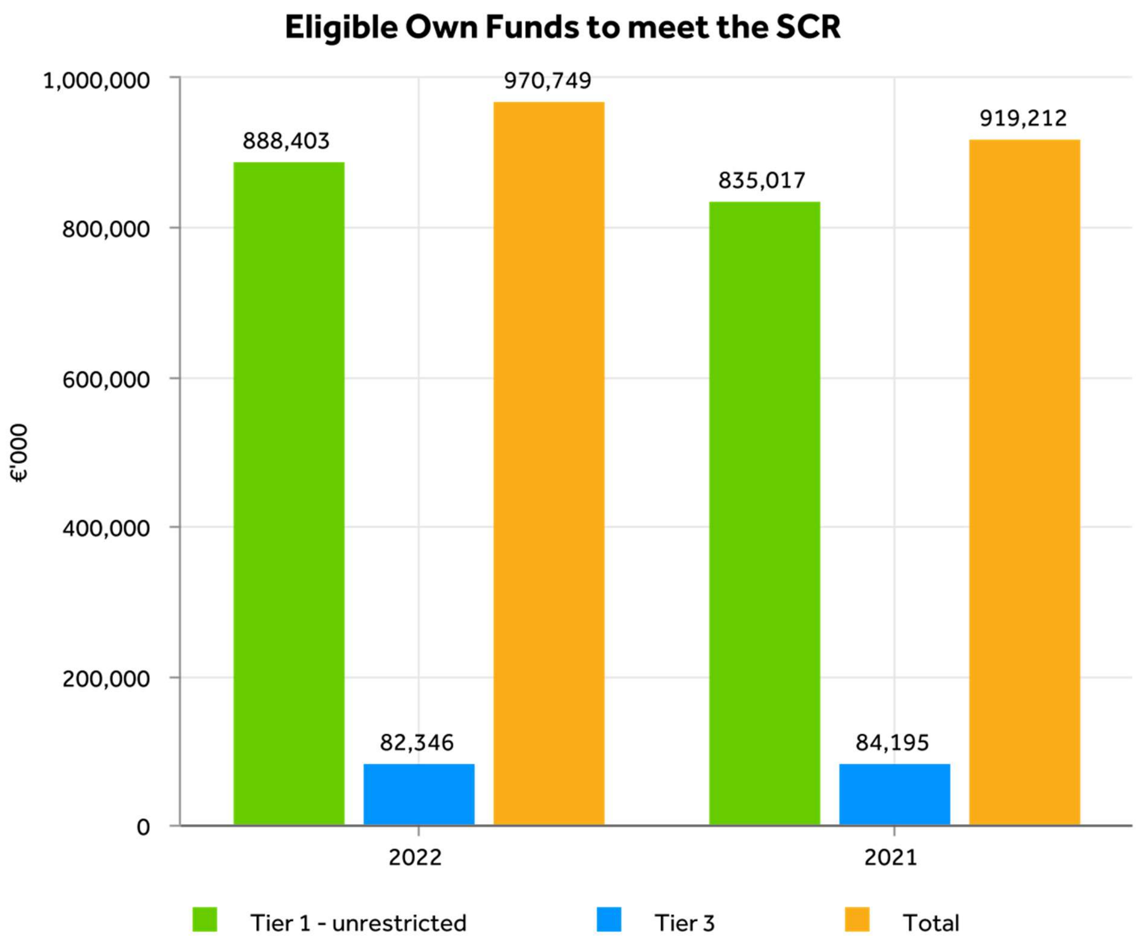
The Company is required to measure its assets and liabilities according to the European SII Directive and its associated rules, regulations and guidelines. This regulatory framework for the European insurance industry adopts a dynamic risk-based approach based on economic principles that measure assets and liabilities to appropriately align insurers' risks with the capital they hold to safeguard policyholders.

The Board monitors the capital requirements of the Company and seeks to maintain an efficient capital structure, consistent with the Company's capital management policy, risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are to:

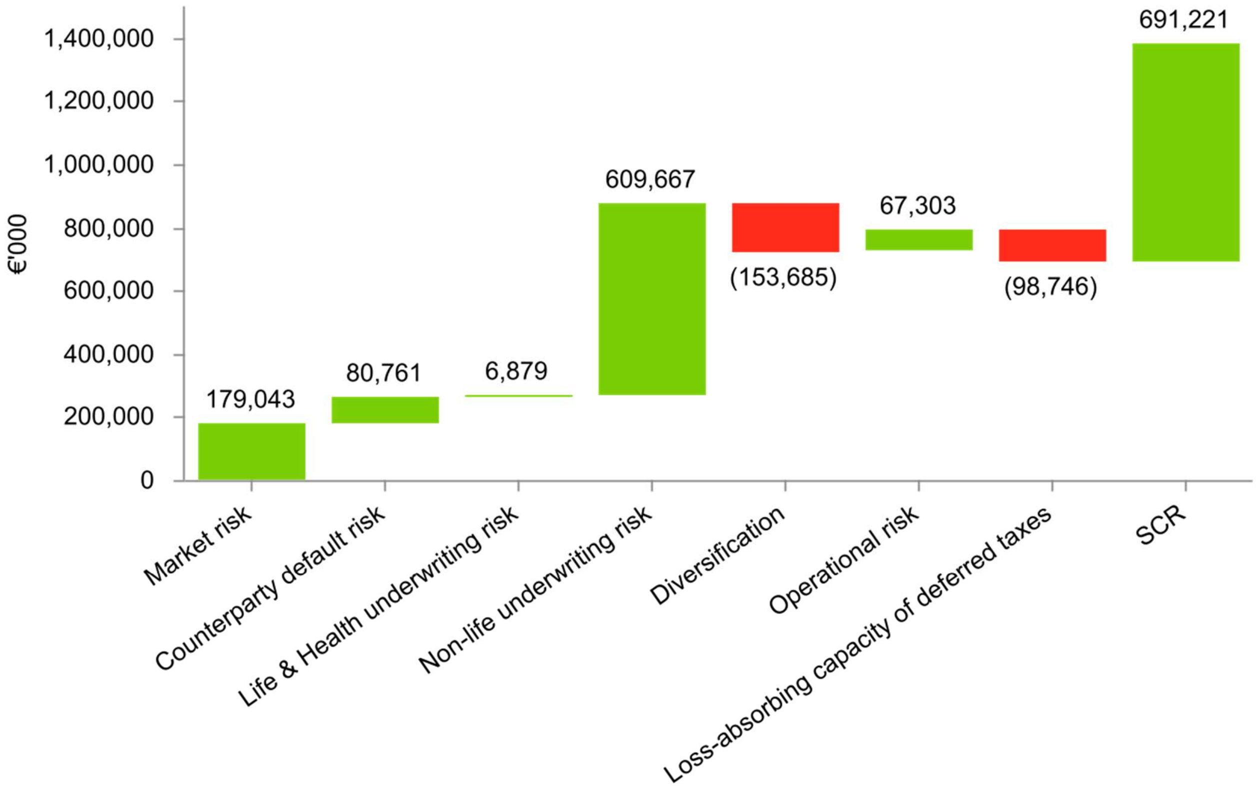
- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain financial strength to support new business growth;
- Satisfy the requirements of its policyholders and regulators;
- Retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- Allocate capital efficiently to support underwriting.

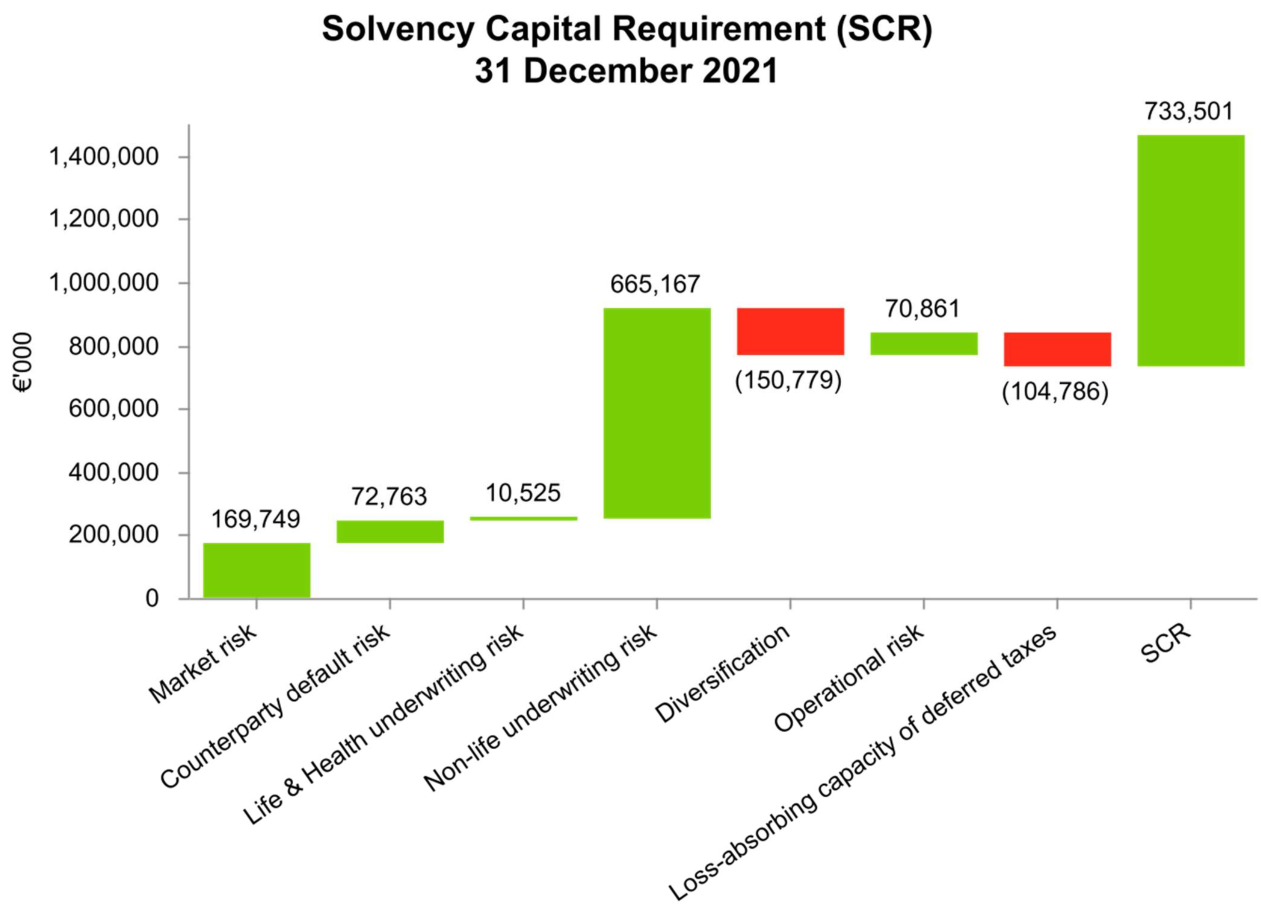
The key figures presented below give a short overview of the composition of the Eligible Own Funds from a tiering perspective and the composition of the required capital.



The increase in own funds is driven by the movement in other reserves namely the currency translation adjustments during the year. The Company has no Eligible Own Funds classed as Tier II.

Solvency Capital Requirement (SCR)
31 December 2022





The SCR has decreased by €42.28m since 2021. Non-life underwriting risk is the main driver of the decrease due to lower premium and reserve risk caused by decreases in non-proportional ("non-prop") casualty and property technical provisions along with an increase in non-life CAT risk due to a change in retrocession programs along with increased premium volume.

The Company is required to hold sufficient capital to cover its SCR which is calculated using the SF, as well as covering its Minimum Capital Requirement ("MCR").

	2022	**2021**
	€'000	**€'000**
SCR	691,221	733,501
MCR	172,805	217,728
Total Eligible Own Funds to meet the SCR	970,749	919,212
Total Eligible Own Funds to meet the MCR	888,403	835,017
	%	**%**
Ratio of Eligible Own Funds to SCR	140.4%	125.3%
Ratio of Eligible Own Funds to MCR	514.1%	383.5%

The Company's capital has exceeded throughout the reporting period on both the MCR and the SCR.

In line with the capital management policy, the objective of the Company's capital management strategy is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer. The Company carries out regular reviews of the solvency ratio as part of the risk monitoring and capital management system.

The Company uses the SF as required to calculate the regulatory SCR until such time as the Company has a regulatory approved internal model.

Significant Business or other events

Effective December 31, 2022, the Company entered into a retrocession transaction with its parent company, AXA XL Reinsurance Ltd, in order to reduce and rebalance the Company's risk profile with respect to the net reserves.

Following the withdrawal of the United Kingdom from the European Union, the XL Re Europe UK branch has become regulated by the Prudential Regulation Authority ("PRA") and was approved for authorisation as a third country branch on 7 February 2023. See section A.1.7 for further details.

A. Business and Performance

A.1. Business

A.1.1 Name and legal form of the undertaking

The Company is incorporated as a European company (Societas Europaea or SE), limited by shares in the Republic of Ireland. The registered office is:

XL House
8 St Stephen's Green
D02 VK30
Ireland

Telephone: + (353) 1 400 5500

A.1.2 Supervisory authorities

Irish Regulator

Central Bank of Ireland (CBI)
P.O. Box 559
New Wapping Street
North Wall Quay
Spencer Dock
Dublin 1

Telephone: + (353) 1 224 6000

Dubai Branch Regulator

Dubai Financial Services Authority (DFSA) (in respect of the Company's Dubai branch only)
P.O. Box 758750
Dubai
United Arab Emirates

Telephone: +971 (0)4 362 1500

UK Branch Regulator

Prudential Regulation Authority (PRA) (in respect of the Company's UK branch only)
20 Moorgate
London EC2R 6DA
United Kingdom

Telephone: +44 (0)20 3461 4878

Group Supervisor

Autorité de Contrôle Prudentiel et de Résolution (ACPR)
4, place de Budapest
CS 92459
75436 PARIS CEDEX 09
France

Telephone: +(33) 1 49 95 40 00

A.1.3 External auditor

Ernst & Young

Ernst & Young Building,
Harcourt Centre,
Harcourt Street
Dublin 2
Ireland

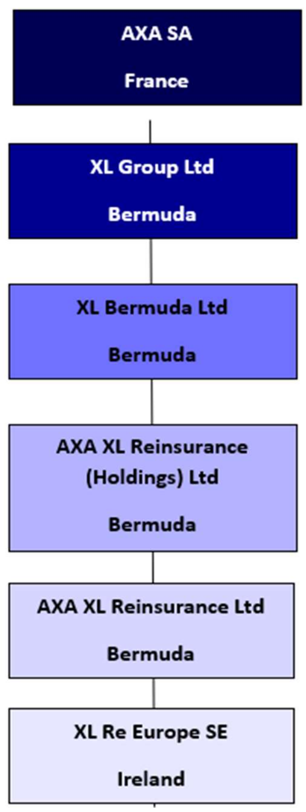
Telephone: +353 1 475 0555

A.1.4 Company holders and position within legal structure of the Group

The Company's immediate holding company is AXA XL Reinsurance Ltd. AXA XL Reinsurance Ltd, was incorporated in Bermuda on December 10, 2020 and is a Bermuda exempted Company with a Class 4 License and a registered address of Brian O'Hara House, One Bermudiana Road, Hamilton HM 08, Bermuda. This is the smallest group in which the results of the Company are included, and for which group financials are prepared.

The ultimate parent undertaking and controlling party of the Company and the largest group in which the results of the Company are included and for which group financial statements are prepared is AXA SA, a company incorporated in France.

The Company's position within the legal structure of the Group can be seen from the simplified structure chart below:



A.1.5 Related undertakings

The Company has no investments in Group undertakings.

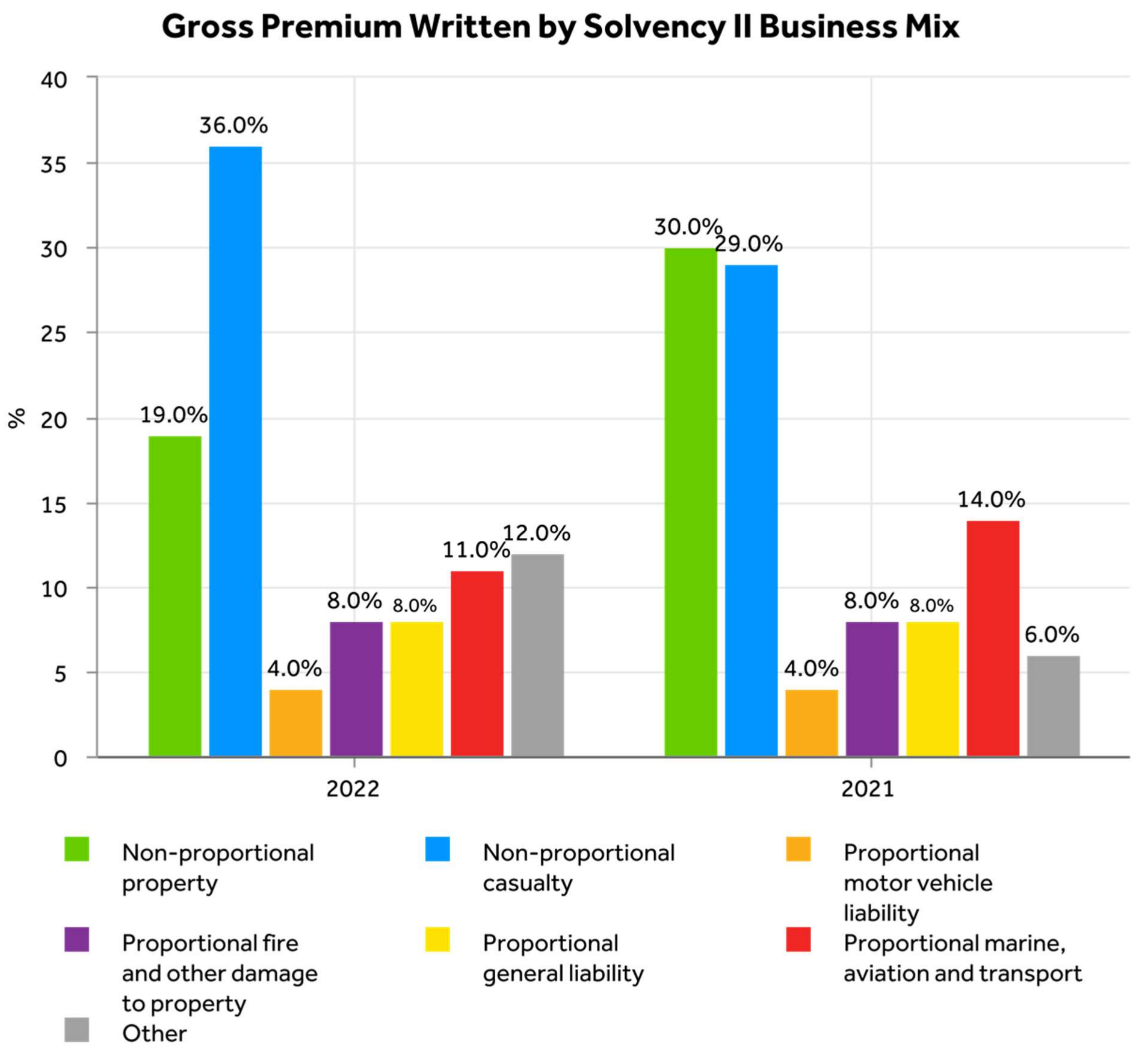
A.1.6 Material lines of business and geographical areas

The following public QRTs give details of the material SII lines of business and geographical areas where the Company carries out its business:

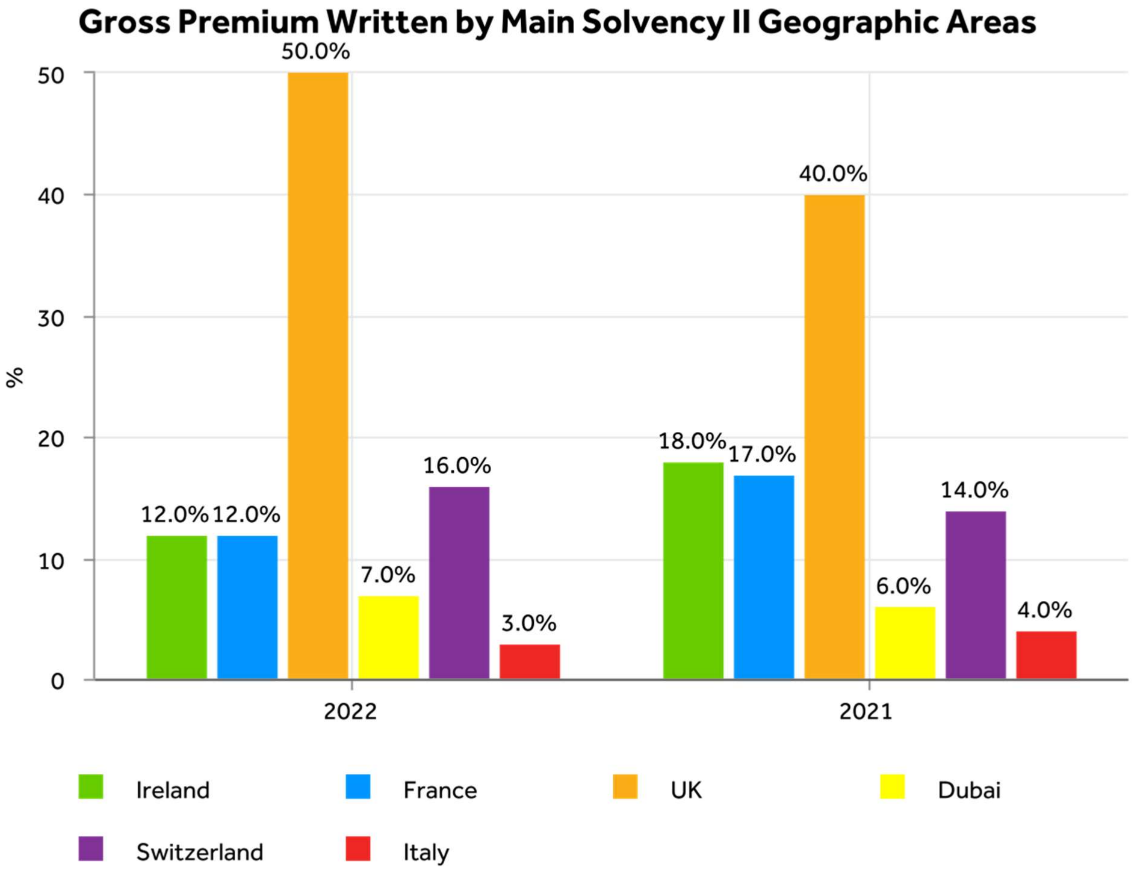
- S.05.01.02- Premiums, claims and expenses by line of business
- S.05.02.01- Premiums, claims and expenses by country

This analysis is based upon Irish Generally accepted accounting principles ("GAAP") totals, while the allocation is to SII lines of business and geographies.

GWP with percentage splits by line of business and geographical area are presented below:



Included in 'Other' is non-prop health and non-prop marine, aviation and transport, life reinsurance, proportional income protection, proportional workers' compensation and proportional credit and suretyship.



A.1.7 Significant events in the last reporting year

United Kingdom Branch Application

The XL Re Europe UK branch has previously operated in the UK through Freedom of Establishment or Freedom of Services passporting. Following the withdrawal of the United Kingdom from the European Union, the XL Re Europe UK Branch entered the Temporary Permissions Regime ("TPR") on 1 January 2021. Under the TPR, a firm that was formerly authorised to carry on regulated activities in the UK through Freedom of Establishment or Freedom of Services passporting obtains a deemed Part 4A permission to carry on those activities for a maximum of three years from the end of the transition period whilst they seek authorisation from the regulators.

A third country branch application for authorisation was submitted to the PRA during 2021 and was approved on 7 February 2023. The deemed Part 4A permission means that the UK Branch will continue to be an authorised person for the purpose of UK law and is subject to third country branch regulation.

Retrocession

Effective December 31, 2022, the Company entered into a retrocession transaction with its parent company, AXA XL Reinsurance Ltd, in order to reduce and rebalance the Company's risk profile with respect to the net reserves.

A.2. Underwriting performance

A.2.1 Underwriting performance

Since the Company prepares its financial statements in accordance with Irish GAAP, the underwriting performance information given in this section is on an Irish GAAP basis unless otherwise stated.

The table below provides the key performance indicators

	2022	2021	Percentage Change
	€'000	**€'000**	**%**
GWP			
– Non-life	1,064,405	831,262	28.0 %
– Life	10,902	12,164	(10.4) %
Net earned premium			
– Non-life	343,736	299,934	14.6 %
– Life	148	157	(5.7) %
Net claims incurred			
– Non-life	313,611	284,149	10.4 %
– Life	(931)	(1,088)	(14.4) %
Non-life ratios			
Loss ratio	91.2 %	94.7 %	
Combined ratio	119.1 %	118.8 %	

GWP increased for non-life business by €233m or by 28% from €831m to €1,064m. This increase was predominantly due to new business opportunities and a favourable rate environment, partially offset by ongoing re-underwriting for some existing business. Casualty premium increased compared to the prior year also due to new business opportunities, although this was offset by a continued reduction in Motor proportional business.

The combined ratio increased slightly for non-life business to 119.1% in 2022 (2021: 118.8%). The loss ratio decreased from 94.7% in the prior year to 91.2% in 2022. During the year, the Company experienced current year losses related to property cat events and deterioration on prior year specific property cat and casualty reserves. In addition the Company was impacted by Russian-Ukraine war related losses. The acquisition ratio went from 24.1% in the prior year to 27.89% in 2022 due to increased external acquisition costs (commission on expenses).

GWP by Business Mix

		Fire & other damage to property	Marine, Aviation & Transit	Liability	Credit & Surety	Other	Total
GWP		**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
	2022	288,324	222,594	524,904	12,283	16,300	1,064,405
	2021	322,913	148,194	334,057	8,421	17,677	831,262

Net earned premiums ("NEP") increased in line with GWP for non-life business by €46.8m or by 18.5% from €253.1m to €299.m.

		Fire & other damage to property	Marine, Aviation & Transit	Liability	Credit & Surety	Other	Total
NEP		**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
	2022	98,233	69,052	169,898	1,877	4,675	343,735
	2021	102,601	53,674	131,967	2,871	8,821	299,934

The table below provides the key performance indicators for non-life business on a SII basis:

2022

	Income protection	Workers' compensation	Motor vehicle liability	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	non-prop. Health	non-prop. Casualty	non-prop. Marine, aviation, transport	non-prop. Property	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GWP	2,766	—	46,630	120,039	89,207	89,185	6,274	10,844	392,418	102,557	204,484	1,064,405
NEP	888	(89)	16,805	41,837	29,383	22,830	1,877	3,876	130,262	27,215	68,850	343,736

2021

	Income protection	Workers' compensation	Motor vehicle liability	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	non-prop. Health	non-prop. Casualty	non-prop. Marine, aviation, transport	non-prop. Property	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GWP	2,522	—	37,165	118,806	70,768	66,753	5,702	5,100	241,396	29,388	253,662	831,262
NEP	2,196	25	22,032	41,999	25,497	28,283	1,827	1,104	88,661	11,861	76,449	299,934

The tables below provide the 2022 and 2021 non - life GWP and Net Earned Premiums performance by geographical area:

2022	IRELAND	FRANCE	UK	DUBAI	SWITZERLAND	ITALY	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GWP	131,293	119,561	528,301	77,659	177,000	30,589	1,064,403
NEP	53,238	39,649	158,478	26,897	55,047	10,426	343,735

2021	IRELAND	FRANCE	UK	DUBAI	SWITZERLAND	ITALY	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GWP	155,074	139,994	332,998	50,152	119,823	33,221	831,262
NEP	66,015	45,121	105,580	23,087	47,111	13,020	299,934

Dividends

The directors do not recommend the payment of a final dividend (2021: €0m).

Reconciliation of SII information to Irish GAAP

Below is a reconciliation of the SII information reported in QRT S.05.01. to pre-tax Irish GAAP profit:

Year ended 31 December	**2022**	**2021**
	€000's	**€000's**
Gross written premiums	1,075,306	843,426
Reinsurers' share of premiums	671,590	528,437
Gross earned premiums	957,115	778,542
Reinsurers' share of earned premiums	613,232	478,450
Gross claims incurred	861,595	752,378
Reinsurers' share of claims incurred	548,916	469,317
Net expenses incurred	96,267	72,538
Other expenses	1	27
Per QRT Form S.05	**(65,064)**	**(55,534)**
Investment Income	(21,312)	28,947
Unrealised gain/(loss) on investments	(193,188)	(44,414)
Income (expense) from other activities	(27,685)	(42,629)
Pre-tax Irish GAAP profit	**(307,249)**	**(113,630)**

A.3. Investment performance

The primary objective of the Company's investment strategy is to maximize the risk adjusted return on economic capital employed subject to a variety of constraints including:

- Maintaining adequate regulatory and rating agency capitalization;
- Maintaining sufficient liquidity to ensure payment of claims, operating expenses and other obligations even during stressed scenarios; and
- Generating stable net investment income.

The Company holds investment grade fixed and variable income portfolios denominated in a variety of currencies, which broadly correspond to the respective liabilities of the Company. Assets representing capital of the Company, which are not matched to specific liabilities, are generally held in the major currencies. Consideration is given to the interest rate environment, the volatility of exchange rates and the risk charge under SII.

The Company uses a fair value hierarchy for its fixed income and equity portfolios that prioritizes inputs to its valuation techniques which are used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets, 18% of the total portfolio, and then quoted prices in markets that are not active or inputs that are observable either directly or indirectly for 82% of the total portfolio. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Total portfolio performance for the year was -13.3% in 2022 compared to -1.1% in 2021. During the year, the Company experienced an increase in the overall net unrealised loss on investments compared to the prior year primarily attributable to the fixed income portfolio which we expect to unwind with the maturity of the bonds.

	2022	**2021**
	%	**%**
Total portfolio	-13.3	-1.1
Fixed income portfolio	-10.86	-0.87
Non-fixed income portfolio	-2.42	-0.19

Investment income, the sum of net investment income plus net realized gains and losses, decreased from (€21.0m) in 2021 to (€219.5m) in 2022 due to a increased in unrealised losses. The losses on realisation of investments at A.3.2 are driven by the transaction with AXA XL Reinsurance Ltd related to the new retrocession.

A.3.1 Investment performance during the reporting period

Net income and expenses arising from investments by asset class during the reporting period were as follows:

2022

SII Asset Class	Value	Investment income (including realised gains and losses)	Unrealised gains and losses
	€'000	€'000	€'000
Bonds			
Government Bonds	369,571	(38,545)	(65,578)
Corporate Bonds	762,935	2,455	(90,799)
Collateralised securities	149,755	7,629	(11,580)
Collective Investments Undertakings	401,891	2,185	(25,232)
Total	1,684,152	(26,276)	(193,189)

2021

SII Asset Class	Value	Investment income (including realised gains and losses)	Unrealised gains and losses
	€'000	€'000	€'000
Bonds			
Government Bonds	531,212	4,174	(18,653)
Corporate Bonds	923,370	9,894	(22,328)
Collateralised securities	168,290	8,847	486
Collective Investments Undertakings	368,608	463	(3,920)
Total	1,991,480	23,378	(44,415)

A.3.2 Gains and losses recognized directly in equity

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, where acquired in previous years, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

All investment gains and losses are recognized in the income statement.

Investment Income	Non-Life 2022 €’000	Life 2022 €’000	Non-Life 2021 €’000	Life 2021 €’000
Income from other financial investments	31,976	3,130	31,965	1,920
(Loss)/Gain on realisation of investments	(56,546)	128	(4,938)	—
Investment expenses and charges	(4,966)	—	(5,569)	—
Investment income	**(29,536)**	**3,258**	**21,458**	**1,920**

Unrealised (loss)/gain on investments	Non-Life 2022 €’000	Life 2022 €’000	Non-Life 2021 €’000	Life 2021 €’000
Unrealised exchange (loss)/gain	(3,972)	576	(1,697)	2,021
Unrealised capital (loss)/gain	(188,795)	(997)	(44,011)	(726)
Unrealised (loss)/gain on investments	**(192,767)**	**(421)**	**(45,708)**	**1,295**

A.3.3 Investments in securitisation

The Company's holding in securitised assets are as follows:

Investments in securitisations	Weighted Average Credit Rating	2022 €'000	2021 €'000
Residential mortgage backed securities	AAA	149,755	168,290
Total	**AAA**	**149,755**	**168,290**

A.4. Performance of other activities

Income/(expense) from other activities during the year are set out below:

	2022 €’000	2021 €’000
Foreign exchange (loss)/gain	(22,719)	(37,060)

The Company operates in a number of overseas branches. Each overseas branch determines its own functional currency based on factors specific to its operations and is usually the currency of the primary economic environment in which it operates. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of foreign currency denominated monetary assets and liabilities at year end exchange rates are recognised in the income statement as part of other charges.

The Company has no leases classified as finance leases throughout the reporting period.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made by the Company for operating leases are charged to the profit or loss account on a straight-line basis over the period of the lease.

Total operating lease charges paid during the year:

The Company had annual commitments in respect of non-cancellable operating leases for which the expense for the financial years are as follows:

	2022	2021
	€'000	€'000
Payments on operating leases - office premises	589	526

A.5. Any other information

There is no other material information regarding the business and performance of the undertaking.

The Company has not availed itself of any transitional arrangements following the introduction of the SII Directive.

B. System of Governance

B.1. General information on the system of governance

This section provides details of the Company's Board and management structure along with roles, responsibilities and committee structure.

The Board has ultimate responsibility for directing the strategy of the business, setting the Company's risk appetites and the implementation and maintenance of an effective corporate governance framework for the Company. The key components of this framework are discussed below. The Company's framework is designed to demonstrate the Board and managements' commitment to effective governance and to meet the requirements of the CBI's Corporate Governance Requirements for Insurance Undertakings 2015 (the Code). The Company is not required to comply with the additional requirements of the Code for High Impact designated institutions.

The system of governance applies to the Company and its branches in London, Le Mans, Zurich and Dubai.

Material changes made to the Company's system of governance during the reporting period are set out in sections B.1.1 and B.8 below.

B.1.1 Board of directors

The Company's governance framework begins with the Board and its two Board sub-committees, an Audit Committee and RMC. The delegation of certain responsibilities from the Board to these two sub-committees is complemented by the additional delegation of responsibility to the Executive & Outsourcing Committee and to senior management under written terms of reference.

The Board is composed of two members of the Company's executive management team and four non-executive directors, two of whom are independent.

The names of the directors of the Company as at the date of this report are:

C. Vitrac (French)	Non-Executive Director and Chair of the Board and RMC
A. Barrage (French)	Executive Director
B.R. Joseph (British)	Independent Non-Executive Director
P.M. Murray (British)	Independent Non-Executive Director and Chair of the Audit Committee
R. Moquet (French)	Non-Executive Director
B.M. Romagne (French)	Executive Director and Chief Executive Officer

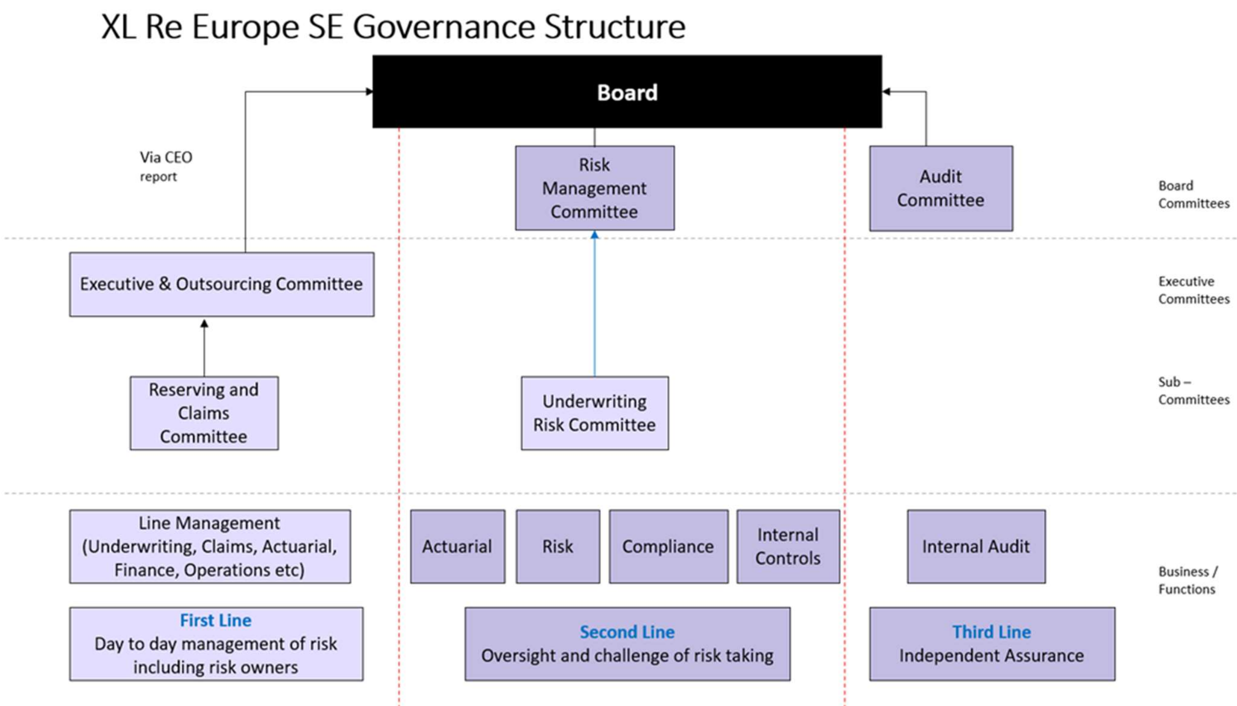
The following changes to the Board of directors took place during the reporting period:

- J.P. Welch (American) resigned as an Executive Director and CEO on 1st July 2022;
- J.W. Hume (British) resigned as a Non-Executive Director and Chair of the RMC on 31st July 2022;
- R. Moquet (French) was appointed as a Non-Executive Director on 6th July 2022; and
- B.M. Romagne (French) was appointed as an Executive Director and CEO on 1st August 2022

Board meetings are held at least quarterly and five meetings are generally scheduled per year. Detailed Board reports are prepared and circulated in advance of meetings, addressing all major areas of the Company's operations, encompassing underwriting performance, financial results, risk management, compliance and investment management.

Governance structure

The governance structure of the Company is set out below:



The Board seeks to ensure that the operations of the Company are conducted within a framework of prudent and effective controls that enables effective risk management and conformity with applicable legal and regulatory requirements. The Board recognises the need for strong organisational governance to ensure there is effective oversight of the management of the business, that senior management exercise their responsibilities appropriately and that robust internal systems and controls are in place.

B.1.2 Board committees

The following committees have been established by the Board:

Audit Committee

The Audit Committee is chaired by an independent non-executive director. All members of the Audit Committee are non-executive directors. The Audit Committee meets at least four times annually, to coincide with financial reporting dates and more frequently as required. Its role is to:

- Monitor the effectiveness and adequacy of the Company’s internal control and internal audit systems;
- Liaise with the statutory auditor particularly in relation to their audit findings;
- Review the integrity of the Company’s financial statements and ensure they give a “true and fair” view of the financial status of the Company;
- Explain to the Board how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process;
- Make a recommendation to the Board whether to approve the Company’s financial statements;
- Assess statutory auditor independence and the effectiveness of the audit process; and
- Establish a procedure for the selection of a statutory auditor.

The Audit Committee reports directly to the Board.

Risk Management Committee (RMC)

The RMC is chaired by a non-executive director. Its membership is composed of the Chief Executive Officer ("CEO") and two non-executive directors. It meets at least four times per year. Its role is to:

- Advise the Board on risk appetite and tolerance for future strategy, taking account of the Company's overall risk appetite, the current financial position of the Company and the capacity of the Company to manage and control risks within the agreed strategy;
- Monitor all material risks associated with the strategic direction of the Company's business;
- Advise the Board on the effectiveness of strategies and policies with respect to maintaining both internal capital and own funds which are adequate to cover the risks of the Company;
- Provide review and challenge to the Company's RMF including risk strategy, risk appetites, stress testing and risk oversight arrangements; and
- Oversee and challenge the actuarial function and the management of reserving risk.

The RMC reports directly to the Board.

The RMC is supported in its functions by the Chief Risk Officer ("CRO") who has responsibility for the Company's risk management function on a day to day basis. See section B.1.3.

Executive & Outsourcing Committee (ExCo)

The ExCo is chaired by the CEO. The membership of the ExCo was reviewed and amended during the reporting period. Representatives of the underwriting, finance, actuarial and compliance functions are members of the ExCo. It meets at least four times per year. Its role is to:

- Assist the CEO in the implementation of the Company's strategy;
- Support the Board and management in maintaining an effective governance structure to support the delivery of the Company's strategic plan;
- Implement and oversee an effective outsourcing framework; and
- Ensure that the necessary procedures are in place to protect against internal or external conflicts of interest.

The activities of the ExCo are reported to the Board via the CEO and COO.

Three Lines of Defence

The Company operates a 'Three Lines of Defence' approach to ensure effective and robust day to day governance is in place. The operational line, or the 'first line of defence', starts with the employees, who are tasked with identifying and managing risk on a day to day basis as part of their roles. They are supported by the 'second line of defence', which is made up of oversight functions - specifically risk management and compliance. These functions have responsibility for overseeing and challenging day to day management, control and reporting of risks. The risk and compliance functions are independent of management and individuals with responsibility for taking on risk exposures. The internal audit function provides the 'third line of defence' which provides independent assessment of the effectiveness of the Company's system of internal control and reports to the Audit Committee.

The Company is also part of AXA XL division's Internal Control Programme which addresses internal controls across 30 macro-processes covering all AXA XL departments and processes, as well as having an Internal Financial Control Framework looking at key controls around financial reporting.

B.1.3 Key functions

The Company's risk management, compliance, internal audit and actuarial functions are the key functions in its system of governance ("Key Functions"). Holders of Key Functions are authorised to operate free from influences which may compromise their ability to undertake their duties in an objective, fair and independent manner.

Each of these Key Function holders:

- Operates under the ultimate responsibility of, and reports to the Board or Board Committee as appropriate;

- Cooperates with the other functions, where appropriate, in carrying out their roles;
- Is able to communicate, at their own initiative, with any staff member and have the necessary authority, resources and expertise and have unrestricted access to all relevant information necessary to carry out their responsibilities; and
- Promptly reports any major problem in their area of responsibility to the Board.

Key Function holders co-operate with each other but operate independently. Individuals carrying out the internal audit function do not assume any responsibility for any other function.

The Company has written policies in place in relation to risk management, internal audit, compliance and the actuarial function and further information on these functions is contained within sections B3 (Risk Management), B4 (Compliance function), B5 (Internal Audit) and B6 (Actuarial function). The implementation of Key Functions within the Company is explained below.

Risk Management Function

The CRO leads the Company's risk management function and is responsible for maintaining and monitoring the effectiveness of the Company's risk management system. The CRO plays a key role in the operation of the RMC. The CRO's key governance and operational responsibilities are set out in terms of reference which are reviewed annually by the RMC. The CRO reports to the Board periodically and has direct access to the Chairman of the Board. Further information about the risk management function is set out in Section B.3.

Compliance Function

The compliance function is headed by the Head of Compliance, who is responsible for promoting a robust compliance culture in the Company, advising on all regulatory compliance matters affecting the Company and the identification and assessment of compliance risk. The Head of Compliance's key governance and operational responsibilities are set out in terms of reference which are reviewed periodically. The Head of Compliance reports to the Board periodically and has direct access to the CEO and the Chairman of the Audit Committee. The Head of Compliance also reports to the RMC on request. Further information about the compliance function is set out in Section B.4.2.

Actuarial Function

The Company has appointed two Heads of Actuarial Function: one for Non-Life ("HoAF - NonLife") and one for Life ("HoAF - Life") business. The HoAFs are responsible for the tasks of the actuarial function under SII and the responsibilities imposed by the CBI's Domestic Actuarial Regime. The HoAF - NonLife's key governance and operational responsibilities are set out in terms of reference which are reviewed periodically. The role of HoAF - Life has been outsourced to WIllisTowersWatson (see Section B.7). The HoAF - NonLife reports directly to the Board. The HoAF - Life reports operationally to the HoAF - NonLife and reports to the Board directly. Further information about the actuarial function is set out in Section B.6.

Internal Audit

The Head of Internal Audit ("HoIA") leads the Company's internal audit function, supported by the AXA XL Internal Audit Department. Their key responsibilities are set out in an audit charter, which is reviewed annually by the Audit Committee. The HoIA reports directly to the Audit Committee. Further information about the internal audit function is set out in Section B.5.

Other critical and important functions

In addition, the Board has identified underwriting, claims management, finance and investment management as functions which are of specific importance to the sound and prudent management of the Company. The Chief Underwriting Officer, Claims Manager and Chief Financial Officer ("CFO") operate under individual terms of reference and are responsible for ensuring that their respective activities are aligned to the risk appetites of the Company. These functions report to the Board either directly or through the CEO. The investment management function is in-sourced from XL Group Investments Ltd ("XLGIL"). See Section B.7.

The Board is satisfied that the Company's system of governance is appropriate and effective, taking into account the nature, scale and complexity of the risks inherent in the Company's business.

B.1.4 Remuneration policy and practices

The AXA XL Division of AXA Group, of which the Company is a part, maintains a Remuneration Policy, the purpose of which is to outline how the Company ensures that the setting of remuneration is appropriate and transparent, and promotes sound and effective risk management within approved risk tolerance limits. The Company formally adopted the AXA XL Division Policy and has operated in conformity with it since 2019. The Remuneration Policy contains a multi-tiered governance and compliance structure including oversight at the AXA Group, AXA XL Division and Company levels. Together, the AXA Group and AXA XL Remuneration Policies are designed to support AXA Group and AXA XL's long-term business strategy and to align the interests of its employees and other stakeholders, by:

- Establishing a clear link between performance and remuneration over the short, medium and long term;
- Ensuring that the Company can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain; and
- Ensuring compliance with SII regulations and any other applicable regulatory requirements.

AXA XL's Remuneration Policy follows four main guiding principles:

- Competitiveness and market consistency of the remuneration practices;
- Fairness, based on individual and collective performance in order to ensure remuneration is reflecting employee's individual quantitative and qualitative achievements and impact;
- Internal equity based on remuneration policies and procedures designed to ensure that employees are paid equitably based on criteria such as role, experience, education, skills, contribution or impact only; and do not discriminate on the basis of gender or other factors; and
- Achievement of AXA Group and AXA XL's overall financial and operational objectives over the short, medium and long-term as well as execution against medium and long-term strategic objectives as a prerequisite to fund any mid-to long-term award.

The balance of fixed and variable compensation is consistent with competitive market practice in the insurance industry. Variable pay for colleagues in independent control functions is not aligned with the performance of the businesses they oversee and is designed to avoid conflicts of interest while appropriately balancing risk and reward.

An overview of the arrangements that are in place are as follows:

- Fixed Remuneration - The fixed component is comprised of base salary and any other fixed allowances. Fixed remuneration primarily reflects the relevant organizational responsibility, professional experience, technical and leadership skills required of the role, criticality or scarcity of skills as well as the individual's capability to sustainably perform the duties of the role.
- Short-Term Incentives - Individual bonus awards are determined based on an assessment of both business and individual performance. Business performance is linked to key performance indicators established at the beginning of the year whilst individual performance is assessed through a robust performance management process. Staff have a bonus target amount expressed as a percentage of base pay. Individual bonus are not guaranteed and pay-outs are capped at 200% of individual target, which prevents employees from taking excessive risks to obtain an excessive pay-out.
- Long-Term Incentive Plan - Long-term incentive awards are reserved for those who perform at a high level, with the recipient's anticipated future contributions, individual potential and unique skills taken into consideration. Grants of long-term incentives are based on the criticality of the job within the organization, the criticality of the individual in the current job and potential for the future, and the sustainability of the individual contribution.

Supplementary Pension Schemes

The Company's remuneration program does not include any supplementary pension or early retirement schemes for members of the Board or its other Key Function holders.

Termination Payments

AXA XL ensures that termination payments are correlated to performance achievement and termination payments for Identified Staff beyond mandatory payments under national labour law may be subject to deferrals.

Material related party transactions

There were no transactions with the Company's shareholders, with persons who exercise a significant influence on the Company, or with members of the Board which are deemed material.

B.2. Fit and proper requirements

B.2.1 Qualifications of the board and key function holders

In accordance with the Company's Fitness & Probity Policy, appointments to the Board, Key Functions and other senior management roles are subject to robust fitness and probity assessments which consider the relevant skills, knowledge and expertise required for each particular role.

The Board requires that its members and Key Function holders should be persons with superior business judgement and integrity, who have appropriate qualifications, knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the Company's business, operations or activities, and who have distinguished themselves in their chosen fields of endeavour. In addition, the Board requires that its members should have the talent and vision to provide oversight and direction in the areas of strategy, operating performance, corporate governance and risk management in order to maximise the interests of shareholders while maintaining the highest standards of ethical business conduct. The Company supports these objectives through an ongoing programme of Board training.

The Board considers diversity among other factors in assessing the skills and characteristics of director candidates and the Board as a whole. This consideration includes a broad evaluation of diversity of viewpoints, skills, experience and other demographics represented on the Board as a whole.

The Board is satisfied that each of its directors contributes a strong background and set of skills to enable the Board to meet its responsibilities and that Key Function holders possess the skills, knowledge and expertise to carry out their regulatory obligations.

B.2.2 Recruitment process

All permanent recruitment within the Company is undertaken in accordance with the applicable fitness and probity standards.

- **Fitness -** for a role is determined by reference to qualifications and experience. The Company's obligation is to consider the responsibilities of the specific function and determine the competencies, taking into account scale complexity, risk profile, organisational structure and target market.

- **Probity -** means acting honestly, ethically and with integrity; and being able to demonstrate sound and prudent management of financial affairs. Probity checks are also embedded in the general recruitment process.

Human Resources ("HR") undertakes, on an outsourced basis, a series of checks in relation to a candidate after an offer has been communicated to them. For senior management, the offer of employment is made subject to the satisfactory completion of detailed relevant background checks. These checks are commensurate to the seniority of the position and if the checks are not completed to the Company's satisfaction or the candidate provides false or misleading information, the Company reserves the right to withdraw the contract.

B.2.3 Code of conduct

The Company is subject to the AXA Group Compliance and Ethics Code and the AXA XL Code Supplement ("the AXA Code") to which all employees must adhere. The AXA Code explains the standards expected of all employees in their daily business activities and underpins the Group's values and behaviours. The AXA Code applies to all Group employees, officers and directors. In addition, anyone acting on the Group’s behalf (e.g. agents, consultants, contractors etc.) are expected to uphold similar standards when conducting Company business.

B.2.4 Fit & Proper Reassessment

The CBI fitness and probity standards apply to all directors and a number of other senior roles within the Company, including those relating to the control functions. Each director and Key Function holder is required to provide an annual confirmation that the information recorded in the probity questionnaire at the time of recruitment or appointment remains valid, or provide an update for reassessment by Compliance/HR.

The confirmation includes an acknowledgement of the CBI's fitness and probity standards, discloses any material developments in relation to his/her compliance with the standards of which the Company should be aware and confirms agreement to notify the Company without delay if the individual no longer complies with the standards.

The holders of specific roles which are designated as Pre-approved Controlled Functions ("PCF") require the advance approval of the CBI. All employees are subject to a performance appraisal process, which evaluates on an ongoing basis employees' continued fitness for their roles and responsibilities and identifies any necessary training and development needs.

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

B.3.1 Risk management framework

The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength and liquidity. This is managed by the Risk Management function, an integrated part of all business processes, who define and deploy the RMF.

The RMF is governed by the RMC and both it and the risk appetite are recommended for approval to the Board. The aim of the RMF is to:

- Support business objectives and strategy;
- Obtain management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support the Company's Risk Management standing; and
- Support regulatory risk management requirements.

The RMC meets regularly and oversees the implementation and embedding of the RMF and monitoring of Company performance against risk appetite. The RMC has responsibility for overseeing the preparation of the ORSA and makes recommendations and escalates any issues to Executive Management and the Board, related to risk and capital management. The RMC ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the RMC and support understanding of the risk profile.

Risk Management Strategy

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. To support the Board, the Company has an appointed CRO, and established an RMC to oversee more detailed risk management activity and monitoring against the Board approved risk appetites.

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

The Company's strategy involves taking on risk in order to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- Retaining risk within an approved risk appetite that is consistent with the Company's strategic objectives, with appropriate levels of capital with excess held by the Company;
- A diversified portfolio of underwriting and financial markets risks;
- Managing risk via a limit framework;

- Exercising consistency and transparency of risk management and control across the Company;
- Risk mitigation across all risks, particularly on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- Risk reporting to the Underwriting Risk Committee (URC), RMC, the Board and other stakeholders (e.g. regulators).

Risk Appetite Framework ("RAF")

The Company's RAF is a key dimension of the risk management strategy and mirrors the AXA Group & AXA XL Division RAF. The RAF distinguishes between 'Risk Appetite Statements' which apply to multiple risk types, and 'Risk Appetite Exposures' which apply to single risk types. In addition, there exists the potential for additional 'Risk Indicators' which are not explicitly specified in the scope of the RAF but are identified as required by the Company. The RAF is used to provide governance for setting new monitoring requirements, as well as reviewing and updating existing risk appetite statements, tolerances and limits, so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. NAT CAT, RDS that cross multiple lines of business etc.), liquidity standards, investment related risk exposures and operational risk. The Board approved risk appetites, tolerances and indicators were reviewed during the 2023 business planning process and it was determined that all were appropriate to allow the Company to execute the 2023 business plan.

The risk management strategy and RAFs are supported by the following:

- **Risk Governance** - A clear and cost-effective organisational structure for risk management, including clear roles and responsibilities. The Company operates a 'Three Lines of Defence' governance structure, at a functional level as well as a management committee level.

- **Risk Policies & Standards** - AXA and the Company recognises the importance and value of a consistent approach to governance, supported by an effective RMF. This is particularly relevant in the context of SII and other regulatory requirements to ensure that there is a clear understanding of risks, both locally and Group-wide. The policies document the Company's approach to the management of each category of risk to which the Company is exposed. These policies are supported by AXA Group Standards ("GS") which apply across the Division.

- **Risk definition and categorisation -** Provides a common risk universe and language for risk to allow for categorisation of all risks in a way which facilitates links between the business and risk management processes.

- **Risk cycle and processes -** The approach taken to top down, bottom up, and process led - risk identification, quantification, management and control.

- **Risk-based decision making -** The results of the ORSA and the insights gained in the ORSA process are taken into account for a range of business decisions.

- **Risk Management Information and Reporting, including ORSA Production -** Ensuring timely and accurate information is reviewed in line with the governance structure.

- **Skills, Resources and Risk Culture; Organisational Learning; Change Management Governance -** All enable a mature risk culture throughout the Company.

Risk Reporting

A risk dashboard is presented on a regular basis to the RMC by the risk function to report on the progress of the Company's ORSA processes during the year. The report provides information on the most recent capital assessment using the SF looking at valuation of available capital versus required, risk appetite monitoring and updates from other risk types. Highlights from the dashboard including performance against appetite and limits are reported to the Board through the CRO report.

The RMF remains appropriate for 2023.

B.3.2 Own risk and solvency assessment

The Company's ORSA process includes all of the material risks, processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face. It also assists to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times.

The Regulatory Capital Requirement is derived using the SII SF profile. In addition, the SF results are presented to the RMC and the Board to provide a breakdown of the risk exposures to inform and drive risk and capital based decision-making.

The processes for the ORSA and production of the ORSA report are tailored to fit into the Company's organisational structures in a proportionate manner with techniques to assess the overall solvency needs and taking into consideration the nature, scale and complexity of the risks inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are be part of the ORSA process and that will support the production of the Company's ORSA report. The ORSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, whilst taking into account potential future changes in the risk profile and considering stressed situations.

ORSA governance

All risk management and capital assessment processes form part of the ORSA. The ORSA is not a single task undertaken at one point in time, but rather it encompasses the entirety of the risk and capital management activity undertaken during the year, as described in the annually approved ORSA policy. Key tasks within that activity are reviewed and approved by the Board as part of the process (e.g. capital to support the business plan and risk appetites) and included in the Board approved ORSA report. The production of the full ORSA report is performed annually but regular management information that is produced by the ORSA processes is provided continuously during the year.

The frequency of each ORSA process mentioned above has been set to allow for appropriate identification, assessment, measurement, control and monitoring of risks to the business.

B.4. Internal control system

The 'Three Lines of Defense' approach which ensures effective and robust day to day governance is in place as described in Section B1 above.

AXA XL Internal Control team, in Risk Management, is in charge of maintaining the Internal Control Framework at AXA XL Division and of monitoring the overall system of controls, ensuring all controls are performed by somebody. A roll-out of controls is performed in all AXA XL key legal entities.

The AXA Internal Control Programme was introduced year end 2018 at AXA XL in order to implement a robust and effective Internal Control Framework by:

- Implementing a risk-based approach to focus on risks that really matter;
- Promoting management accountability for controls;
- Introducing a common set of tools and techniques to be consistently used across the Group; and
- Improving coordination between the different control functions.

AXA XL Internal Control team is also responsible for the Internal Financial Control framework, with controls in place across the Division on the financial reporting controls. This framework has been in place at AXA XL for many years and provides reasonable assurance to legal entities within the Division that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

Both the Internal Control Framework and the Internal Financial Control framework are primarily designed to operate across AXA XL Division, with output reported to legal entities. Additionally for the Internal Control Framework, legal entities have implemented bespoke controls where deemed necessarily to mitigate risks within their entity.

The Internal Audit function represents the 'third line of defense', provides independent assessment of the effectiveness of the Company's system of internal control and reports to the Audit Committee.

B.4.1 Internal Controls

The Internal Control function is committed to promote a robust Internal Control Framework, including Internal Financial Control, for the Audit Committee, executive management and external stakeholders to rely on for financial and regulatory reporting purposes.

The Internal Control's core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls, including controls over financial reporting;
- Identifying areas in which the inherent risk of financial misstatement is high so that management can address these risks before they manifest themselves in an actual misstatement;
- Providing executive management, the Company's Board and AXA Group reasonable assurance over AXA XL's processes – in particular on financial reporting; and
- Adding value by helping management promote a robust control environment.

The Internal Control team performs a regular assessment of the control framework which includes: risk identification, risk assessment and planning, documenting business processes, evaluation and validation of key risks, testing of controls, identification and management of issues. For the Internal Financial Control Framework, this cycle is annual and well established.

The team is also responsible for monitoring remediation plans until closure and for making regular reporting on controls results to AXA Group, to AXA XL Audit, Risk and Compliance committees, to the Audit Committee of key legal entities, to executive management and to external auditors and regulators.

The Internal Control Framework looks at 30 macro-processes that constitute AXA XL value chain for insurance and reinsurance business. For each macro-process, key risks are defined and for each key risk, control objectives are defined to cover them. For each control objective, controls are designed and operated locally to efficiently meet control objective and mitigate the related key risk. AXA XL has finalised the implementation of the Internal Control Framework at the end of 2021 with the description of all controls in the 30 macro-processes with the first round of testing performed on all controls. Starting from 2022, AXA XL Internal Control Framework is in Business as Usual and controls within the framework will be tested over a 3 year rotational basis according to a test plan formalized and validated by AXA XL CRO.

B.4.2 Compliance function

The Compliance function is responsible for advising the Company's management and Board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA XL's operations. AXA XL's compliance function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risk and contribute to design solutions to mitigate those risks to which AXA XL is exposed.

The Head of Compliance is supported by AXA XL's compliance team as well as members of the Legal and Compliance team based in the Company's branches.

AXA XL's compliance, financial crime and monitoring functions manage a wide range of compliance related matters including:

i. regular reporting on significant compliance and regulatory matters to senior management and to regulators;

ii. financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance);

iii. data privacy;

iv. employee Compliance & Ethics Guide; and

v. the monitoring of compliance and regulatory risks.

The Company's Compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed and presented to the Board for discussion either at the end of each year for the following year, or the first quarter of the reporting year.

The compliance activities within AXA XL are articulated around a number of AXA Group Standards and policies which set the minimum requirements expected to be covered by AXA XL. The AXA Group Standards and policies contain standards and policies on significant risks affecting the compliance activities as well as the high level control and monitoring principles to which AXA XL must adhere. Compliance with both the standards and policies contained in the AXA Group Standards (e.g. Compliance Governance, Anti-Money Laundering, Sanctions, Anti-Bribery) are mandatory. In addition, where appropriate, the compliance function has adapted the Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AXA XL operates and conducts business.

On a quarterly basis the Company's compliance function reports directly to the Board on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, remediation plans and any other significant issues that require escalation.

The function is a critical contributor to the safe and sound operation of the Company and underpins the achievement of its strategy and business goals.

B.5. Internal audit function

Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of governance, and risk and control management.

The Internal Audit function has an audit charter to document its mission, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the relevant Audit Committee each year.

The head of the internal audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman.

Internal Audit functionally reports through to the Global Head of Audit who reports to the Group Audit Committee Chairman.

Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over the audit cycle, all applicable audit universe components for each entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and Executive Management on a regular basis.

B.6. Actuarial function

B.6.1 Roles and Structure

The Company's actuarial function is led by the HoAF - NonLife who reports to the Board directly. The role of the HoAF-Life, has been outsourced to Willis Towers Watson. It is implemented in line with the terms agreed with Willis Towers Watson and the Company's Outsourcing Policy (see Section B.7). The HoAF-Life reports operationally to the HoAF - NonLife and reports annually to the Board directly.

B.6.2 Reports of the Actuarial Function to the Board and Regulators

The Actuarial Function Reports ("AFR") presented by the HOAFs to the Board document all material tasks that have been undertaken by the Actuarial function and include the disclosure of key results and the evaluation of any deficiencies and recommendations for addressing any such deficiencies. The AFR will include the Actuarial Opinion on Technical Provisions ("AOTP"), the Actuarial Report on Technical Provisions ("ARTP") and the opinions on reinsurance adequacy and underwriting policy. These reports are presented to the Board annually and the actuarial opinion on the ORSA process is provided to the Board each time an ORSA is presented to the Board.

B.6.3 Actuarial Function Responsibilities

The Actuarial Function is involved in many of the key processes across the Company's business and provides technical expertise and assurance over the methods used. The key processes are:

- Estimating the gross and net technical provisions;

- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions and explaining any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions;

- Assessing the sufficiency and quality of the data used in the calculation of technical provisions and where relevant providing recommendations on internal procedures to improve data quality;

- Informing the Board on the reliability and adequacy of the calculation of technical provisions; overseeing the calculation of technical provisions in cases set out in Article 82;

- Assisting in the execution of the RMF and ensuring effective governance framework around the review and validation of loss reserves (including technical provisions), policyholder obligations and potential exposures, which includes:

    i. Regular contact by reserving actuaries with underwriting and claims teams;

    ii. Review of technical provision results by an escalating series of reviews from reserving actuaries to the Division Actuarial Function Holder;

    iii. Review of technical provisions to provide sufficient independence from management; and

    iv. Independent external analysis of the reserving requirements.

- Setting and maintaining actuarial standards to be applied across the business, ensuring that the actuarial methods and techniques are compliant with all the appropriate Group and local regulatory requirements;

- Providing, at least annually, an opinion on underwriting policy and overall reinsurance arrangements;

- Assisting with the underwriting and pricing process, by providing reserving insights into business performance and trends; and

- Comparing best estimates against experience.

Additional responsibilities relating to capital modelling

The Actuarial function has an additional responsibility in contributing to the effective implementation of the risk management system. The Actuarial function is responsible for specifying which risks within their domain of expertise are covered by the internal model and, in particular, offering insights related to the risk modelling underlying the calculation of the capital requirements within the internal model and within the context of regulatory capital requirements. The Actuarial function also offers insights into the nature of dependencies between these risks.

B.7. Outsourcing

Outsourcing refers to an arrangement between the Company and a service provider (intragroup or third party) by which the service provider performs a process, a service or an activity that would otherwise be undertaken by the Company. Outsourcing can increase operational risk exposure through reduced control over people, processes and systems. In order to mitigate this, the Company has established an Outsourcing Policy which sets out the principles for management of the risks arising from its outsourced arrangements and for monitoring the performance of the service providers. The Company has established a governance framework to support the application of the Outsourcing Policy and to ensure compliance with regulatory and SII requirements. This framework incorporates the activities of the Executive and Outsourcing Committee. See B.1.2 above. As at year end 2022, the Company had outsourced arrangements in place with AXA Group companies to cover delegated underwriting, delegated claims handling, the provision of employees and intra-group services and investment management. Where AXA Group companies decide to further outsource services (chain outsourcing), they must also ensure that they comply with the requirements of the Company's Outsourcing Policy.

There are also two external outsourcing arrangements in place, see below.

The Company outsources the following critical or important functions:

Employee and business services - Outsourced to XL Catlin Services SE. Established in Ireland

A formal Master Services Agreement ("MSA") governs the provision of services between entities in the Group. XL Catlin Services SE is the service provider to the Company and it is this legal entity that employs many of the individuals who provide services to the Company. Business Services (e.g. tax, legal and compliance, actuarial HR, IT, finance, facilities) are set out in the schedules to the MSA. There is a separate schedule for each function required by the Company.

The MSA is complemented by an adherence letter to the MSA from January 1, 2020. It covers the following business services: Technical Accounting, Policy Management Services, Claims, Pricing, Actuarial CAT Loss Modelling, Risk

Evaluation & Management ("ERM"), Global Technology, HR, Internal Audit, Marketing & Communications, Tax, Treasury, Workplace Support, Actuarial, Compliance / Conduct Risk, Finance and Legal / Company Secretary.

Delegated underwriting and claims services - Outsourced to XL Catlin Services SE. Established in Ireland

A formal binder agreement governs the delegation of underwriting and claims authorities from the Company to XL Catlin Services SE which is regulated as an intermediary in Ireland and has branches across Europe. The day to day management and oversight of the staff performing these delegated functions rests with the heads of each function in question. These staff are required to comply with individual underwriting and claims authorities which are issued by the Company.

As per 1st of April 2022 some employees from XL Catlin Services SE moved to be directly employed by XL Re Europe SE (Ireland head office, UK branch and Switzerland branch) and at 1st of May 2022 some employees from XL Re Europe SE French Branch moved to be directly employed by XL Catlin Services SE.

Investment Management services - Outsourced to XLGIL. Established in Bermuda

XL Group Investments Ltd provides investment management services to the Company, including:

- Advising on investment strategy;
- Appointing investment managers;
- Providing investment reporting; and
- Setting benchmarks.

Administration Services for Life Business - Outsourced to Monument Re Services UK Ltd - Established in England & Wales

The outsourcing arrangement between the Company and Monument Re Services UK Ltd provides for the long-term provision of various administration services in relation to the Company's Life policies, the majority of which were retroceded to Monument Segregated Account Company Limited (formerly known as GreyCastle Life Reinsurance (SAC) Ltd) during May 2014. The services provided include policy administration, financial reporting, claims administration and actuarial calculations.

Head of Actuarial Function - Life. Outsourced to Willis Towers Watson. Established in Ireland

The role of HoAF- Life has been outsourced to Willis Towers Watson pursuant to a statement of work dated 1st July 2016. The Company's life business is in run-off.

B.8. Any other information

The system of governance is designed to protect the long-term interests of the Company’s stakeholders while promoting the highest standards of integrity, transparency and accountability.

As reported in section B.1.1. a number of changes to the Company’s Board of directors were effective during the reporting period.

No other material changes were made to the Company’s system of governance during the reporting period.

C. Risk Profile

Risk governance requires that the Company can comprehensively articulate the profile/universe of the risks over which its governance processes operate. To this end, the Company has an agreed approach to the definition and categorisation of risks.

Risk Universe

The risk universe is based on the AXA Risk Grid as follows:

- Financial risks, including market, credit, and liquidity;
- Insurance risk;
- Operational risk;
- Other risks, including emerging risks, reputational risks, and strategic & regulatory risks; and
- Intangible risk (intangible assets).

As outlined in section B.3.2 the SF is used to calculate the regulatory capital requirement. A full breakdown of the key risk drivers of the SF SCR can be found in Section E.2.2 below.

The 2023 plan includes significant increase in US Casualty business. This strategic change has led to changes to the key risks and US exposed casualty risks will contribute to key risks to the Company. Key risks continue to include NAT CAT exposures and individual RDS across all lines of business. Although the company has significantly reduced property CAT business, the top two NAT CAT perils for the Company are European Windstorm and European Earthquake. In addition, the reserve risk profile is expected to change overtime to reflect the planned relative increase in Casualty business underwriting. Reserve deterioration risk is a key and growing risk for the Company.

The Company's rating along with other AXA XL core legal entities remains 'AA-' with stable outlook from S&P mainly driven by the strategic fit and core operation to the AXA Group.

C.1. Underwriting risk

Risk definition

Underwriting risk (insurance risk) is defined using the following categories:

Component	Definition
Underwriting risk	Insurance risk derives from reinsurance policies written for the current period and also from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from this tranche of business will be less than expected. Insurance risk includes man-made CAT events and NAT CAT events.
Reserve risk	Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening balance sheet date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims payments do not align with the timing or amounts of the estimated claims payments and that there are changes in the valuation of the market value margin (risk margin) during the time horizon for solvency assessment.
Lapse risk	Lapse risk is the risk of loss, or of adverse change in the value of insurance future profits, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders. This includes policies where an assumption has been made about renewal that may not be warranted based on past experience either in terms of actual treaties or underlying policies issued and renewable.

Risk identification

Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- **Business planning -** Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle, economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget / business plan;

- **Underwriting processes (including guidelines and escalation authorities) -** Each individual contract written is assessed, by the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria;

- **Reserving and claims process -** On an ongoing basis, claims trends are monitored and analysed for any indications of change in the nature of the underlying insurance risk;

- **Risk Management risk assessment process -** The Company quantifies existing risks and also identifies new risks through various risk assessment processes; and

- **RDS and other scenarios -** Used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits.

Risk mitigation

Reinsurance purchase

The Company participates in the AXA XL managed outwards third party reinsurance ceded risk transfer programme to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL works with the AXA Group Reinsurance entity (AXA Global Re) on the outwards reinsurance strategy placements. Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer programme include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the programme is to reduce volatility and enhance overall capital efficiency.

The adequacy of the AXA XL reinsurance strategy as a protection mechanism for the Company is considered and is approved by the Board as part of the annual business planning process, and the impact of that strategy is monitored quarterly by both the RMC and Board.

The Company has a whole account quota share reinsurance arrangement with XLB Ltd.

Effective December 31, 2022, the Company entered into a retrocession transaction with its parent company, AXA XL Reinsurance Ltd, in order to reduce and rebalance the Company’s risk profile with respect to the net reserves.

Actuarial Function

To mitigate the risk of large changes of reserves from one period to the next which are due to internal (not external) factors such as human errors, the reserving process performed by the Actuarial Function is highly structured, strictly defined and controlled, and includes several layers of oversight.

Rating adequacy

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Premiums are set and adjusted based, in large part, on the industry group in which the insured is placed, the corresponding industry sector rating, and the perceived risk of the insured relative to the others in that group. The rating methodology used for individual insureds seeks to set premiums in accordance with claims potential. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialised and generally operate by line of business.

Underwriting authorities and guidelines

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with agreed risk appetites and risk tolerances for material individual events, the investment portfolio, RDS that cross multiple lines of business and from risks related to some or all of the above that may occur concurrently.

The Company underwrites and prices most treaties individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve our clients while controlling our exposure both on a portfolio basis and on individual reinsurance contracts through terms and conditions, policy limits and sub-limits, attachment points and ceded reinsurance arrangements on certain types of risks.

Risk monitoring

On a quarterly basis CAT exposures are measured, monitored and reported to the RMC and Board. This monitoring is both on an exposure (aggregate for CAT risk type) and per-risk basis. RDS are also produced at least twice a year and monitored and reported to RMC and Board. In addition, large losses are regularly monitored at Board and Executive level.

In relation to event risk management, net underwriting risk tolerances are established for the individual largest events in the risk profile. These are captured through risk reporting to the RMC and Board and monitored as part of the RAF.

Risk type	XL Re Europe Risk appetite statement
Underwriting risk	The 1:200 Occurrence Exceedance Probability ("OEP") limit for the key Nat Cat Perils approved by the Board. Board approved limits for key RDS.
Reserve Risk	**Trigger for discussion -** Deterioration in gross held reserves (o/s plus IBNR) to be no more than a specified percentage over any rolling 12 month period (ending at a quarter-end date).

For further information regarding the monitoring of insurance risk through the RMF and RAF, please see Section B.3.1.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including underwriting and reserving risks. These impacts include the earnings, underwriting, investments, liquidity and capital implications of low frequency, high severity events. For underwriting risks the main stress test approaches used cover, Nat Cat peril exposure results production and RDS production as outlined below.

Test type	Reason performed
Nat Cat reporting	To monitor Nat Cat exposures against risk appetite.
RDS reporting	To monitor non-Nat Cat exposures against risk appetite and to assist in the setting of overall risk limits.

Nat Cat exposure results, and RDS exposure results, are used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits. RDS's are produced a minimum of twice per year to understand the Company's exposure to defined non-Nat Cat scenarios, which have been designed by experts and cover both short and long tail lines of business and cross class event exposures. The RMC (and Board) are informed of results of stress tests performed via risk dashboards and the ORSA report throughout the year where discussions and challenge include whether the results fall within relevant approved risk tolerances and limits.

The Company reviews a range of extreme scenarios intended to stress our capital position and also take a view at 1:200 OEP, which is the point our Nat Cat underwriting limits are set. Considering the 1:200 OEP underwriting risk, our top two net Nat Cat for the Company are a European Windstorm and a European Earthquake. The Company's largest RDS exposure is to Casualty: Mono Line Clash (A product is found to be defective causing death and serious injury to a number of individuals). The capital above the SCR is greater than either the net 1:200 OEP European Windstorm, European Earthquake or the largest net RDS.

Based on the above factors considered in stress testing the underwriting limits, all underwriting risks are deemed to be well managed and within risk appetite as reported via the risk dashboard and ORSA report to the RMC and Board.

C.2. Market risk

Risk definition

Market risk represents the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

Component	Definition
Interest rate and spread risk	Financial loss or volatility of profits due to the combined sensitivity of the economic value of the investment portfolio and (re)insurance liability cash flows and debt securities issued to changes in the level or volatility of benchmark interest rates and credit spreads.
Market risk concentrations	Financial loss or volatility of profits due to the increased sensitivity of the market value of the investment portfolio to other risks specifically due to concentrations of investments such as in specific geographical region, industry or company.
FX Risk	Financial loss due to volatility in the value of the Company's assets following changes in currency exchange rates.
Equity price risk	Financial loss or volatility of profits due to the sensitivity of the value of the investment portfolio to changes in the level or in the volatility of market prices of equities.

There were no material changes in market risk exposure during the reporting period, though we note that interest rate and credit spread sensitivities have fallen principally due to higher interest rates and the resulting lower asset (and liability) values.

Risk identification

The Company identifies market risk through the following processes:

Process	Description
Business planning	As part of the Annual Investment Plan, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities.
Investment RAF	The Company RAF sets maximum risk exposure to asset classes and is reviewed annually.
Risk reporting and processes	The risk reporting process assist in identifying if there are any changes to market risks already identified in the previous assessment.

Market risk is also explored through underwriting and the Emerging Risk process which has Company representation. The Emerging Risk Task Force, comprises of senior leadership from across the organisation, actively monitors a wide array of emerging risks to provide the Company's underwriters, as well as clients, with pertinent information regarding new and existing trends. This involves the ongoing review of strategic and risk management processes, identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions.

Risk mitigation

The Company's investment management strategy ensures its continued compliance with the Prudent Person Principle set out in Article 132 of Directive 2009/138/EC.

Strategic Asset Allocation

The Strategic Asset Allocation ("SAA") process for the AXA XL Division establishes a target allocation that is constructed to maximize enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by management and is approved at least every 3 years by the Company's Board.

Authorities Framework / RAF

In conjunction with the SAA, the Company has a RAF modeled off the AXA XL Divisional framework which limits exposure to various asset classes (with tighter limits for higher risk asset types), as well as duration and FX mismatches. There is also centralized investment risk monitoring at the AXA XL Divisional level through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities, emerging markets), BBB exposure, and leverage. These controls are implemented through detailed compliance monitoring and reporting.

The Investment Risk Management Policy and market risk limits under the RAF address the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company. The framework is designed to capture investment risks and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis

Service Level Agreements

A service level agreement is in place between XL Group Investments Ltd ("XLGIL"), an indirect, wholly owned subsidiary of the Company, and the Company. This includes guidance on type of investments and the weighted average credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits are monitored on a regular basis and reported to the XLB Board and to the Board of the Company.

Asset Liability Matching Risk

Asset liability matching risk - arises directly from a mismatch between assets and liabilities due to changes in rates and spreads, equity and other non-fixed income markets/asset classes and credit risks, liquidity, foreign exchange and from events affecting both asset and liability values.

In particular, the following market risks influence both assets and liabilities and are hence key drivers of risk:

Component	Definition
Interest rate and spread risk and asset composition risk	Mismatches between asset composition and maturities and the profile of liability cash flows creates economic risks from changes in benchmark interest rates, spreads and asset values. This is due to changes in the nominal mark-to-market ("MTM") value of assets not exactly offsetting changes in the nominal economic value (net-present value) of liability cash flows.
Inflation risk	Inflation risk stems from the general increase of prices. Inflation may decrease the value of fixed income assets while it may increase the value of liabilities, subject to knock on impacts to interest rates. Inflation also explicitly impacts the values of directly linked assets (TIPS, etc.) and liabilities.
Foreign exchange ("FX") risk	FX risk arises from mismatches in the currency denomination of assets relative to that of financial liabilities.

The following outlines the processes used to identify asset liability mismatch risk:

Process	Definition
Business planning	As part of the annual strategic planning process, a review is undertaken of the nature (quality, duration, currency and liquidity) of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocation	The RAF and Authorities & Guidelines control the maximum levels of acceptable risk and are reviewed annually and set in conjunction with the SAA benchmark.
Risk assessment and processes	The risk assessment processes assists in identifying if there are any changes to asset liability mismatch risks from those that had been identified in the previous risk assessment.

The Company controls asset liability mismatch risk through:

- **Asset Liability Management ("ALM") analysis**

The Company will conduct detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which follows determines the target allocation that maximizes the value of the Company subject to risk tolerance and other constraints. The SAA considers management's risk tolerance, liability cash flows, business plan, liquidity considerations, capital market forecasts and regulatory considerations. The ALM/SAA process is first done at the AXA XL division level keeping division and legal entity constraints under consideration. The target allocations are then propagated down to the legal entities based on additional considerations of each entity. This is mandatory to be completed at least once in every three years.

- **Investment RAF**

Board approved RAF limits are in place that address all the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company.

- **Stress testing framework**

The Company uses stress testing as one method to assess asset liability mismatch risk exposures. The following stress and scenario tests are used to identify risk exposures:

i. Interest rate and credit spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;

ii. FX stress tests on assets and liabilities; and

iii. Ad hoc scenario stress testing as deemed appropriate by Risk Management.

Currency risk mitigation

The Company is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Euro. The most significant currencies to which the Company is exposed to (in terms of currency risk) are Sterling and US Dollar. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. ALM analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched. The table below outlines the Company's current exposure by currency:

XL Re Europe exposure by currency as at 31 December 2022 and 2021:

		2022	2021
Currency name	**Currency**	**Net Assets/ (Liabilities) %**	**Net Assets/ (Liabilities) %**
Euro	EUR	77%	90%
British pound	GBP	7%	7%
United States dollar	USD	17%	7%
Israel New Shekel	ILS	(1)%	(1)%
Australian dollar	AUD	(2)%	(1)%
Swiss Franc	CHF	(2)%	1%
Canadian dollar	CAD	2%	—%
Saudi riyal	SAR	—%	(1)%
Japanese yen	JPY	3%	1%
Other	OTH	(1)%	(3)%
		100%	100%

Risk monitoring

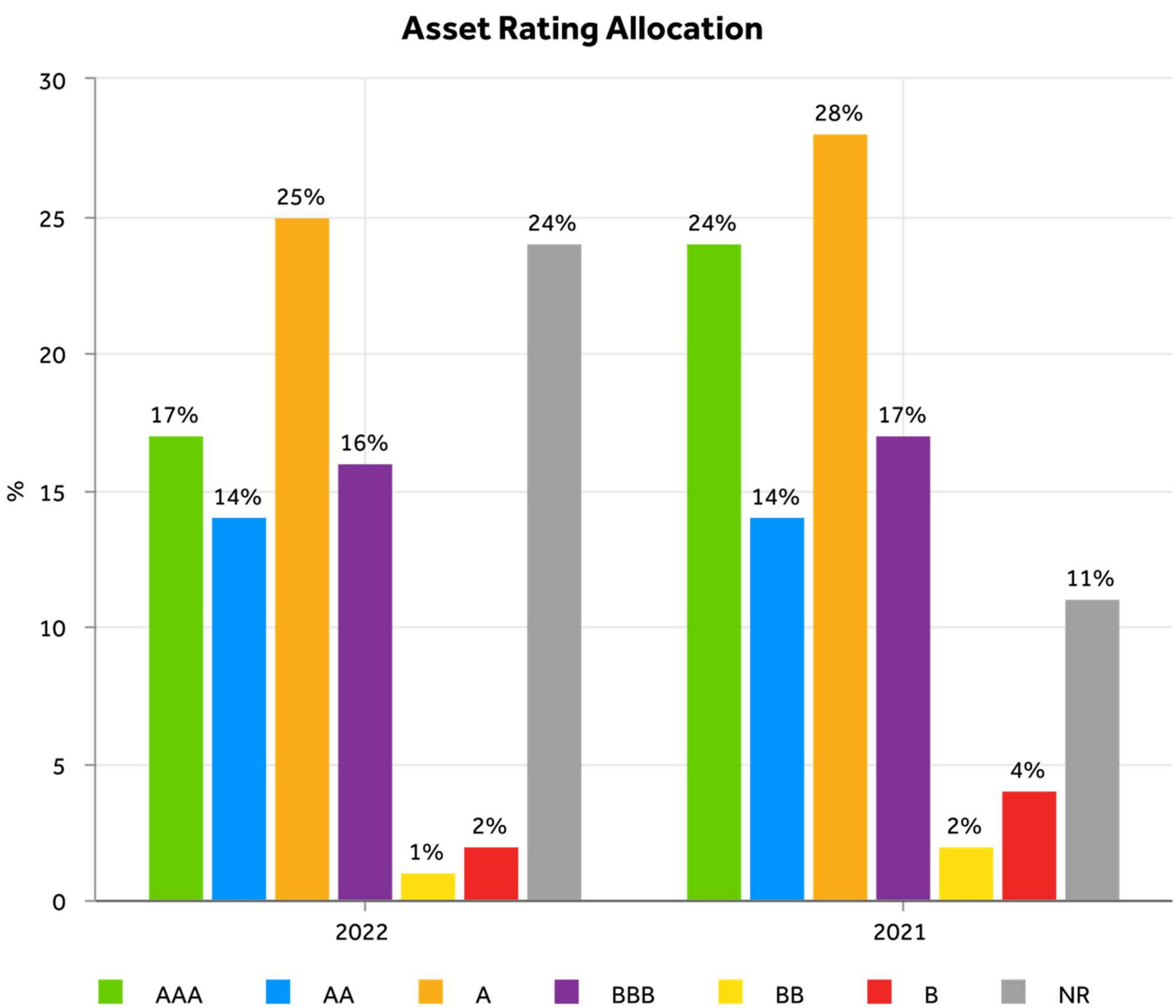
Market Risk definition includes articulation of Risk Appetites per the RAF, alerts and limits that are specified by risk category and sub-category. For example, for the Risk Appetite 'Exposure per asset class' the sub categories include fixed income, real estate, hedge funds, etc.

Day-to-day management of the investment portfolio is conducted in accordance with detailed investment guidelines and risk tolerances that are closely monitored by AXA XL Investments. This hybrid implementation approach provides access to external asset managers with specialized skills across a broad range of investment products, as well as the flexibility to actively manage the overall structure of the portfolio in line with the Company's specific business needs. Interaction between the internal and external managers provides additional insight to take advantage of opportunities as they present themselves.

The delegation of investment authority to XLGIL is supplemented by robust compliance monitoring with defined escalation and notification procedures. This framework is designed to identify investment risks on an absolute basis and relative to liabilities and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis. The RAF is cascaded down to the Company and approved by the Board. Any breaches in limits of the RAF are highlighted in the risk dashboard presented to the RMC and escalated to the Board.

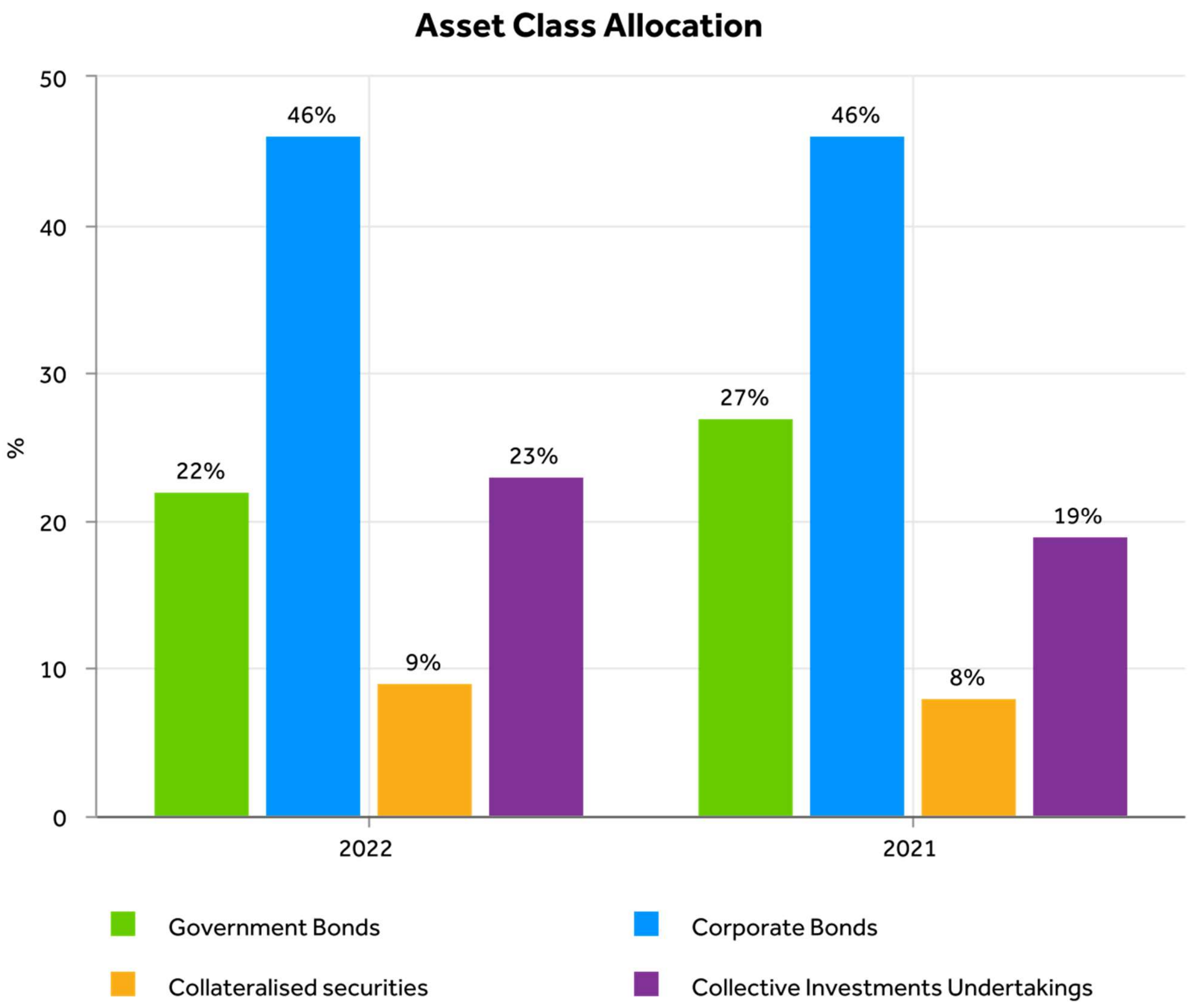
The Company's investment portfolio is reported to the RMC via the risk dashboard, with any breaches in Risk Appetite highlighted to the Board.

XL Re Europe portfolio rating allocation



The overall credit quality of the portfolio has remained stable year on year. Investments which we consider collective investment schemes under SII are included in the NR category where a credit rating was not available. These holdings have decreased year on year increasing the relative percentages of the other categories compared to the prior year.

XL Re Europe portfolio asset class allocation



Modest movements observed in each of the asset classes.

Risk appetite

Risk appetite and compliance with investment guidelines and authorities is captured through risk reporting to the RMC and Board and monitored (actual valuation compared to both alert and limit levels) as part of the RAF. The Company monitors and manages Market risk via a number of agreed risk appetite indicators and statements.

Risk type	XL Re Europe Asset Class Exposure limits and alert
Market risk	The Company sets exposure limits and alerts for the various asset classes of the portfolio.

Stress testing framework

The following stress and scenario tests are used to identify risk exposures:

- Interest rate and credit spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads.
    - FX stress tests on assets and liabilities; and
    - Ad hoc scenario stress testing as deemed appropriate by Risk Management.

The RMC and Board, where appropriate, are informed of results of stress tests performed throughout the year. Based on the above factors considered in scenario and stress testing, all market risks are deemed to be well managed as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Test type	Reason performed
Market Risk scenarios	To evaluate the exposure to certain market risk events.

C.3. Credit risk

Risk definition

Credit risk is defined as the risk of loss due to an unexpected default, or deterioration in the credit standing of counterparties and debtors, or uncertainty of an obligator's continued ability to make timely payments in accordance with the contractual terms of the instrument.

Credit risk through the risk framework is categorised by the following:

Component	Description
Reinsurance counterparty Risk	Risk of losses due to the default of a reinsurer or a deterioration of its credit worthiness.
Investment counterparty Risk	Counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties.
Premium counterparty Risk	Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to insurance contracts written.
Underwriting counterparty Risk	Exposure to credit risk through certain credit sensitive underwriting activities which include, but are not limited to, Surety, Environmental and Political Risk and Trade Credit.

Additional Credit Risk components include:

- Mortgage - Counterparty risk inherent to the direct mortgage business where real estate serves as collateral.

Risk identification

The Company identifies credit risk through the following processes:

Process	Description
Business planning	Analysis is undertaken of the credit risk exposures, loss experience and changes to the external environment (including market cycle and economic environment) to identify any changes to the credit risk profile for the forthcoming period of the business plan.
Underwriting	Each individual contract written is assessed, by underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of credit risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.
ERM Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.
Emerging risks	An emerging risks identification process exists to assess and identify key external factor changes that may give rise to credit risk issues. The process also evaluates potential opportunities that might arise from these emerging risks.

Risk mitigation

Credit risk is managed through:

- **Credit risk framework -** Credit risk arising from credit sensitive underwriting activities is managed via the underwriting limit framework. Credit risk in the investment portfolio is managed through various frameworks applied at the Division and Entity level including Authorities & Guidelines and Fixed Income Concentration. These address the credit quality of obligors and counterparties, diversification, exposure vs limits by rating, term and seniority, and quantitatively evaluate credit risk following a robust Credit Value at Risk ("VaR") methodology. Financial Risk Management Internal Credit Ratings ("ICR") have been developed by taking into account the Group Credit Team ("GCT") Internal Rating to decrease the dependency toward the 3 main Rating Agencies. Exposure to credit spreads primarily relates to market value and cash flow variability associated with changes to credit spreads. Credit spreads in the investment portfolio are regularly reviewed in terms of the inherent potential for downgrade of individual obligors as well as the wider impact on the overall credit risk of the portfolio. Exposure to largest single counterparty is also monitored through the Company's RAF.

- **Intra-group credit arrangements -** The Company has a whole account quota share reinsurance arrangement with XLB. Effective December 31, 2022, the Company entered into a retrocession transaction with its parent company, AXA XL Reinsurance Ltd, in order to reduce and rebalance the Company's risk profile with respect to the net reserves.

- **Underwriting authorities and limits -** See C1 Underwriting Risk.

- **Investment portfolio** - Credit risk is also managed through the credit research performed by external investment management service providers, Group Risk Management, and the in-house portfolio management team.

- **Reinsurance Security Department -** The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds, trust accounts and/or irrevocable letters of credit may be held. The Company also retrocedes part of its short term life exposures to Monument Re on a quota share basis with proportions varying by underwriting year. Non-PPO life liabilities are fully retroceded (mostly to Monument Re). The assets backing the life business (net of reinsurance) are not ring-fenced from the assets backing the non-life business. The assets held in respect of the business that is retroceded to Monument Re are deposited back and held in ring fenced accounts on the Company's balance sheet. The assets held in these ring-fenced accounts are controlled by strict investment guidelines and are generally invested in short term high quality liquid government and corporate bonds. Assets backing the other retrocessions are also deposited back. The assets backing the Periodic Payment Orders ("PPO") liabilities are held in an identifiable portfolio.

- **Premium payment and brokers -** The Company underwrites a significant amount of its reinsurance business through brokers. Generally, the credit risk remains with the cedants including in the event of a broker insolvency, except where the Company has agreed that broker is acting for it in the collection of premium. In those instances, credit and premium risk exists should any of these brokers be unable to pay the premium due. A list of approved broking houses is maintained. A similar process exists for business written directly with cedants.

Risk monitoring

Risk Management consolidates credit exposure reports from corporate functions and underwriting businesses on a regular basis for aggregating, monitoring and reporting to the RMC and Board.

Investment portfolio

On a regular basis a review is undertaken of the investment portfolio to improve the Company's understanding of asset concentrations as well as, credit quality and adherence to its credit limit guidelines. Any issuer over its credit limit or experiencing financial difficulties, material credit quality deterioration or potentially subject to forthcoming credit quality deterioration is placed on a watch list for closer monitoring. Where appropriate, exposures are reduced or prevented from increasing.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. Stress tests and scenario analysis are undertaken to monitor exposure to the defined scenarios that allows monitoring of exposure to credit risks. These scenarios help to understand potential losses to ensure that the Company is prepared to withstand projected losses from these events, including ensuring that there is adequate capital, and liquidity to manage through the event and maintain the Company as a going concern. Based on the factors considered in scenario and stress testing, all credit risks are deemed to be well managed.

AXA S.A. Credit Facility

The Company may benefit in part from a $1bn multi-currency facility, which AXA S.A. entered into July 2019, with the main insurance and reinsurance carriers of AXA XL. The credit agreement allows for letters of credit to be issued in a variety of currencies.

No letters of credit have been issued to the Company.

C.4. Liquidity risk

Risk definition

Liquidity risk is defined as the inability to meet cash and collateral posting obligations when they come due. Liquidity risk arises from three principal areas: operating, financing and investing cash flows. The RMF addresses how the Company manages liquidity both under a normal and a stressed environment.

The Company measures and monitors liquidity risk as follows:

- An internal stressed liquidity calculation is performed quarterly across all major legal entities of the Company and over multiple time horizons, including a simultaneous shock on capital market assumptions, operating cashflows and natural catastrophes

- A minimum Government Bond Encumbrance Ratio is monitored to ensure that there is sufficient free funding to meet short-term obligations

- AXA XL Treasury monitors concentration risk of cash at banks, along with upcoming funding requirements.

The Company continued to have sufficient liquidity during 2022, even with the rising interest rate environment.

Risk identification

The Company identifies liquidity risk through the following processes:

Process	Description
Stress testing	Stressing liquidity positions with simultaneous capital market and insurance shocks as well as stressed operating cashflows.
Treasury	Treasury has responsibility to identify and monitor concentration risk of cash at banks, along with funding requirements.
Risk Management - Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and identifies new risks.

Risk mitigation

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios.

Cash requirements include all possible claims on cash from policyholders and operations. Some of these cash outflows are scheduled while others are known with much less certainty. The goal is to ensure sufficient liquidity in the asset portfolio, together with secured external cash sources, to provide for timely payment of potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events over multiple time horizons.

Liquidity risk is managed through:

- **Asset-liability management (ALM) -** Treasury conducts detailed ALM analysis to match the currency mix of its liabilities with appropriate assets. Investments manages the Duration Gap of assets and liabilities within a pre-defined range.

- **Special funding clauses -** The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common practice. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorization for the inclusion of a downgrade clause in a contract.

The AXA XL Treasury and Risk Management departments serve as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company. The Company also has access to several credit facilities.

A stressed liquidity analysis report is prepared on a quarterly basis by Treasury and Risk Management, which includes the Company's own view of the stressed sources and uses of liquidity over multiple time horizons (ranging from 1 week to 12 months). Entities must maintain excess liquidity post simultaneous stresses from cashflows, capital markets and Nat Cat over each horizon.

The state of the Company's liquidity is routinely reported to the Board and monitored as part of the RAF.

Risk monitoring

The Treasury department serves as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company.

Risk appetite

Risk appetite is captured through risk reporting to the RMC and Board and monitored as part of the RAF. The following outlines the Company's Liquidity risk appetite statement:

Risk type	Risk appetite statement
Liquidity risk	Ensure sufficient liquidity to ensure full operational and claims paying capability after considering the effects of a stress scenario over a 12 month time horizon.

Risk appetite links directly to the stress testing framework outlined below:

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury, which includes a view of the stressed sources and uses of liquidity over multiple time horizons (ranging from 1 week to 12 months).

Based on the above factors considered in scenario and stress testing, all liquidity risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Expected profit in future premium

Expected profit in future premium is the combination of profits in both unearned premium and bound but not incepted premium. The expected profit in future premium at December 31, 2022 was €256.5m compared to €17.6m at December 31, 2021.

The increase in expected profit is driven by an increase in BBNI volumes of business and higher risk-free yields (leading to higher discounting credit on expected future cashflows) compared to last year end.

C.5. Operational risk

Risk definition

The Company defines operational risk as the risk of loss, resulting from inadequate or failed internal controls and / or processes, or from people and systems, or from external events. Operational risks are defined consistent with the Basel II risk categorisation. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing (re)insurance business and having operations to support the writing of that business.

Risk identification

Operational risk is identified through the following processes:

Process	Description
Annual risk assessment	A risk register is maintained of the material risks faced by the Company. On an annual basis an assessment is performed on the risks on the risk register.
Consultation regarding new regulations	When the regulatory authorities announce potential changes to the regulatory environment (such as new rules and regulations) the Legal and Compliance team is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise. When new financial reporting regulations are announced, the CFO is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise.
Business planning	Any changes to the operational risk environment that arise as a result of the business planning (such as entry into new territories) must be identified and accounted for during the planning process.
Ongoing operations	Function heads and Risk Owners are responsible for identifying any new (or changed) risks during the normal course of business, and notifying the Policy Owners so any required changes to the risk register can be implemented.
Emerging risks	An emerging risks process is in place to identify and capture emerging risks. This assessment identifies key external factor changes that may give rise to operational risk issues.
Internal loss data	The Company collects data relating to operational risk losses and near misses on a quarterly basis. The data collected is used, among other things, to track incidents, identify key risk indicators and to validate and challenge operational risk quantification.
External loss data	The Company purchases historical loss data from an external provider. Large events from this database are used to identify new emerging risks.

Risk mitigation and monitoring

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

- Potential severity of the risk;
- Frequency of the risk occurring;
- Cost of implementing controls relative to the significance of the risk; and
- Appetite and tolerance for the risk.

An annual assessment is performed for all risks on the risk register. The assessment involves capturing the risk owner view of the potential severity should an incident occur relating to the risk, and the likelihood of such an incident occurring. Together this establishes the profile of each risk, allowing identification of top risks, thereby facilitating appropriate risk based monitoring.

Purchase of Insurance

It is recognised that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g. physical damage), non-monetary impacts may remain (including the impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss event reporting process.

Based on the above factors considered in scenario and stress testing, all operational risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

Risk appetite

Risk appetite is captured through risk reporting to the RMC and Board and monitored as part of the RAF. The Operational risk appetite is established as an amount of financial impact to individual risks with an alert and limit set up.

Stress testing framework

To support the identification and quantification of operational risks within the business the Company has a stress and scenario testing framework.

The stress testing includes multiple operational risk scenarios which are evaluated for the top operational risks identified via the risk assessment process

The operational scenarios are developed from the top risks assessed during the annual risk assessment process on a net assessment basis. The scenarios have multiple uses including:

- To monitor against operational risk appetite; and
- To better understand economic and reputational impact of the identified top operational risk exposures.

Based on the above factors considered in scenario and stress testing, all operational risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

C.6. Other material risks

Asset liability mismatch risk

Risk definition

Asset liability mismatch risk arises directly from a mismatch between assets and liabilities due to changes in market and credit risks, liquidity and FX and also arises from events affecting both asset and liability values.

In particular, two market risks influence both assets and liabilities and are hence key drivers of risk:

Component	Definition
Interest rate and spread risk and asset composition risk	Mismatches between asset composition and maturities and the profile of liability cash flows creates economic risks from changes in benchmark interest rates, spreads and asset values. This is due to changes in the nominal MTM value of assets not exactly offsetting changes in the nominal economic value (net-present value) of liability cash flows.
Inflation risk	Differences in the inflation sensitivity of investments, liability and debt cash flows creates a risk to unexpected changes in different types of inflation (Consumer Price Index, wage, etc.). This is due to changes in the real MTM value of assets not offsetting changes in the real economic value (net-present value) of liability cash flows.

FX risk is also a key consideration under asset liability mismatch risk which was outlined in Section C2 Market Risk. FX risk arises from mismatches in the currency denomination of assets relative to that of financial liabilities.

Risk identification

The following outlines the processes used to identify asset liability mismatch risk:

Process	Description
Business planning	As part of the annual strategic planning process, a review is undertaken of the nature (quality, duration, currency and liquidity) of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocation	The Investment Portfolio Authorities & Guidelines framework at AXA XL Division level and Investment Guidelines at Legal Entity level sets maximum thresholds and alert levels and is reviewed annually in conjunction with the SAA process as outlined in C2 Market Risk.
ERM risk assessment processes	The risk assessment processes assist in identifying if there are any changes to asset liability mismatch risks from those that had been identified in the previous risk assessment.

Risk treatment

The Company controls asset liability mismatch risk through:

- **ALM analysis**

The Company will conduct detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which follows determines the target allocation that maximizes the value of the Company subject to risk tolerance and other constraints. The SAA considers management's risk tolerance, liability cash flows, business plan, liquidity considerations, capital market forecasts and regulatory considerations. The ALM/SAA process is centralized at the AXA XL Division level and then target allocations are propagated down to the legal entity level further considering local aspects. This is typically performed annually and is mandatory to be completed at least once in every three years.

- **Investment RAF**

Board approved RAF limits are in place that address all the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company.

- **Stress testing framework**

The Company uses stress testing as one method to assess asset liability mismatch risk exposures. The following stress and scenario tests are used to identify risk exposures:

i. Interest rate and credit spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;

ii. FX stress tests on assets and liabilities; and

iii. Ad hoc scenario stress testing as deemed appropriate by Risk Management.

Stress testing framework

The Company uses scenario testing as one method to assess asset liability mismatch risk exposures. Investments undertakes a number of stress tests covering historical events and hypothetical scenarios to understand the impact of such scenarios to the investment portfolio.

Strategic risk

A strategic risk is the risk that has a negative impact (current or prospective) on earnings or capital, material at the Divisional level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- Significant changes in footprint, including through mergers and acquisitions;
- Product offering and client segmentation; and
- Distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no capital charge assessment but rather a strong strategic RMF in place in order to assess, anticipate and mitigate these risks.

Reputational Risk

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the Company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and policies established, while reputation problems are still latent, to reduce the probability and/or the expected costs of latent reputation problems becoming actual.

Emerging Risks

Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a high loss potential. To assess the impact of emerging risks at AXA XL, the Emerging Risks Committee as well as Emerging Risks Task Force are tasked with identifying, analysing, prioritising, quantifying, monitoring and reporting on emerging risks that could have an impact on our existing and future product offerings and business operations. The Emerging Risks Committee and Task Force work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions. The views and findings of the emerging risks team feed into the capital model.

Climate Change

Climate risk, and consequently climate change risk, is a key area of consideration to the Company. Climate leadership is one of the five key pillars of AXA Group's Driving Progress 2023 Strategic Plan, announced in December 2020.

All AXA lines of business, including those in AXA XL, now share the priority to "Sustain our Climate leadership position". AXA's strategy is not only to adapt, but also to take advantage of its expertise to provide solutions. Indeed, insurers can leverage their risk management experience, the vast number of claims data they collect, and the research they can fund to better understand and address climate-related risks. Moreover, underwriting decisions emphasize the risks society is taking, foster prevention actions to mitigate them, and support transition towards a low-carbon economy. Finally, investment decisions send strong signals to the investment community and to the specific companies invested in.

The Company is exposed to all forms of climate and climate change risk, namely:

- Physical risks: These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity. The Company has exposure to natural catastrophes which therefore might be impacted and is supported by an AXA XL Division Science & Natural Perils team who consider the impact of climate change on the natural catastrophe models. Our ceded reinsurance protections act to mitigate the risks from natural perils, including those related to climate. However, the hazard changes from the impact of climate change on natural perils are likely to present themselves gradually over a long time period and therefore we view this risk as chronic rather than acute;

- Transition risks: These are financial risks which could arise from the transition to a lower-carbon economy, incorporating changes in policy, technology and consumer preference. This can include both loss-causing impacts and the future stability of some of our product portfolios. This risk impacts the Company in, for example, the energy sector where we are seeing the impact of COP 21 & 26 and a move towards insuring renewable energy initiatives as well as monitoring areas such as the motor, aviation, construction and other areas where business could be impacted. Our underwriter workshops have enabled the dissemination of the wealth of knowledge and expertise underwriters have in their specific classes of business. This expert knowledge and engagement with our clients enable AXA XL to be resilient to the changing risks we face in this area; and

- Liability and litigation risks: These are risks that arise from parties who have suffered loss or damage from climate change, and then seek to recover losses from others who they believe may have been responsible or whose actions they want to influence. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all the cost to insurance firms under third-party liability contracts such as professional indemnity (PI) or directors' and officers' (D&O) insurance. Where liability is not ruled or settled, the Company could still be exposed to the costs of duty to defend, should clients seek to recover costs here. The Company has exposure across a range of industries which could be targeted in climate change litigation.

  Climate change risks have potential impacts on our underwriting, investments, and company operations and therefore this risk has dedicated groups to ensure that the transversal nature is duly considered, appropriately managed and mitigated. Given the long time horizon over which these risks may emerge and the considerable uncertainty in future projections, AXA XL has been developing a series of stress tests to better understand the long term implications for this risk.

Investment Strategy

In addition to the climate and climate change risks impact on underwriting as discussed above, climate risk is factored in through the AXA Responsible Investment Strategy which drives the AXA XL Division and therefore the Company's investment strategy. This strategy is based on the following 6 pillars.

1. **ESG Integration:** We integrate ESG analysis into investment processes, using KPIs and qualitative research across most of our assets. This includes the implementation of ESG "minimum standards" rules based on ESG and controversy scores to review and potentially exclude underperforming issuers from AXA's portfolios. Moreover, ESG considerations as well as the transparency of the issuers are integrated in the internal credit risk analysis.

2. **Climate-related portfolio alignment:** Carbon metrics are integrated into investment decisions. We are also developing metrics for measuring the climate-related impact of our investments, in particular the contribution of our investments to the objective of the COP21 ("Paris Agreement") to limit global warming. In addition to quantifying the impact of our investments on climate change, we might divest parts of the portfolio (coal, oil sands) or exclude whole sectors to effectively pursue climate-related objectives.

3. **Exclusions and sensitive ESG investments:** Sector-based restrictions apply to sectors or companies that face acute social, human rights, ethical or environmental challenges. These currently include controversial weapons, coal mining and coal-based power generation, tar oil sands and associated pipelines, palm oil, food commodity derivatives, and tobacco.

4. **A green investment target and transition financing:** To increase the allocation of green assets across various asset classes and to support companies shifting towards less carbon-intensive business models. The selection of green investments is based on proprietary analysis and encompasses various asset classes, currently green bonds, infrastructure investments, real estate and impact investments targeting positive environmental impacts.

5. **Impact Investments:** We allocate capital to impact investments that are creating intentional, positive, measurable and sustainable impacts on society while simultaneously delivering financial market returns. Our investments address key environmental and social challenges and are aligned with the UN Sustainable Development Goals ("SDG").

6. **Active Stewardship:** As a shareholder and a bondholder, we engage with the management of companies in which we invest in order to encourage high standards of corporate governance as well as good management of environmental and social risks. We hold constructive and challenging discussions directly with companies individually, and as part of a coalition of investors.

C.7. Any other information

There is no other material information regarding the Risk Profile of the Company.

D. Valuation for Solvency Purposes

This section contains information regarding the valuation of balance sheet items for solvency purposes. The SII Balance Sheet S.02.01.02 is shown in the Public QRT section at the end of this report. A reconciliation between the Irish GAAP balance sheet and the SII balance sheet is presented below. The numbering of line items refers to the comments which follow. Based on the differences in this template a reconciliation between the Irish GAAP equity and SII equity is provided in Section E.1.2 below.

This section describes the bases, methods and main assumptions used in the valuation of assets for solvency purposes of each material class of asset. The material quantitative differences between the value of assets in the balance sheets presented below are explained. Where individual line items are not material they have been grouped together.

Each material asset class is as described in paragraph D.1. Valuation of technical provisions are calculated as the sum of the best estimate and the risk margin, as described in paragraph D.2. Other liabilities are described in paragraph D.3.

			2022		**2021**
	Reference	**Irish GAAP Value**	**Adjustment**	**SII Value**	**SII Value**
Assets		**€'000**	**€'000**	**€'000**	**€'000**
Deferred Acquisition Costs (DAC)*	1	40,745	(40,745)	—	—
Deferred tax asset	2	88,801	(6,455)	82,346	84,195
Property, plant and equipment	3	18	—	18	38
Investments (excl participations)	4	1,653,383	30,769	1,684,152	1,991,480
Reinsurance recoverables	5	2,415,943	(783,370)	1,632,573	1,401,979
Deposits to cedants	6	134,179	—	134,179	151,722
Insurance and intermediaries receivables	7	613,565	(481,134)	132,431	142,825
Reinsurance receivables	8	122,843	(21,755)	101,088	1,539
Cash and cash equivalents	9	61,121	(20,750)	40,371	120,928
Any other assets, not elsewhere shown	10	26,246	(10,020)	16,226	19,577
Total assets		**5,156,844**	**(1,333,460)**	**3,823,384**	**3,914,283**
Liabilities					
Technical provisions (best estimates) - Non-Life & health similar to non-life	11	3,463,619	(1,240,629)	2,222,990	2,328,748
Technical provisions (risk margin) - Non-Life & health similar to non-life	11		158,025	158,025	238,261
Technical provisions (best estimates) - Life & health similar to life	11	74,228	62,018	136,246	221,897
Technical provisions (risk margin) - Life & health similar to life	11		4,340	4,340	16,828
Deposits from reinsurers	12	88,677	(17,851)	70,826	75,810
Deferred tax liabilities	13	—	—	—	—
Reinsurance payables	14	540,523	(330,052)	210,471	79,000
Any other liabilities, not elsewhere shown	15	49,737	—	49,737	34,526
Total liabilities		**4,216,784**	**(1,364,149)**	**2,852,635**	**2,995,071**
Excess assets over liabilities		**940,060**	**30,689**	**970,749**	**919,211**

* Please note that included within the Deferred acquisition costs ("DAC") adjustment above is a DAC asset of €100.2m offset by a DAC liability of €59.4m.

D.1. Assets

This section describes the bases, methods and main assumptions used in the valuation for solvency purposes of each material class of assets. The material quantitative differences between the value of assets in the 31 December 2022 balance sheets presented in Section D above are explained. The numbering of the balance sheet line items refers to the comments below. Based on the differences in this section a reconciliation is prepared to reflect the difference between the Irish GAAP equity and SII equity. No significant changes were made to the recognition and valuation bases or to estimations applied to assets or liabilities during the year.

The SII Balance Sheet requires an economic (fair value) valuation for all assets and other liabilities. On this basis, the following hierarchy of high level principles for the valuation of all assets and other liabilities is used:

I. Undertakings must use quoted market prices in active markets for the same assets or liabilities as the default valuation method, notwithstanding if the applicable GAAP would allow a different approach. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

II. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;

III. If there are no quoted market prices in active markets available, undertakings should use mark-to-model techniques, which is any alternative valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input;

IV. Undertakings have to make maximum use of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs; and

V. When valuing liabilities using fair value, an adjustment is required to remove the own credit risk of the liability.

The differences between the Irish GAAP and SII valuation for assets are set out below:

1. DAC are costs relating to the acquisition of new business for reinsurance contracts. Under Irish GAAP these costs are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts. Recognition of DAC is not permitted under SII.

2. Under SII the valuation of deferred tax assets is determined by the differences between the economic valuation of an asset or liability on the SII balance sheet and its tax base. A deferred tax asset can only be recognised to the extent it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The deferred tax asset valuation has changed given the differences between the tax base of the SII balance sheet compared to the tax base of the Irish GAAP balance sheet.

3. Property, plant and equipment is held at cost less any depreciation and impairment loss under Irish GAAP. This valuation is a proxy for fair value under SII. The immateriality of the balance also contributed to choosing this approach.

4. The reasons for the difference in presentation between SII and Irish GAAP valuation bases for investments are set out below:

    - accrued investment income is included within the value of investments under SII, whereas it is disclosed separately in the Irish GAAP balance sheet.

    - certain cash instruments in the Irish GAAP balance sheet are reclassified from cash and cash equivalents to investments under SII.

5. See Section D2.2 for a discussion of reinsurance recoveries under Irish GAAP compared to SII.

6. Deposits to cedants are valued at cost less provision for impairment under Irish GAAP and SII.

7. Insurance and intermediaries receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The valuation differs to SII due to the fact that all of the not-yet-due insurance and intermediaries receivables are transferred to technical provisions under SII. As this is simply a balance sheet re-classification between assets and liabilities there is no material impact on equity (apart from the fact that non-yet-due balances are discounted within technical provisions). Only the due receivables remain in assets under SII and are measured at cost less provision for impairment as a reasonable proxy for fair value given the short-term nature of these assets.

8. Reinsurance receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The difference to SII presentation represents creditors from reinsurers that relate to settled claims of policyholders. This was netted off against Reinsurance payables under Irish GAAP; however transferred to assets for SII. Therefore, there is no impact on equity for this adjustment (apart from the fact that not-yet-due balances are discounted within technical provisions). Cost less provision for impairment is a reasonable proxy for fair value for the SII measurement given the short term nature of these assets.

9. Cash and cash equivalents are measured at fair value under both Irish GAAP and SII. The difference in presentation in cash represents certain cash equivalents under Irish GAAP which are classified as investments under SII.

10. Other assets are measured at cost less provision for impairment under Irish GAAP, which is a reasonable proxy for fair value under SII given the short-term nature of the assets. The majority of the difference is due to the fact that under SII accrued investment income is included within the value of the investment; whereas it is disclosed separately in the Irish GAAP balance sheet, or within 'Other assets' in the GAAP section of the Balance Sheet.

D.2. Technical provisions

Items 5 and 11 from the SII Balance Sheet in Section D above are combined below to present Net Technical Provisions:

		SII Value	
		2022	**2021**
		€'000	**€'000**
Technical provisions (best estimates) - Non-life & health similar to non-life	11	2,222,998	2,328,748
Technical provisions (risk margin) - Non-life & health similar to non-life	11	158,025	238,261
Technical provisions (best estimates) - Life & health similar to life	11	136,245	221,897
Technical provisions (risk margin) - Life & health similar to life	11	4,340	16,828
Gross Technical Provisions		2,521,609	2,805,734
Reinsurance recoverables	5	(1,632,575)	(1,401,978)
Net Technical Provisions		**889,035**	**1,403,756**

D.2.1 Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using risk-free discount rate term structures. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and risk-free discount rate term structures. The discount rate term structures are prescribed by EIOPA for each reporting period.

The best estimate for the non-life claims provision is calculated by using Irish GAAP reserves as the starting point and then performing a series of adjustments:

- Removal of discounting permissible under GAAP (e.g. Periodical Payment Orders);
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation or the identification of events not in data ("ENID") as appropriate;
- Future premiums (payables and receivables);
- Other adjustments related to the consideration of investment and operating expenses, etc.; and
- Allowance for discounting future cash flows.

Within the non-life provisions the removal of prudential margins is not typically required as GAAP reserves are established on a best estimate basis.

The best estimate for the premium provision is calculated by using the gross unearned premium reserve on a GAAP basis, and then performing a series of adjustments:

- Gross and ceded premiums on already obliged but yet to incept business;
- Applying expected future gross loss ratios;
- Reinsurance recoveries (with allowance for expected counterparty default);
- Incorporation of ENID;
- Future premiums (payables and receivables);
- Other adjustments related to the consideration of investment and operating expenses, etc.;
- Adjustments for lapses as appropriate; and
- Allowance for discounting future cash flows.

For the life business the best estimate cashflows are produced using actuarial assumptions for mortality, morbidity, persistency and expenses based on the historic experience of the portfolios and making allowance for future trends. The technical provisions adjust the cashflows to reflect the time value of money using a risk-free discount rate term structure.

The Technical Provisions calculations do not apply the matching adjustment, volatility adjustment, or transitional measures referred to in Articles 77b, d and 308c, d of Directive 2009/138/EC.

The following table shows the total net Technical Provisions as at 31 December for each material line of business:

2022

€'000	Best Estimate	Risk Margin	Total	% of Total
Non-proportional casualty	223,523	93,828	317,351	35 %
Non-proportional property	202,768	25,911	228,679	25 %
General liability proportional reinsurance	64,391	7,660	72,051	8 %
Others	231,010	30,626	261,636	29 %
Total Non-Life	721,691	158,025	879,716	98 %
Life Liabilities	4,978	16,828	21,806	2 %
Total	**726,669**	**174,853**	**901,522**	**100 %**

2021

€'000	Best Estimate	Risk Margin	Total	% of Total
Non-proportional casualty	526,257	156,969	683,226	49 %
Non-proportional property	182,271	41,749	224,020	16 %
General liability proportional reinsurance	105,020	10,333	115,353	8 %
Others	258,938	29,209	288,147	21 %
Total Non-Life	1,072,486	238,260	1,310,746	93 %
Life Liabilities	76,181	16,828	93,009	7 %
Total	**1,148,667**	**255,088**	**1,403,756**	**100 %**

Non-life non-proportional reinsurance represents over 70% of the Company’s net Technical Provisions. The main methods and assumptions are applied consistently across all lines of business including standard actuarial techniques, chain-ladder method and Bornhuetter-Ferguson, which are used in the projection of the claims provisions. Major Events are identified and separately valued based on expected exposures to the Company.

Non-proportional casualty reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different exposures including the separation of motor, general liability and professional liability. Major Events are identified and separately valued based on expected exposures to the Company. Future liabilities for UK PPOs are included in this class (settled PPO liabilities are included within the life lines of business).

Non-proportional property reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different profiles of CAT, per risk property and engineering reinsurance. Major Events are identified and separately valued based on expected exposures to the Company.

Non-proportional marine, aviation and transport reinsurance

Standard actuarial techniques are used to value each separate reserving class allowing for the different profiles of marine and aviation exposures. Major Events are identified and separately valued based on expected exposures to the Company.

Risk Margin

The Risk Margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The Risk Margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime at a prescribed cost of capital rate of 6% per annum. The Company projects the run-off of each risk type individually with each future SCR for reserve risk re-calculated by line of business. This is simplification 1 of Guideline 61 of the Level 3 guidance on Technical Provisions.

Changes during the year

There has been no material change in the methodology or assumptions used to calculate the technical provisions during the year, with the exception of the refinement of the Solvency II expenses methodology and assumptions to better align with Group. This resulted in a more market-consistent allowance for future expenses included within the best estimate liabilities and had the effect of reducing the technical provisions compared to last year end. Claim experience during the year which is different to that expected is generally reflected in the year-end provisions with the exception of the most recent underwriting years of long-tail classes which are reserved using a Target Loss Ratio approach.

D.2.2 Description of Recoverables from Reinsurance Contracts

The reinsurance recoverables for the claims provisions are sourced directly from the GAAP submissions.

Within the premium provisions, the estimated ceded recoveries are calculated by applying loss ratios reflecting the reinsurance programmes applicable to the ceded premium amounts.

For life business, reinsurance recoverables are calculated using the same principles as the gross reserves.

An allowance is made for Reinsurance Counterparty Default based on the credit rating for each reinsurer over the lifetime of the liabilities.

D.2.3 Uncertainty/limitations associated with the value of the technical provisions

There is an inherent uncertainty in the estimates as there is in any estimate of claim reserves. It is certain that actual future losses will not develop exactly as projected and may vary significantly from our projections as actuarial indications are subject to uncertainty from various sources, including but not limited to changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and general economic conditions. This uncertainty stems from several factors including lack of historical data, uncertainty with regard to claim costs, coverage interpretations and the judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. Further, the projections make no provisions for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the historical data or that are not yet quantifiable.

In particular, for the Company, inflation and legal trends affect non-prop casualty provisions although this is mitigated due to the level of territorial and product diversification. The provisions for UK PPO claims are subject to uncertainty from longevity and the rate of escalation of the annual payments. Due to the predominance of 1st January incepting business the Premium Provision allows for a significant proportion of the annual underwriting risk on a best estimate basis, the actual performance may be significantly different and in particular from exposure to European Windstorm events as discussed in section C1, albeit the volumes of business underlying this particular risk have reduced compared to last year end.

For life business, there is also uncertainty in the estimates of future cashflows used to determine the technical provisions. This uncertainty comes from a number of sources including differences between the estimated future decrement rates (i.e. mortality, morbidity and lapse rates) and those ultimately experienced.

D.3. Other liabilities

The following table details the value of each material class of other liabilities under both Irish GAAP and SII at 31 December 2022 and comparatives for 2021:

		2022			2021
	Reference	Irish GAAP Value	Adjustment	SII Value	SII Value
		€'000	€'000	€'000	€'000
Deposits from reinsurers	12	88,677	(17,851)	70,826	75,810
Deferred tax liabilities	13	—	—	—	(584)
Reinsurance payables	14	540,523	(330,051)	210,472	78,999
Any other liabilities, not elsewhere shown	15	49,736	—	49,736	34,526
Total other liabilities		**678,936**	**(347,902)**	**331,034**	**188,752**

Details on the material differences between the bases, methods and main assumptions between Irish GAAP and SII valuation for liabilities are set out below:

12. Irish GAAP deposits from reinsurers are measured at fair value. Under SII, an adjustment to deposits from reinsurers relates to deferred income on the retrocession transaction with the parent company, AXA XL Reinsurance Ltd.

13. Under SII the valuation of deferred tax liabilities is determined by the differences between the economic valuation of an asset or liability on the SII balance sheet and its tax base. The deferred tax liability valuation has changed given the differences between the tax base of the SII balance sheet and the tax base of the Irish GAAP balance sheet.

14. Reinsurance payables are held at amortised cost under Irish GAAP. All of these amounts that are due to be paid at a future date have been transferred to technical provisions under SII and therefore there is no impact on Own Funds for this adjustment (apart from an immaterial amount due to the discounting of reinsurance premium payables within technical provisions).

15. The majority of other liabilities represents accruals made for amounts due. Accruals are measured at fair value under both Irish GAAP and SII.

No significant changes were made to the recognition and valuation bases or to estimations applied to assets or liabilities during the year.

D.4. Alternative methods for valuation

At year end there were no investments categorised as hedge funds.

All current investments are valued using inputs that include:

- Unadjusted quoted prices in an active market for identical assets or liabilities that the Company can access at the measurement date; or
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly; or
- Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

With respect to investments, it is common industry practice to use pricing services as a source for determining fair values where the pricing services are able to obtain sufficient market-corroborating information to allow them to produce a valuation at a reporting date. In the vast majority of valuations, the pricing services use market approaches to valuations using inputs described above. For a small percentage of fixed income securities, the pricing services may use some form of discounted cash flow analysis. Standard inputs to the valuations provided by the pricing services listed in approximate order of priority for use when available include: reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.

Given the nature of the Company's debt security portfolio, management considers the approach to provide an appropriate measure of fair value, with limited valuation uncertainty.

The Company performs regular reviews of the prices received from third party valuation sources to assess whether the prices represent a reasonable estimate of the fair value. This process is completed by investment and accounting personnel who are independent of those responsible for obtaining the valuations. The approaches we take include, but are not limited to, annual reviews of the controls of the external parties responsible for sourcing valuations that are subjected to automated tolerance checks, quarterly reviews of the valuation sources and dates, and comparison of executed sales prices to prior valuations.

There are no other material assets or liabilities which are valued using alternative methods of valuation.

D.5. Any other information

There is no other material information regarding the valuation of assets and liabilities for SII.

E. Capital Management

E.1. Own Funds

This section provides a view of the capital management activities of the Company, its capital management methods and the structure, amount and quality of its own funds. Under SII, capital is referred to as Own Funds. Own Funds are calculated from the excess of assets over liabilities in the SII balance sheet, to which any subordinated debt is then added. This combined amount is known as Basic Own Funds ("BOF"). Total Own Funds may include Ancillary Own Funds which are off-balance-sheet items that can be called up to absorb losses, however, the Company does not have any Ancillary Own Funds. Own Funds are classified into tiers and restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements. The classification into tiers is relevant to the determination of Eligible Own Funds. These are the own funds that are eligible for covering the SCR and the MCR and are outlined further in Section E.1.2.

The Company has a capital maintenance agreement with XLB which is not included in Own Funds.

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

The objective of Own Funds management is to maintain, at all times, sufficient Own Funds to cover the SCR and MCR. The Own Funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company allocates capital efficiently to achieve sustainable returns and facilitate growth, and strive to maintain capital levels that are consistent with the Company's risk appetite corporate strategy and statutory requirements.

The Company monitors its Own Funds and the Solvency Ratio at least quarterly and the Board receives a regular assessment of the capital position. In addition, a dashboard of capital triggers is monitored to identify any instances which would require a recalculation of capital requirements. The Committees which review solvency are described in more detail in Section B1 General Information on the System of Governance, and responsibility ultimately rests with the Company's Board. As part of Own Funds management, the Company prepares ongoing solvency projections and reviews the structure of its Own Funds and future requirements. The business plan, which forms the base for the ORSA, contains a three year projection of funding requirements and this helps focus actions for future funding.

There have been no changes to the capital management objectives during the year.

E.1.2 Eligible Own Funds

The starting point to determine Eligible Own Funds is to prepare the Company balance sheet on a SII basis. The SII balance sheet is derived from the Irish GAAP balance sheet by making the adjustments necessary to reflect the SII valuation basis of assets and liabilities. This SII balance sheet then provides the BOF which are categorised into the three SII tiers. There are restrictions on the amount of Tier 2 and Tier 3 capital which can be used to meet the SCR, as well as the MCR.

The difference between the net assets of the Company in the financial statements and the solvency valuation of the excess of the assets over liabilities is set out below. The adjustments are documented in section D covering valuation of assets and liabilities.

	2022	2021
Reconciliation between equity shown in the financial statements and net assets per SII and eligible own funds	**€'000**	**€'000**
Net assets per financial statements	940,060	1,149,789
Adjustments for technical provision and risk margin under SII	77,889	(256,451)
Adjustments for DAC	(40,745)	(36,579)
Deferred tax adjustment	(6,455)	61,867
Other adjustments	—	586
Net assets per SII	**970,749**	**919,212**
Foreseeable dividends, distributions and charges	—	—
Available and eligible own funds	**970,749**	**919,212**

Tiering of Basic Own Funds

At December 31, the Company's BOF were assigned to the SII tiers as shown in the following table:

2022	**Tier 1 - unrestricted**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**
Ordinary share capital	788,859	—	788,859
Net Deferred Tax Asset	—	82,346	82,346
Reconciliation reserve	99,544	—	99,544
Total BOF	**888,403**	**82,346**	**970,749**

—

2021	**Tier 1 - unrestricted**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**
Ordinary share capital	788,859	—	788,859
Net Deferred Tax Asset	—	84,195	84,195
Reconciliation reserve	46,158	—	46,158
Total BOF	**835,017**	**84,195**	**919,212**

The increase in own funds is driven by the movement in other reserves namely the currency translation adjustments during the year. The Company has no Eligible Own Funds classed as Tier II.

The Company's ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a) (i) of the Delegated Regulation. The ordinary share capital is not subordinated and has no restricted duration. This year the directors did not recommend the payment of a final dividend (2021 €0m). The reconciliation reserve of €96.8m (2021: €(46.2m)) comprises net assets from the SII balance sheet of €974.4m (2021: €919.2m) less ordinary share capital of €788.9m (2021: €788.9m), dividend of zero (2021: €0m) and deferred tax asset of €88.8m (2021: €84.2m). The total capital contribution of €209.3m, was partially received in 2020 with the remaining amount received in 2021 and is classified under Tier 1 - unrestricted and is included, within reconciliation reserve.

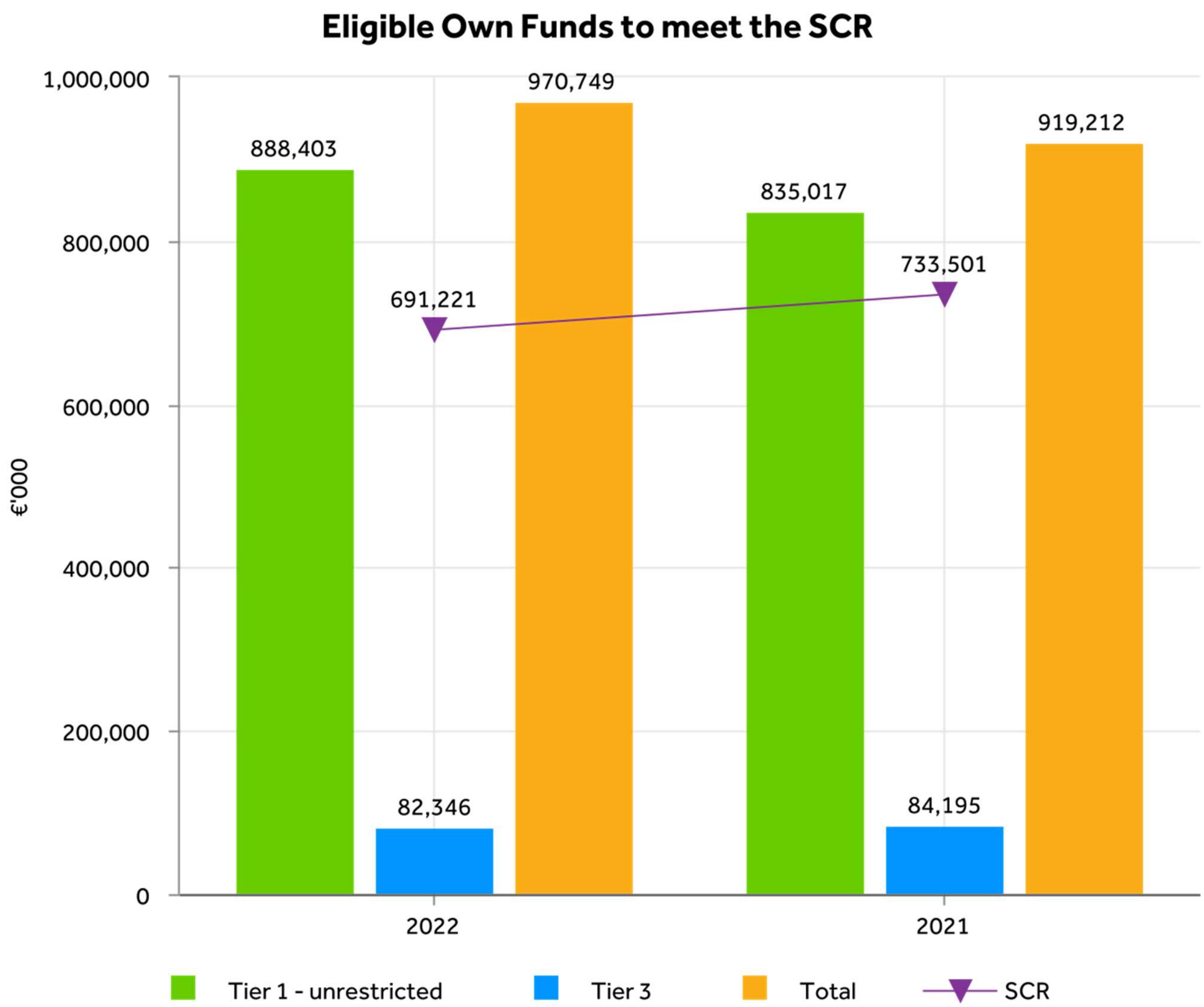
Eligible Own Funds

The classification into tiers is relevant to the determination of Eligible Own Funds. These are the own funds that are eligible for covering the SCR and the MCR. In particular, the MCR must be covered by Tier 1 and Tier 2 capital, and may not therefore be covered by Tier 3 capital.

Eligible Own Funds to meet the SF SCR and MCR at December 31, 2022 and 2021 are detailed below:

2022	**Tier 1 - unrestricted**	**Tier 3**	**Total**
	€'000	**€'000**	**€'000**
Total available own funds to meet the SCR	888,403	82,346	970,749
Total available own funds to meet the MCR	888,403	82,346	970,749

2021	**Tier 1 - unrestricted**	**Tier 3**	**Total**
	€'000	**€'000**	**€'000**
Total available own funds to meet the SCR	835,017	84,195	919,212
Total available own funds to meet the MCR	835,017	84,195	919,212



Eligible Own Funds to cover Capital Requirements

The SCR is set at a level to ensure that insurers can meet their obligations to policy holders over the following 12 months with a 99.5% probability, giving reasonable assurance to policyholders that payments will be made as they fall due.

The table below shows the ratio of Eligible Own Funds that the Company holds to cover the SCR and MCR at 31 December 2022 and 2021:

	2022	2021
	€'000	€'000
SCR	691,221	733,501
MCR	172,805	217,728
Total eligible own funds to meet the SCR	970,749	919,212
Total eligible own funds to meet the MCR	888,403	835,017
	%	%
Ratio of Eligible own funds to SCR	**140.4 %**	**125.3 %**
Ratio of Eligible own funds to MCR	**514.1 %**	**383.5 %**

Deferred Tax Asset

As part of the annual regulatory SCR process risk and finance undertake an exercise to support the deferred tax asset taken in the regulatory return, calculated using the SF.

The approach to this work includes:

- The selected loss amount in extreme scenarios impacting the insurance risk profile of the Company and therefore linked to the SF Insurance risk charge.
- The future planned profit for the next five years following the loss is consistent with the AXA XL divisional strategic planning process.

The Company has recognised a net deferred tax asset of €82.3m (2021:€84.2m) which is available as BOF classified as Tier 3 Own Funds. This net deferred tax asset has been recognised based on the probable future taxable profit of the Company and considers the deferred tax liabilities relating to income taxes levied by the same taxation authority.

The recognition of €98.8m (2021: €104.8m) of loss absorbing capacity of deferred tax has been based on the extent to which offsetting is permitted according to the relevant tax regimes and will offset against future profits based on the budget forecasts.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR results

The SCR is the amount of Own Funds that the Company is required to hold in line with the SII Directive. The SF SCR calculation is calibrated to ensure that all quantifiable risks are taken into account.

The SCR and MCR under the SF at 31 December 2022 and 2021 are set out below:

	2022	2021
	€'000	€'000
SCR	691,221	733,501
MCR	172,805	217,728

The SF process is owned by the Finance function and involves a cooperative cross-functional effort across the organization, with input from Risk, Finance, Actuarial, Underwriting, Capital Management, Investments and other relevant stakeholders. The results are subject to various levels of review, including by a nominated director of the Board. The Company is not subject to any capital add-ons.

The SF MCR is calculated based on the same data sources used to produce the SF SCR.

The Company uses the SF to calculate its MCR. The amount of the MCR for the reporting period is €172.9m (2021: €217.7m).

	2022	2021
Overall MCR calculation	**€'000**	**€'000**
Linear MCR	172,569	217,728
SCR	691,221	733,501
MCR cap	311,050	330,075
MCR floor	172,805	183,375
Combined MCR	172,805	217,728
Absolute floor of the MCR	3,900	3,600
Minimum Capital Requirement	**172,805**	**217,728**

The main reason for the increase in the MCR was due to increases in net technical provisions with the largest increase on non-prop casualty and property.

The non-life MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions split by SII class of business. The charge for premium and technical provision elements are then summed to create a total charge. The inputs used to calculate the MCR as follows:

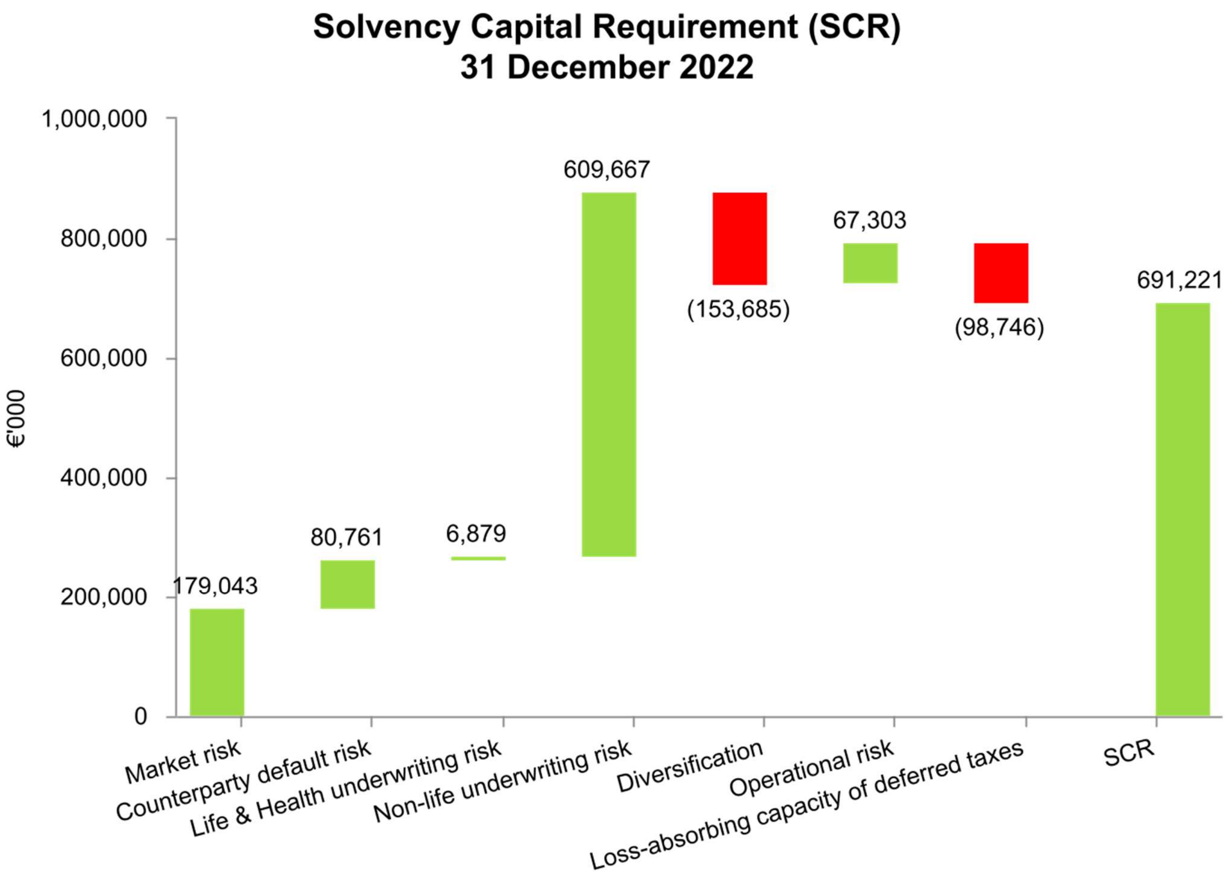
	2022	2021	2022	2021
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance) written premiums in the last 12 months
	€'000	€'000	€'000	€'000
Income protection insurance and proportional reinsurance	1,900	1,379	1,054	1,695
Workers' compensation insurance and proportional reinsurance	4,145	1,826	—	25
Motor vehicle liability insurance and proportional reinsurance	64,797	92,754	18,822	14,647
Marine, aviation and transport insurance and proportional reinsurance	48,753	57,007	44,746	45,448
Fire and other damage to property insurance and proportional reinsurance	36,080	57,890	34,961	24,897
General liability insurance and proportional reinsurance	64,390	105,020	35,767	31,096
Credit and suretyship insurance and proportional reinsurance	4,541	3,944	2,587	2,376
Non-prop health reinsurance	2,663	1,803	4,457	1,913
Non-prop casualty reinsurance	223,520	526,257	161,961	98,563
Non-prop marine, aviation and transport reinsurance	68,131	42,336	32,806	12,043
Non-prop property reinsurance	202,763	182,271	66,410	82,129

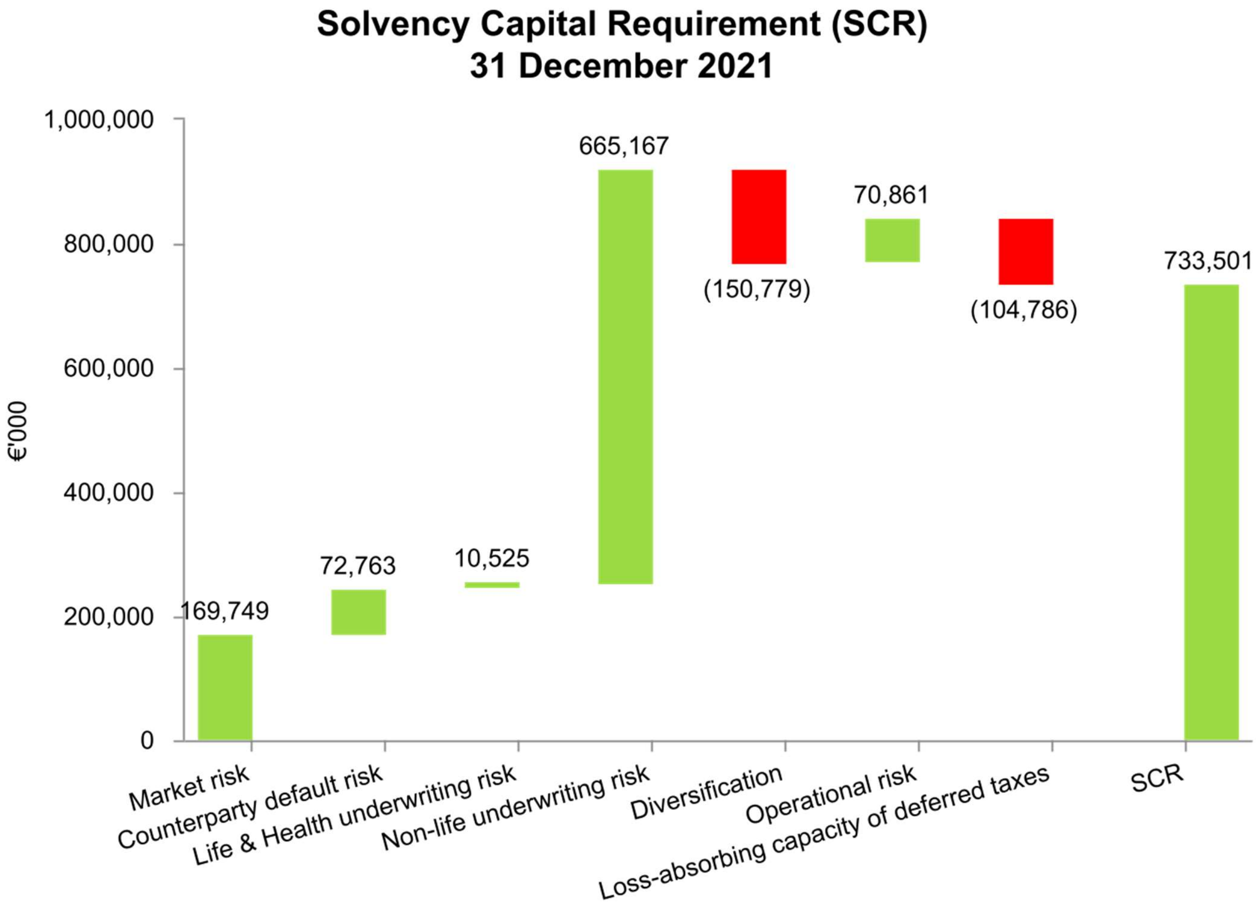
The inputs used to calculate the life MCR as follows:

	2022	2021
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) best estimate and TP calculated as a whole
	€'000s	€'000s
Other life (re)insurance and health (re)insurance obligations	4,978	76,181

E.2.2 SCR by risk module

The SCR by risk module is set out below:





The Company has only used simplified calculations in applying the SF module for Counterparty default risk (Credit risk).

There has been no use of Undertaking Specific Parameters in the underwriting risk calculations.

Market Risk

The Company is exposed to market risk derived predominately from the assets held by the Company to meet its insurance liabilities.

- **Spread risk -** mainly driven by the Company's investments in bonds and securitised assets;
- **Interest rate risk -** driven by the changes in assets and liabilities of the Company due to changes in discount rates;
- **Property risk -** driven by investments in property;
- **Equity risk -** mainly driven by investments in equities; and
- **Currency risk -** mainly driven by the exposure of the Company's assets and liabilities denominated in foreign currencies.

Market Risk	2022 €'000	2021 €'000
Interest Rate risk	45,357	43,765
Equity Risk	11,536	7,604
Property Risk	25,682	23,305
Spread Risk	91,450	119,009
Concentration Risk	10,353	6,057
Currency Risk	91,600	51,811
Market Risk Diversification	(96,934)	(81,802)
Total Market Risk	**179,044**	**169,749**

Market risk remained stable from 2021 to 2022. The following material movements can be observed from the above table:

- Equity risk increased due to the increase in the asset base compared to prior year;
- Spread risk decreased due to the asset transfer during the fourth quarter in relation to the new retrocession;
- Concentration risk increased due to the reduction in the asset based compared to prior year;
- Currency risk increased from holding proportionately less EUR denominated assets than the prior year; and
- All of the above is partially offset by an increase in market risk diversification.

Counterparty Risk

The Company is exposed to counterparty risks in the form of cash deposits, recoveries from reinsurers, funds withheld and reinsurance receivables (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

Counterparty Risk	2022 €'000	2021 €'000
Type I (RI + Cash)	56,889	49,982
Type II (Intermediaries)	28,793	27,332
Counterparty Risk Diversification	(4,921)	(4,551)
Total Counterparty Risk	**80,761**	**72,763**

The counterparty risk has increased since year end 2021 due to increase in recoverables which was partially reduced by the decrease in cash and receivables .

Life Underwriting Risk

The Company is exposed to life underwriting risk as a result of the reinsurance policies it sells and annuities stemming from non-life accepted insurance contracts.

Life Underwriting Risk	2022 €'000	2021 €'000
Mortality risk	174	197
Longevity Risk	—	5,276
Lapse Risk	857	1,285
Expense Risk	1,402	3,666
Life CAT	91	105
Diversification	(481)	(2,728)
Life Underwriting Risk Total	**2,042**	**7,801**

The life underwriting risk has decreased in line with the decrease in life technical provisions.

Health Underwriting Risk

€4.8m (2021: €2.7m) of premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines.

Health Underwriting Risk	2022 €'000	2021 €'000
Premium and Reserve Risk	4,837	2,725
Health Underwriting Risk Total	**4,837**	**2,725**

Health underwriting risk has increased due to a slight increase in premium volume for non-prop health business.

Non-Life Underwriting Risk

Non-life underwriting risk is the largest component of the SCR and is mainly driven from:

- Premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines; and
- Catastrophe ("CAT") risk driven by the Company's exposure to both man-made Catastrophe and Natural Catastrophe risks.

Non-Life Underwriting Risk	2022 €'000	2021 €'000
Premium and Reserve Risk	399,058	512,587
CAT Risk	370,798	314,421
Lapse Risk	31,162	16,002
Non-Life Diversification	(191,350)	(177,844)
Non-Life Underwriting Risk Total	**609,668**	**665,166**

The non-life underwriting risk has decreased compared to prior year due to decreased in premium and reserve risk. The largest decreased in the premium and reserve risk are in respect of on non-prop casualty and property technical provisions compared to the prior year.

Operational Risk

€67.3m (2021: €70.9m) operational risk is driven by technical provisions and earned premiums of all lines of business which has driven the decreased of €3.5m.

Loss absorbing capacity of deferred tax

The recognition of €98.8m (2021: €104.8m) of loss absorbing capacity of deferred tax has been based on the extent to which offsetting is permitted according to the relevant tax regimes and will offset against future profits based on the budget forecasts.

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

The Company is not using the duration-based equity risk sub-module. This is not applicable to the Company as it does not provide retirement benefits.

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

This section is not applicable to the Company as it does not use an approved internal model.

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

During the reporting period, there were no instances of non-compliance with the SII capital requirements. In addition, the Company held own funds in excess of the SCR and MCR requirements over the reporting period.

E.6. Any other information

There is no other material information regarding capital management.

Public Quantitative Reporting Templates

S.01.02.01 Basic information - 31/12/2022

		C0010
Undertaking name	R0010	XL Re Europe SE
Undertaking identification code	R0020	LEI\6354005OC5UTPXJQ9E28
Type of code of undertaking	R0030	LEI
Type of undertaking	R0040	6 – Reinsurance undertakings
Country of authorisation	R0050	IE
Language of reporting	R0070	English
Reporting submission date	R0080	07/04/2023
Reporting reference date	R0090	31/12/2022
Currency used for reporting	R0110	EUR
Accounting standards	R0120	Irish GAAP
Method of Calculation of the SCR	R0130	1 – SF
Use of undertaking specific parameters	R0140	2 - Don't use undertaking specific parameters
Ring-fenced funds	R0150	2 - Not reporting activity by RFF
Matching adjustment	R0170	2 - No use of matching adjustment
Volatility adjustment	R0180	2 - No use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	2 - No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	R0200	2 - No use of transitional measure on technical provisions
Exemption of reporting ECAI information	R0250	0 - Not exempted

S.02.01.02 Balance Sheet - 31/12/2022- €'000

		SII value € C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	82,346
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	18
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,684,152
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	—
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	1,282,261
Government Bonds	R0140	369,571
Corporate Bonds	R0150	762,935
Structured notes	R0160	
Collateralised securities	R0170	149,755
Collective Investments Undertakings	R0180	401,891
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	—
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	1,632,575
Non-life and health similar to non-life	R0280	1,501,308
Non-life excluding health	R0290	1,492,422
Health similar to non-life	R0300	8,886
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	131,267
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	131,267
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	134,179
Insurance and intermediaries receivables	R0360	132,431
Reinsurance receivables	R0370	101,088
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	40,371
Any other assets, not elsewhere shown	R0420	16,226
Total assets	R0500	**3,823,386**

		SII value € C0010
Liabilities		
Technical provisions – non-life	R0510	2,381,017
Technical provisions – non-life (excluding health)	R0520	2,362,490
TP calculated as a whole	R0530	
Best Estimate	R0540	2,205,398
Risk margin	R0550	157,092
Technical provisions - health (similar to non-life)	R0560	18,527
TP calculated as a whole	R0570	
Best Estimate	R0580	17,594
Risk margin	R0590	933
Technical provisions - life (excluding index-linked and unit-linked)	R0600	140,586
Technical provisions - health (similar to life)	R0610	—
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	140,586
TP calculated as a whole	R0660	
Best Estimate	R0670	136,246
Risk margin	R0680	4,340
Technical provisions – index-linked and unit-linked	R0690	—
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	70,826
Deferred tax liabilities	R0780	—
Derivatives	R0790	
Debts owed to credit institutions	R0800	—
Financial liabilities other than debts owed to credit institutions	R0810	—
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	210,472
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	—
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	49,737
Total liabilities	R0900	**2,852,638**
Excess of assets over liabilities	R1000	**970,749**

S.05.01.02 Premiums, claims and expenses by line of business - 31/12/2022 - €'000

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110		—	—	—		—	—	—	—
Gross - Proportional reinsurance accepted	R0120		2,766	—	46,630		120,039	89,207	89,185	6,274
Reinsurers' share	R0140		1,712	1	27,808		75,293	54,246	53,417	3,688
Net	R0200		1,054	(1)	18,822		44,746	34,961	35,767	2,587
Premiums earned										
Gross - Direct Business	R0210		—	—	—		—	—	—	—
Gross - Proportional reinsurance accepted	R0220		2,499	—	45,122		116,042	77,218	69,989	4,562
Reinsurers' share	R0240		1,611	89	28,317		74,205	47,835	47,159	2,684
Net	R0300		888	(89)	16,805		41,837	29,383	22,830	1,877
Claims incurred										
Gross - Direct Business	R0310		—	—	—		—	—	—	—
Gross - Proportional reinsurance accepted	R0320		3,159	6,204	32,364		68,749	60,342	58,041	675
Reinsurers' share	R0340		1,918	3,401	18,216		45,216	34,204	33,120	371
Net	R0400		1,240	2,803	14,148		23,533	26,138	24,921	304
Changes in other technical provisions										
Gross - Direct Business	R0410		—	—	—		—	—	—	—
Gross - Proportional reinsurance accepted	R0420		—	—	—		—	—	—	—
Reinsurers' share	R0440		—	—	—		—	—	—	—
Net	R0500		—	—	—		—	—	—	—
Expenses incurred	R0550		515	(119)	5,577		16,615	13,170	12,769	1,406
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110								—
Gross - Proportional reinsurance accepted	R0120								354,101
Gross - Non-prop reinsurance accepted	R0130				10,844	392,418	102,557	204,484	710,304
Reinsurers' share	R0140				6,387	231,582	69,751	136,950	660,835
Net	R0200				4,457	160,836	32,806	67,534	403,569
Premiums earned									
Gross - Direct Business	R0210								—
Gross - Proportional reinsurance accepted	R0220								315,432
Gross - Non-prop reinsurance accepted	R0230				9,414	317,028	88,761	215,579	630,781
Reinsurers' share	R0240				5,537	186,766	61,546	146,729	602,477
Net	R0300				3,876	130,262	27,215	68,850	343,736
Claims incurred									
Gross - Direct Business	R0310								—
Gross - Proportional reinsurance accepted	R0320								229,534
Gross - Non-prop reinsurance accepted	R0330				2,381	195,664	138,189	302,324	638,558
Reinsurers' share	R0340				1,423	121,741	89,648	205,186	554,446
Net	R0400				958	73,923	48,540	97,138	313,646
Changes in other technical provisions									
Gross - Direct Business	R0410								—
Gross - Proportional reinsurance accepted	R0420								—
Gross - Non-prop reinsurance accepted	R0430				—	—	—	—	—
Reinsurers' share	R0440				—	—	—	—	—
Net	R0500				—	—	—	—	—
Expenses incurred	R0550				795	27,880	5,454	11,112	95,175
Other expenses	R1200								160
Total expenses	R1300								95,336

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410								10,902	10,902
Reinsurers' share	R1420								10,755	10,755
Net	R1500								147	147
Premiums earned										
Gross	R1510								10,902	10,902
Reinsurers' share	R1520								10,755	10,755
Net	R1600								147	147
Claims incurred										
Gross	R1610								(6,497)	(6,497)
Reinsurers' share	R1620								(5,530)	(5,530)
Net	R1700								(967)	(967)
Changes in other technical provisions										
Gross	R1710								—	—
Reinsurers' share	R1720								—	—
Net	R1800	—	—	—	—	—	—	—	—	—
Expenses incurred	R1900								929	929
Other expenses	R2500									2
Total expenses	R2600									931

S.05.02.01 Premiums, claims and expenses by country - 31/12/2022 - €'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		IRELAND	FRANCE	UNITED KINGDOM	UNITED ARAB EMIRATES	SWITZERLAND	ITALY	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110							—
Gross - Proportional reinsurance accepted	R0120	99,017	8,528	98,481	52,167	79,574	16,334	354,101
Gross - Non-prop reinsurance accepted	R0130	32,276	111,034	429,820	25,491	97,426	14,255	710,304
Reinsurers' share	R0140	79,329	79,362	328,882	46,535	107,781	18,947	660,835
Net	R0200	51,965	40,200	199,420	31,124	69,219	11,642	403,569
Premiums earned								
Gross - Direct Business	R0210							—
Gross - Proportional reinsurance accepted	R0220	103,290	8,600	88,076	47,148	54,451	13,868	315,432
Gross - Non-prop reinsurance accepted	R0230	33,356	113,847	358,619	23,001	87,860	14,097	630,781
Reinsurers' share	R0240	83,408	82,797	288,217	43,252	87,265	17,538	602,477
Net	R0300	53,238	39,650	158,478	26,897	55,047	10,426	343,736
Claims incurred								
Gross - Direct Business	R0310							—
Gross - Proportional reinsurance accepted	R0320	106,926	11,390	54,492	21,645	28,090	6,991	229,534
Gross - Non-prop reinsurance accepted	R0330	44,040	221,973	252,096	7,402	59,882	17,938	603,330
Reinsurers' share	R0340	90,005	152,157	194,069	17,800	51,029	15,887	520,947
Net	R0400	60,961	81,206	112,519	11,247	36,943	9,041	311,918
Changes in other technical provisions								
Gross - Direct Business	R0410							—
Gross - Proportional reinsurance accepted	R0420							—
Gross - Non- prop reinsurance accepted	R0430							—
Reinsurers' share	R0440							—
Net	R0500	—	—	—	—	—	—	—
Expenses incurred	R0550	20,071	8,277	37,876	8,392	16,318	4,244	95,177
Other expenses	R1200							160
Total expenses	R1300							95,338

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		IRELAND	FRANCE	UNITED KINGDOM				
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410		4,246	6,655				10,902
Reinsurers' share	R1420		4,099	6,655				10,755
Net	R1500		147	—				147
Premiums earned								
Gross	R1510		4,246	6,655				10,902
Reinsurers' share	R1520		4,099	6,655				10,755
Net	R1600		147	—				147
Claims incurred								
Gross	R1610		(12,085)	5,588				(6,497)
Reinsurers' share	R1620		(11,080)	5,550				(5,530)
Net	R1700		(1,005)	38				(967)
Changes in other technical provisions								
Gross	R1710							—
Reinsurers' share	R1720							—
Net	R1800		—	—				—
Expenses incurred	R1900		658	269				928
Other expenses	R2500							2
Total expenses	R2600							929

S.12.01.02

Life and Health SLT Technical Provisions - 31/12/2022 - €'000

		Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0100	C0150
Technical provisions calculated as a whole	R0010	—	—
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	—	—
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	136,245	136,245
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	131,267	131,267
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	4,978	4,978
Risk Margin	R0100	4,340	4,340
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110	—	—
Best estimate	R0120	—	—
Risk margin	R0130	—	—
Technical provisions - total	R0200	140,586	140,586

S.17.01.02 Non-life Technical Provisions - 31/12/2022 -€'000

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	—	(181)	—	(4,440)	—	(13,688)	(9,179)	(20,616)	109
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		(132)	(5)	1,473		(13,208)	(5,399)	(5,991)	71
Net Best Estimate of Premium Provisions	R0150	—	(49)	5	(5,912)	—	(479)	(3,780)	(14,625)	38
Claims provisions										
Gross	R0160	—	4,545	9,104	164,150	—	124,403	121,994	171,752	7,666
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		2,596	4,964	93,440		75,171	82,133	92,737	3,163
Net Best Estimate of Claims Provisions	R0250	—	1,949	4,140	70,709	—	49,233	39,860	79,015	4,503
Total Best estimate - gross	R0260	—	4,365	9,104	159,710	—	110,716	112,815	151,136	7,775
Total Best estimate - net	R0270	—	1,900	4,145	64,797	—	48,753	36,080	64,390	4,541
Risk margin	R0280		203	442	4,178		3,368	5,380	7,660	725
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	R0320	—	4,567	9,546	163,888	—	114,083	118,194	158,796	8,500
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	—	2,464	4,959	94,913	—	61,962	76,734	86,746	3,234
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	2,103	4,587	68,975	—	52,121	41,460	72,050	5,266

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-prop health reinsurance	Non-prop casualty reinsurance	Non-prop marine, aviation and transport reinsurance	Non-propl property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	—	—	—	(126)	(55,236)	(24,444)	(37,063)	(164,862)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				(40)	(37,239)	(17,008)	(26,355)	(103,834)
Net Best Estimate of Premium Provisions	R0150	—	—	—	(86)	(17,996)	(7,436)	(10,709)	(61,028)
Claims provisions									
Gross	R0160	—	—	—	4,252	1,007,429	190,297	582,263	2,387,854
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				1,503	765,912	114,730	368,792	1,605,141
Net Best Estimate of Claims Provisions	R0250	—	—	—	2,749	241,516	75,567	213,471	782,712
Total Best estimate - gross	R0260	—	—	—	4,126	952,193	165,854	545,200	2,222,992
Total Best estimate - net	R0270	—	—	—	2,663	223,520	68,131	202,763	721,684
Risk margin	R0280				288	93,828	16,042	25,911	158,025
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								—
Best estimate	R0300								—
Risk margin	R0310								—

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-prop health reinsurance	Non-prop casualty reinsurance	Non-prop marine, aviation and transport reinsurance	Non-prop property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	R0320	—	—	—	4,414	1,046,021	181,896	571,111	2,381,017
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	—	—	—	1,463	728,673	97,722	342,437	1,501,308
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	—	—	—	2,951	317,348	84,173	228,674	879,709

S.19.01.21 Non-life Insurance Claims Information - 31/12/2022 - €'000

Total Non-Life Business

Gross Claims Paid (non-cumulative)

Development year (absolute amount)

Year		—	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											35,098	35,098	35,098
N-9	R0160	22,188	81,867	74,083	24,635	13,120	11,811	10,166	10,000	5,986	4,077		4,077	257,933
N-8	R0170	6,969	48,254	24,083	18,418	25,015	22,265	22,118	24,173	12,689			12,689	203,983
N-7	R0180	3,573	30,733	52,539	42,655	34,506	32,884	32,549	29,348				29,348	258,787
N-6	R0190	4,661	53,932	55,289	39,619	37,602	24,925	26,879					26,879	242,908
N-5	R0200	6,076	94,032	77,337	72,184	46,600	34,504						34,504	330,732
N-4	R0210	6,222	70,048	79,648	47,193	42,109							42,109	245,221
N-3	R0220	6,360	101,945	79,549	67,880								67,880	255,734
N-2	R0230	15,803	68,764	101,730									101,730	186,296
N-1	R0240	46,428	166,245										166,245	212,674
N	R0250	28,511											28,511	28,511
Total	R0260												**549,071**	**2,257,877**

Gross undiscounted Best Estimate Claims Provisions

Development year (absolute amount)

Year		—	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											442,920	317,775
N-9	R0160	—	—	—	150,023	115,288	86,492	71,711	53,932	50,093	44,508		37,037
N-8	R0170	—	—	160,645	132,261	136,723	109,861	95,117	79,521	68,588			58,222
N-7	R0180	—	210,867	224,170	202,235	170,007	156,708	124,651	88,683				75,883
N-6	R0190	113,809	235,530	220,384	185,788	175,449	156,260	130,240					114,844
N-5	R0200	235,528	304,969	266,537	252,989	225,751	188,827						164,543
N-4	R0210	147,519	265,721	288,786	245,926	211,718							186,658
N-3	R0220	175,574	349,108	348,043	258,041								224,602
N-2	R0230	270,390	480,765	372,273									325,667
N-1	R0240	352,517	549,107										481,686
N	R0250	459,787											400,936
Total	R0260												**2,387,854**

S.23.01.01 Own funds - 31/12/2022 - €'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
BOF before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	788,859	788,859			
Share premium account related to ordinary share capital	R0030	—				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—				
Subordinated mutual member accounts	R0050	—				
Surplus funds	R0070	—				
Preference shares	R0090	—				
Share premium account related to preference shares	R0110	—				
Reconciliation reserve	R0130	99,544	99,544			
Subordinated liabilities	R0140	—				
An amount equal to the value of net deferred tax assets	R0160	82,346				82,346
Other own fund items approved by the supervisory authority as BOF not specified above	R0180	—				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as SII own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as SII own funds	R0220		—	—	—	—
Deductions						
Deductions for participations in financial and credit institutions	R0230	—				
Total BOF after deductions	R0290	970,749	888,403	—	—	82,346
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—				
Unpaid and uncalled preference shares callable on demand	R0320	—				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—				

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—				
Other ancillary own funds	R0390	—				
Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	970,749	888,403	—	—	82,346
Total available own funds to meet the MCR	R0510	888,403	888,403	—	—	
Total eligible own funds to meet the SCR	R0540	970,749	888,403	—	—	82,346
Total eligible own funds to meet the MCR	R0550	888,403	888,403	—	—	
SCR	R0580	691,221				
MCR	R0600	172,805				
Ratio of Eligible own funds to SCR	R0620	140.4 %				
Ratio of Eligible own funds to MCR	R0640	514.1 %				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	970,749
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	871,205
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	99,544
Expected profits		
Expected profits included in future premiums ("EPIFP") - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	256,490
Total Expected profits included in future premiums (EPIFP)	R0790	256,490

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula - 31/12/2022 - €'000

		Gross SCR
		C0040
Market risk	R0010	179,043
Counterparty default risk	R0020	80,761
Life underwriting risk	R0030	2,042
Health underwriting risk	R0040	4,837
Non-life underwriting risk	R0050	609,667
Diversification	R0060	(153,685)
Intangible asset risk	R0070	—
Basic SCR	R0100	722,665

Calculation of SCR		C0100
Operational risk	R0130	67,303
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(98,746)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
SCR excluding capital add-on	R0200	691,221
Capital add-on already set	R0210	
SCR	R0220	691,221
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional SCR for remaining part	R0410	691,221
Total amount of Notional SCR for ring fenced funds	R0420	
Total amount of Notional SCR for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	(98,746)
LAC DT justified by revision of deferred tax liabilities	R0650	—
LAC justified by reference to probable future taxable economic profit	R0660	(98,746)
LAC DT justified by carry back, current year	R0670	—
LAC DT justified by carry back, future years	R0680	
Maximum LC DT	R0690	(98,746)

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity - 31/12/2022 -€'000

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	172,464

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	1,900	1,054
Workers' compensation insurance and proportional reinsurance	R0040	4,145	0
Motor vehicle liability insurance and proportional reinsurance	R0050	64,797	18,822
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	48,753	44,746
Fire and other damage to property insurance and proportional reinsurance	R0080	36,080	34,961
General liability insurance and proportional reinsurance	R0090	64,390	35,767
Credit and suretyship insurance and proportional reinsurance	R0100	4,541	2,587
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-prop health reinsurance	R0140	2,663	4,457
Non-prop casualty reinsurance	R0150	223,520	161,961
Non-prop marine, aviation and transport reinsurance	R0160	68,131	32,806
Non-prop property reinsurance	R0170	202,763	66,410

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	105

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	4,978	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	172,569
SCR	R0310	691,221
MCR cap	R0320	311,050
MCR floor	R0330	172,805
Combined MCR	R0340	172,805
Absolute floor of the MCR	R0350	3,900
Minimum Capital Requirement	R0400	172,805

Glossary

AFR	Actuarial Function Reports
ALM	Asset Liability Management
AOTP	Actuarial Opinion on Technical Provisions
ARTP	Actuarial Report on Technical Provisions
BOF	Basic Own Funds
CAT	Catastrophe
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
DAC	Deferred Acquisition Costs
D&O	Directors and Officers
ENID	Events not in Data
ERM	Enterprise Risk Management
ESG	Environmental, Social, and (Corporate) Governance
ExCO	Executive & Outsourcing Committee
FIC	Framework for Internal Control
FX	Foreign exchange
GAAP	Generally Accepted Accounting Principles
GCT	Group Credit Team
GS	Group Standards
GWP	Gross Written Premium
HoAF	Head of Actuarial Function
HoIA	Head of Internal Audit
HR	Human Resources
IBNR	Incurred But Not Reported
ICM	Internal Control Model
ICR	Internal Credit Ratings
MCR	Minimum Capital Requirement
MSA	Master Services Agreement
MTM	Mark to Market
NAT CAT	Natural Catastrophe
Non-prop	Non-proportional
OEP	Occurrence Exceedance Probability
ORSA	Own Risk and Solvency Report
PI	Professional Indemnity
PCF	Pre-approved Controlled Function
PPO	Periodic Payment Orders
PRA	Prudential Regulation Authority
P&C	Property and Casualty

QRT	Quantitative Reporting Template
RAF	Risk Appetite Framework
RDS	Realistic Disaster Scenario
RI	Reinsurance
RMC	Risk Management Committee
RMF	Risk Management Framework
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SDG	Sustainable Development Goals
SE	Societas Europaea
SF	Standard Formula
SFCR	Solvency and Financial Condition Report
SII	Solvency II
TPR	Temporary Permissions Regime
VaR	Value at Risk
XLB	XL Bermuda Ltd
XLGIL	XL Group Investments Ltd