XL Insurance Company SE

AN AXA GROUP COMPANY

Solvency and Financial Condition Report

Year Ended

31 December 2022

Contents

Summary

Unless otherwise stated, all amounts in this report are presented in thousands of Euros (€'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.

Effective January 18, 2019, the Company changed domicile from the United Kingdom to Ireland, and as such is now regulated by the Central Bank of Ireland (CBI).

Effective December 31, 2019, the Company completed two European cross-border mergers, with entities also ultimately owned by AXA SA. These companies are AXA Corporate Solutions Assurance (ACS), which was a French domiciled commercial insurance company and AXA ART Verischerung AG (AXA ART), which was a German domiciled insurance company focusing on fine art and specie insurance. All comparatives reflect the combined operations of the three legacy entities.

Business and performance

The principal activity of the Company is the transaction of general (re)insurance business (the business). The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms across its network of branches and through fronting partners.

The Company is a member of the AXA XL division within the AXA Group. The Company provides the main insurance company platform to operate under the AXA XL brand from branches within Europe and Asia Pacific. 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 business. The operating entities are structured in to regions and the Company falls within Europe and Asia Pacific region. The business products are structured in to Global Property and Casualty (P&C), Global Speciality and Reinsurance business segments. The P&C segment is structured into two further segments International and North America. 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 was domiciled in the UK until 18 January 2019, when it redomesticated to Dublin, Ireland. The Company issues policies globally through its network of branches (or through the use of fronting partners) in the major locations of its (re)insurance clients and their respective (re)insurance risks. Its branches are in Europe and the Asia Pacific region. This allows the Company to service brokers and clients efficiently providing both local service and global expertise, ensuring that it is able to deliver solutions to the often complex risks of multinational companies. As the Company's clients expand into new and emerging markets, the Company seeks to ensure that it can support that international expansion with the capability to provide local (re)insurance solutions and local service.

The results of the Company for the year, as set out on pages 15 and 16, show an overall loss on ordinary activities before tax of €85m (2021: loss of €33m), comprising an underwriting loss of €67m (2021: loss of €76m),The overall loss is below a planned profit, primarily due to a significant unrealised loss on investments due to the rising interest rate environment, the impacts of losses on the war in Ukraine and prior year loss reserve strengthening. 2022 saw the Company continue to remediate underperforming lines of business and grow in targeted lines were the opportunities were attractive. The gross premiums written was €5,454m in 2022, a increase of €364m when compared to the previous year. This is in part due to foreign exchange impacts of the EUR/USD movement in the current year as although the Company underwrites a significant portion of EUR, there is business written in USD. Normalising for foreign exchange there was growth in the underlying book of business through rate changes and new business.

The combined operating ratio for the year was 104.5% compared to 105.1% in 2021. This underwriting loss includes an increase in net claims incurred when compared to 2021 of €100m. This increase comprises estimated losses associated to war in Ukraine and unfaovurable prior year loss development. The Company did have exposure to catastrophe losses and large losses however these were within planned loss loads. The expense ratio has decreased year on year due changes in the book of business impacting acquisition expenses, current year expense savings impacts and one-off impacts in 2021.

The total investment return was a loss of €2m compared to a gain of €60m in 2021. Unrealized losses on investments were €108m compared to a loss of €51m in 2021 and realised losses on investments were €13m in 2022 compared to a gain of €17m in 2021.

The decrease in overall investment return stems from the unrealised losses associated with the fixed portfolio as yields have further increased in the current year. 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 Euro.

System of governance

The Board and management are committed to effective corporate governance and have established a comprehensive framework for the Company's operations. The key component of this framework is the Board, which has ultimate responsibility for the implementation and maintenance of an effective corporate governance framework, and the various Board and management committees through which the Board discharges its Legal and Fiduciary responsibilities.

The Board is responsible for the Internal Control Framework (ICF) and the Company operates a 'Three Lines of Defence' model where (1) the Business, (2) Risk Management and Compliance and (3) Independent Audit work together to ensure that risk management is effective.

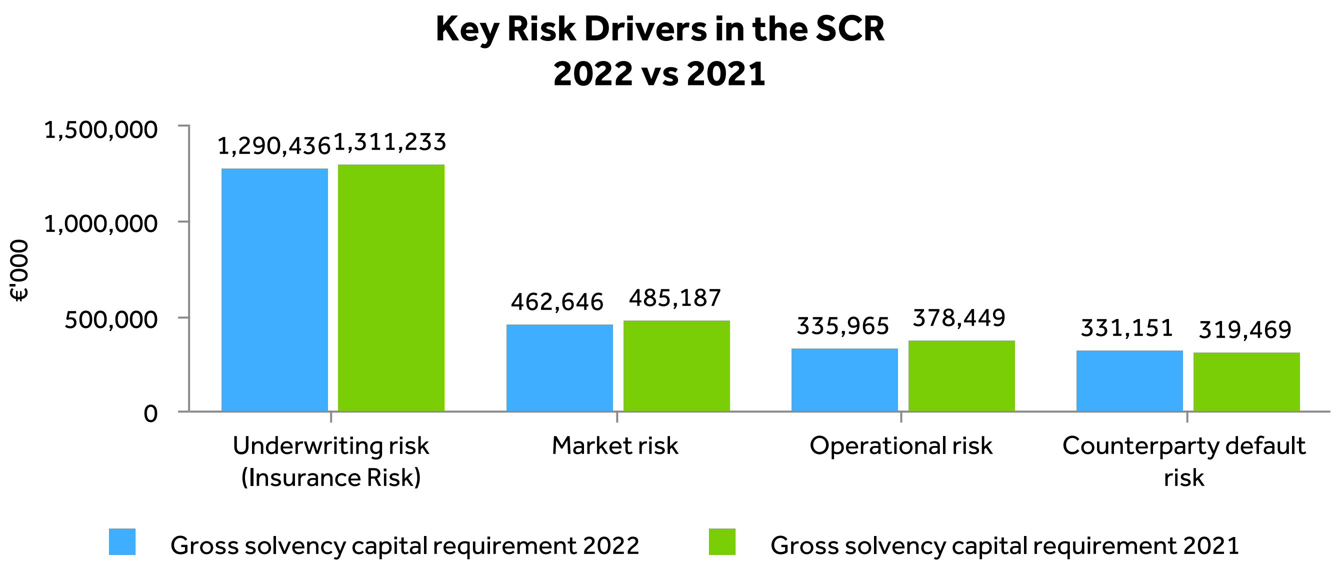
The Risk Management Framework (RMF) determines risk appetites and risk limits, establishes risk policies, identifies and manages the risks to the Company's objectives and monitors the capital requirements. All of this is captured by the Risk Management Framework and Own Risk and Solvency Assessment (ORSA) activities that are carried out throughout the year with oversight by the Board. The Company is supported by a number of Group-wide processes in the achievement of its risk management objectives.

Further details of the Company's Systems of Governance are provided in Section B below.

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

Risk profile

The key risks within the Solvency Capital Requirement (SCR) are shown below:



The risk profile of the Company, as a non-life insurance company, is dominated by 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;
- The use of Realistic Disaster Scenarios (RDS) and other scenarios; and
- Independent underwriting peer reviews.

Underwriting risk is mitigated through the purchase of reinsurance, controls over the Actuarial function, rating adequacy, underwriting authorities and guidelines, and the new product process. The decrease in underwriting risk is predominantly driven by the decrease in technical provisions due to increased discounting from the increase in yield curves in the current year. This is offset by an increase in lapse risk and catastrophe risk.

Market risk for the Company is driven primarily by spread and interest rate risk from the bonds held against claims liabilities, and interest rate risk from both investments held and claims liabilities. There are also risk charges from the equities and investments in properties and property funds as well as currency risk driven by the asset and liability currency mix. The decrease is primarily due to the sale of assets (bonds and equities) offset by an increase in interest rate risk due to a change in yields during the year.

Counterparty default risk is driven primarily by cash, reinsurance recoverable balances and derivatives with third parties and the risk that they default on those balances (type 1) and receivables within and outside of the agreed credit terms (type 2). It is a slight increase due to a change in the age profile of debtors with a heavier weighting to >90 days past due (type 2).

Operational risk at December 31, 2022 is driven by the gross technical provisions, as the standard formula mandates a 3% shock to reserves. There has been a decrease due to the decrease in gross technical provisions. 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 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.

Capital management

The Company is required to measure its assets and liabilities according to the European Solvency II 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 Company calculates its SCR using the Standard Formula

Eligible own funds shown below includes foreseeable dividend of €100m.

The SCR and minimum capital requirement (MCR) at 31 December 2022 and 2021 are set out below: .

	2022	**2021**
	€'000	**€'000**
Total eligible own funds to meet the SCR	2,623,097	2,704,377
SCR	1,911,547	1,947,681
Ratio of Eligible own funds to SCR	137.2 %	138.9 %

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; and
- Satisfy the requirements of its regulators and policyholders.

At 31 December 2022 the Company's Basic Own Funds were assigned to the Solvency II tiers as shown in the following table:

2022	**Tier 1 - unrestricted**	**Tier 2**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**	**€'000**
Ordinary share capital	314,969	—	—	314,969
Share premium	274,187	—	—	274,187
Reconciliation reserve	1,495,336	—	—	1,495,336
Subordinated liabilities	—	—	—	—
Ancillary Own Fund item	—	500,000	—	500,000
Deferred tax asset	—	—	38,604	38,604
Total basic own funds after deductions	**2,084,492**	**500,000**	**38,604**	**2,623,097**

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. No restriction applies to eligible own funds covering the SCR. As Tier 2 own fund items are subject to restrictions when covering the MCR, the amount of Tier 2 items eligible to cover the MCR is less than 100% of the total amount of Tier 2 items included in the table above. This is reflected in the table below:

	2022	2021
	€'000	€'000
SCR	1,911,547	1,947,681
MCR	477,887	486,920
Total eligible own funds to meet the SCR	2,623,097	2,704,377
Total eligible own funds to meet the MCR	2,084,493	2,167,465
	%	%
Ratio of Eligible own funds to SCR	**137.2 %**	**138.9 %**
Ratio of Eligible own funds to MCR	**436.2 %**	**445.1 %**

The Company does not use any matching adjustment and has not used transitional adjustments to the relevant risk-free interest rate term structure or transitional measures on technical provisions. It has used the volatility adjustment in the current year.

During the year the Company repaid the subordinated liability of $60m that was classified as an own fund tier 2 own fund item.

The Company met all of the SCR and MCR compliance requirements during the reporting period.

Deferred Tax

Under Solvency II, the Company calculates the deferred tax assets as the temporary differences between the valuation of an asset/liability on the Solvency II balance sheet and its tax base.

The total amount of deferred tax asset after offsetting with deferred tax liabilities recognised in the Solvency II balance sheet is €53m, this relates to temporary differences between the tax base and the respective value in the Solvency II balance sheet.

Solvency II applies an equivalent recognition test as is applied under IFRS and Irish GAAP. A deferred tax asset can only be recognized 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 utilized. The criteria for holding a deferred tax asset is similar under Irish GAAP and Solvency II and a review under both basis of accounting has been performed.

The Solvency Capital Requirement has been adjusted by €81m for the loss-absorbing capacity of deferred taxes.

The deferred tax liabilities used are €31m of Australia, €17m of Germany (DTL mainly coming from loss reserve adjustments and valuation allowance), €25m of France and €6m of Netherlands

Loss carry back and probable future taxable profits had not been used to demonstrate likely utilisation.

Probable future taxable profits had not been used to demonstrate likely utilisation.

Significant Business or other events

Repayment of subordinated debt

During the year 2022, the Company repaid its subordinated debt which had a face value of $60m. This was included as Tier 2 capital and as such had the impact of reducing the solvency ratio by 3%.

Subsidiary sale

During the year 2022, the Company disposed of two of it's investment in subsidiaries, AXA Corporate Solutions Seguros S.A and AXA Corporate Solutions Brasil e America Latina Resseguros SA.

War in Ukraine

On February 24, 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Ruble has significantly weakened and the Russian economy is facing a major crisis with repercussions on the global economy. Under a new law signed Russia in early March 2022, Russian insurers have been banned from entering into transactions with foreign insurers, reinsurers and brokers from a group of "unfriendly countries" that includes every EU state, Japan, Switzerland, the UK and the US.

The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law is still in effect. The amount of premium derived from Russian cedants is immaterial to the Company but the company had direct losses through exposure through its Property, Casualty and Specialty policies. The Company continues to closely monitors the Group's exposures to the conflict, including (i) the operational impact on its business, (ii) the consequences from a potential deterioration in macroeconomic conditions, (iii) exposure through its Property, Casualty and Specialty policies and (iv) change in asset prices and financial conditions (including interest rates, reinsurance pricing).

XL Insurance Company SE - UK Branch

Following the withdrawal agreement as a result of Brexit, the XLICSE UK branch was required to seek approval from the Prudential Regulation Authority ("PRA") to operate as a branch in the UK. Authorisation was received on February 7, 2023 from the PRA to operate in the UK. 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 registered office is:

AXA XL
8 St. Stephen's Green
Dublin 2
D02 VK30
Ireland

A.1.2 Supervisory authorities

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

Group Supervisor

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

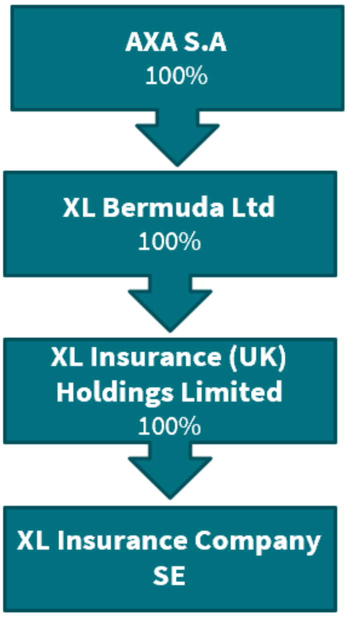
A.1.3 External auditor

Ernst & Young
Harcourt Street,
Dublin 2,
Ireland

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

The Company's immediate parent is XL Insurance (UK) Holdings Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking is AXA S.A, a company incorporated in France.

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



A.1.5 Related undertakings

The Company holds an investment in the following company at December 31, 2022:

	Principal trading activity	Country of incorporation	Class of shares held	Percentage of nominal value and voting rights held
XL Insurance (China) Company Limited	Insurance Co.	China	Ordinary	49%

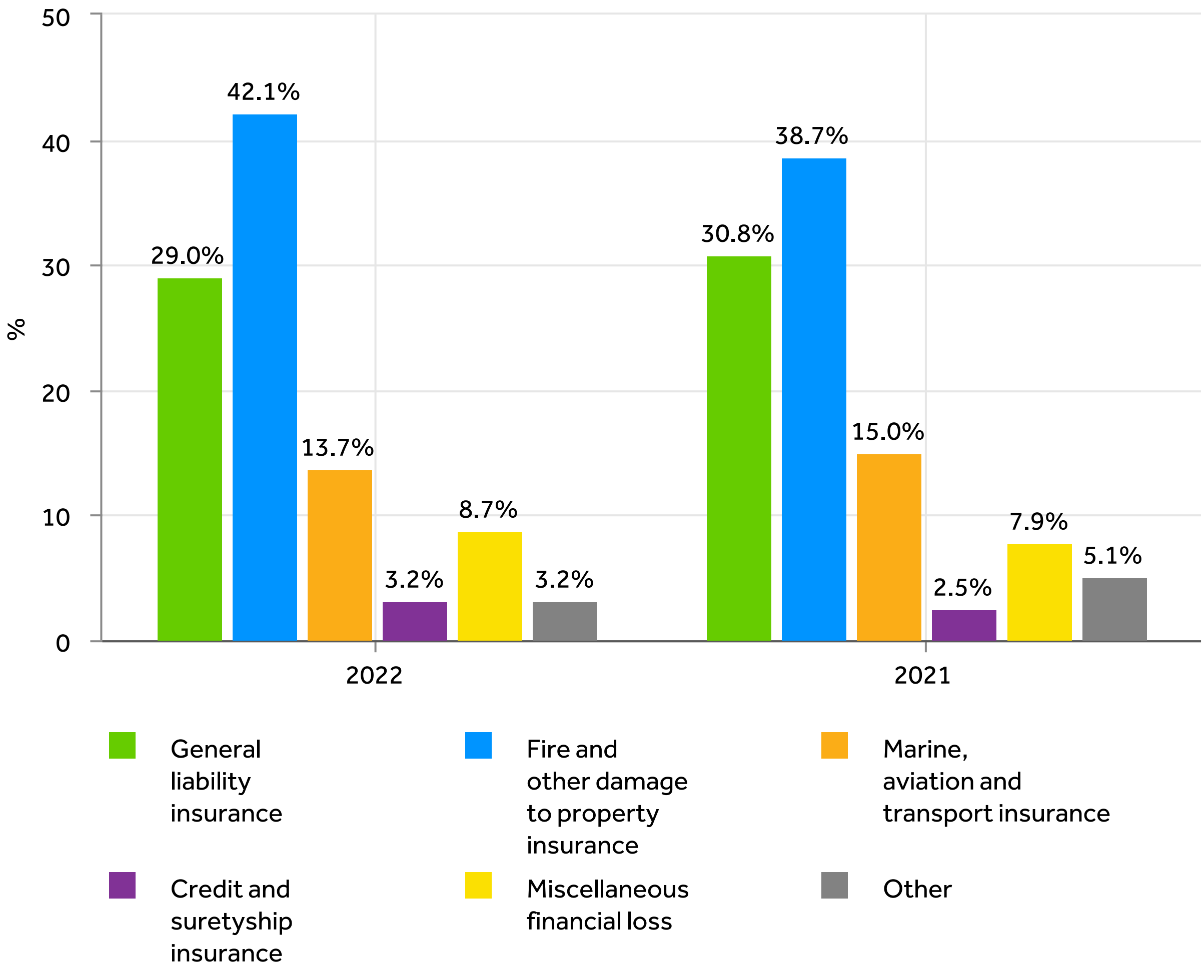
During the year 2022, the Company disposed of two of it's investment in subsidiaries, AXA Corporate Solutions Seguros S.A and AXA Corporate Solutions Brasil e America Latina Resseguros SA.

A.1.6 Material lines of business and geographical areas

The Company issues policies globally through its network of branches (or through the use of fronting partners) in the major locations of its (re)insurance clients and their respective (re)insurance risks. Its branches are in the Europe and Asia Pacific regions. This allows the Company to service brokers and clients efficiently providing both local service and global expertise, ensuring that it is able to deliver solutions to the often complex risks of multinational companies. As the Company's clients expand into new and emerging markets, the Company seeks to ensure that it can support that international expansion with the capability to provide local (re)insurance solutions and local service.

Gross Premium Written by line of business and geography are presented below:

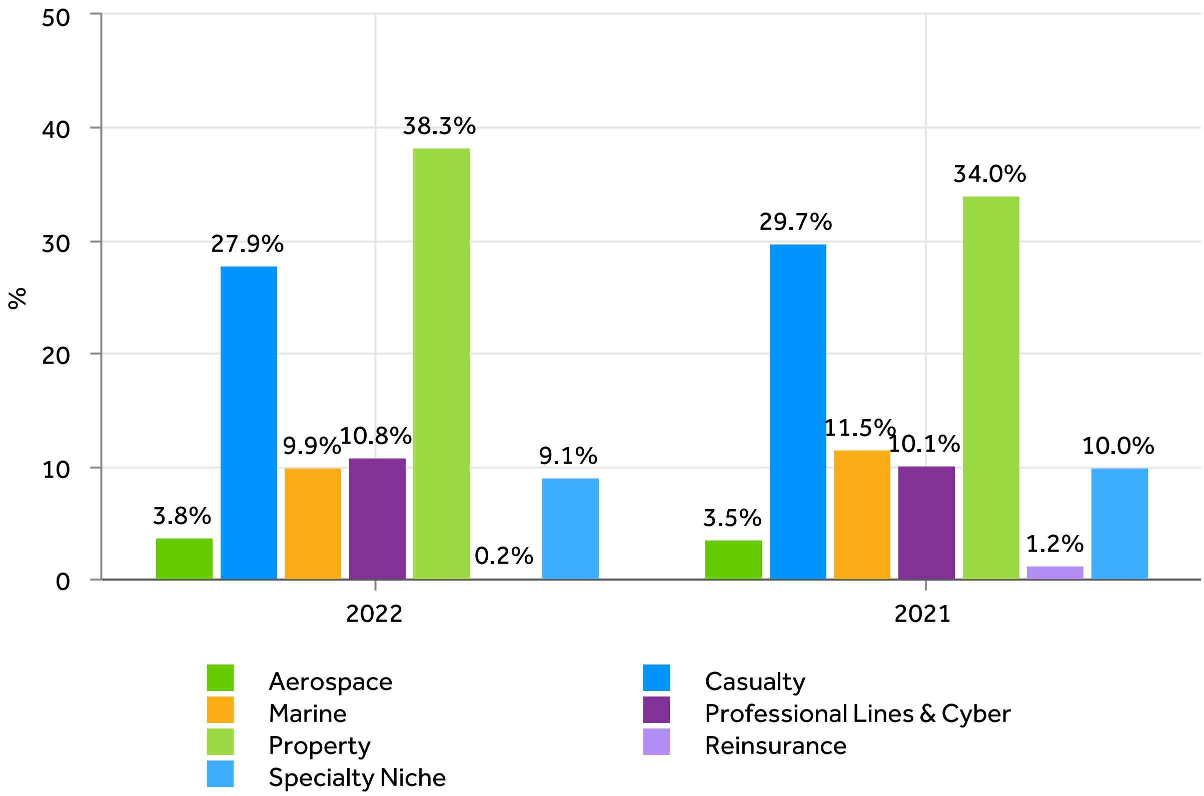
Gross Premium Written by Solvency II Business Mix



The business mix is consistent with 2022 with key variances noted below:

- General liability insurance (decrease of 1.7%)
- Fire and other damage to property insurance (increase of 3.3%)
- Marine, aviation & transport insurance (decrease of 1.3%)
- Credit and suretyship insurance (increase of 0.8%)
- Miscellaneous financial loss (increase of 0.8%)
- Other: This reflects an decrease of 1.9% in Motor lines of business

Gross Premium Written by Business Mix



AXA XL manages its business based on product groupings with consideration towards legal entities. These groupings are mapped into Solvency II lines of business for regulatory reporting purposes.

Property which includes International & North American property, Construction and Energy represents the largest portion of the Company's gross written premium and constitutes 38.3% (2021: 34.0%) of the Company's gross written premium. It is focused on the delivery of global insurance solutions to large sophisticated corporate clients.

Casualty constitutes a further 27.9% of gross written premium (2021: 29.7%) in the Company's portfolio. The Company specialises in the provision of insurance solutions for large global corporate clients utilising its global network. In addition to General Liability products, this category includes Motor, Environmental Pollution and Structured Risk Solutions.

Professional lines & Cyber constitutes 10.8% of gross written premium (2021: 10.1%) in the Company's portfolio and includes Management Liability, Professional Liability, Crime and Cyber.

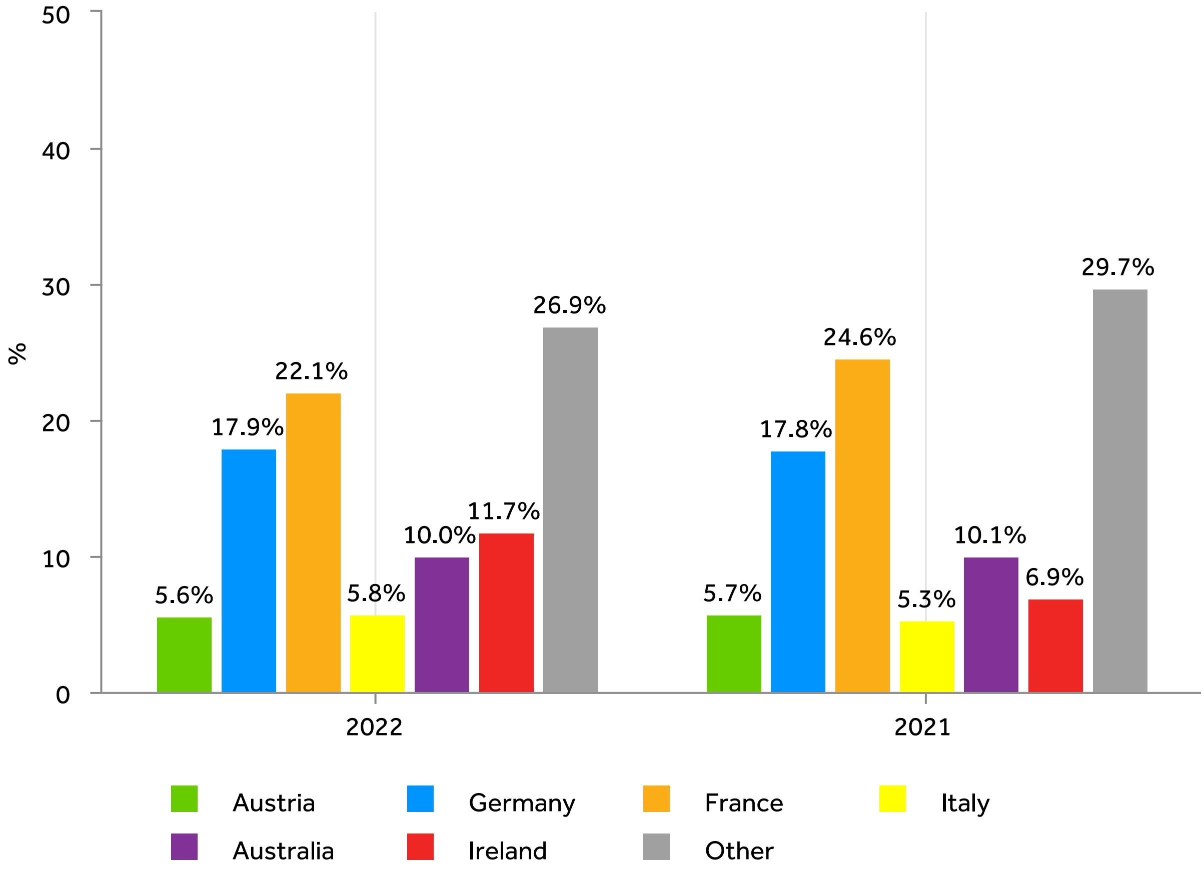
Marine constitutes 9.9% of gross written premium (2021: 11.5%) in the Company's portfolio and includes Marine cargo and Marine hull insurance.

Speciality Niche constitutes 9.1% of the Company's gross written premium (2021: 10.0%) and includes a number of portfolio's including Fine Art & Specie, Political risk and Equine and Crisis management.

Aerospace constitutes 3.8% of the Company's gross written premium (2021: 3.5%).

Reinsurance contributes 0.2% (2021: 1.2%) of the Company's gross written premium and represents business written from the India branch.

Gross Premium Written by Main Solvency II Geographic Areas



The main movements in geographical areas include:

- Increase in Ireland due to transfer of network partner business from Spanish branch and a sister AXA XL entity.

A.1.7 Significant events in the last reporting year

Repayment of subordinated debt

During the year 2022, the Company repaid its subordinated debt which had a face value of $60m. This was included as Tier 2 capital and as such had the impact of reducing the solvency ratio by 3%.

Subsidiary sale

During the year 2022, the Company disposed of two of it's investment in subsidiaries, AXA Corporate Solutions Seguros S.A and AXA Corporate Solutions Brasil e America Latina Resseguros SA.

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The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law is still in effect. The amount of premium derived from Russian cedants is immaterial to the Company but the company had direct losses through exposure through its Property, Casualty and Specialty policies. The Company continues to closely monitors the Group's exposures to the conflict, including (i) the operational impact on its business, (ii) the consequences from a potential deterioration in macroeconomic conditions, (iii) exposure through its Property, Casualty and Specialty policies and (iv) change in asset prices and financial conditions (including interest rates, reinsurance pricing).

XL Insurance Company SE - UK Branch

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A.2. Underwriting performance

A.2.1 Underwriting performance: Current year

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

The tables below provide the 2022 and 2021 gross written premiums and net earned premiums on a Solvency II Line of Business basis:

2022

	Income protection insurance	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Motor**	**Other Motor**	**Miscellaneous financial loss**	**Total**
Gross Premiums Written	10,167	747,718	2,297,130	1,583,749	175,808	101,051	63,241	475,327	5,454,190
Net Premiums Earned	7,887	397,692	495,175	381,838	23,313	62,516	59,593	55,715	1,483,729

2021

	Income protection insurance	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Motor**	**Health**	**Miscellaneous financial loss**	**Total**
Gross Premiums Written	70,242	762,122	1,971,308	1,569,051	126,579	134,854	54,851	400,825	5,089,833
Net Premiums Earned	38,897	339,486	481,816	400,947	10,838	94,722	33,630	71,364	1,471,700

The business is not managed on a Solvency II basis, however the only significant difference from Irish GAAP is in the net loss ratio which is driven by the Solvency II adjustments to arrive at the economic balance sheet position.

The table below provides the 2022 and 2021 key performance indicators on a Irish GAAP basis:

	2022	**2021**
	€'000	**€'000**
Gross Premiums Written	5,454,190	5,089,833
Net Premiums Earned	1,483,729	1,471,700
Net Loss Ratio	71.9%	65.9%
Combined Ratio	104.4%	105.1%

The gross premiums written was €5,454m in 2022 a increase of €364m when compared to the previous year due primarily to rate increases and new business growth as well as favourable exchange rate movements.

The combined operating ratio for the year was 104.4% compared to 105.1% in 2021. This underwriting loss includes an increase in net claims incurred when compared to 2021 of €100m. This increase comprises estimated losses associated to war in Ukraine and unfavourable prior year loss development. The Company did have exposure to catastrophe losses and large losses however these were within planned loss loads. The expense ratio has decreased year on year due changes in the book of business impacting acquisition expenses and one-off impacts in 2021.

The tables below provide the 2022 and 2021 Gross Premiums Written and Net Premiums Earned performance by geographical area:

2022	IRELAND	FRANCE	GERMANY	AUSTRALIA	ITALY	AUSTRIA	**OTHER**	**TOTAL**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Premiums written								
Gross Premiums Written	641,610	1,211,013	977,000	547,097	319,908	306,239	1,451,322	5,454,190
Premiums earned								
Net Premiums Earned	82,598	431,026	341,864	135,752	86,988	54,506	350,995	1,483,729

2021	IRELAND	FRANCE	GERMANY	AUSTRALIA	ITALY	AUSTRIA	OTHER	**TOTAL**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Premiums written								
Gross Premiums Written	350,588	1,247,558	901,996	510,195	268,024	288,211	1,523,261	5,089,833
Premiums earned								
Net Premiums Earned	90,234	442,523	305,017	129,874	71,863	54,621	377,568	1,471,700

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 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 EUR.

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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets, 64% of the total portfolio accounted for at fair value, and then quoted prices in markets that are not active or inputs that are observable either directly or indirectly (36% of the total portfolio accounted for at fair value). The cost less impairment accounting method is used for the Affiliates holdings.

The total investment return was a loss of €2m compared to a gain of €60m in 2021. Unrealized losses on investments were €108m compared to a loss of €51m in 2021 and realised losses on investments were €13m in 2022 compared to a gain of €17m in 2021 and. The decrease in overall investment return stems from the unrealised losses associated with the fixed portfolio as yields have further increased in the current year.

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:

Solvency II Asset Class	Net investment return 2022	Net investment return 2021
	€'000	€'000
Investment Fund		
Equities Fund	73,732	32,196
Bonds		
Government Bonds	116,225	39,503
Corporate Bonds	(156,976)	10,443
Collateralised securities	—	—
Cash and cash equivalents	(12,794)	2,860
Derivatives	4,306	(4,853)
Investment management expenses	(26,066)	(19,935)
	(1,572)	60,214

Below are components of the net investment return:

	2022	2021
	€'000	€'000
Income from financial investments	145,543	113,419
Net gains/(losses) on the realisation of investments	(13,332)	17,097
Unrealised (losses) on investments	(107,717)	(50,367)
Investment management expenses	(26,066)	(19,935)
	(1,572)	60,214

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.

A.3.3 Investments in securitisation

The Company invested in asset backed securities with a market value of €126m at December 31, 2022 (2021: €121m)

	2022	2021
	€'000	€'000
Agency mortgage-backed securities	6,345	8,362
Collateralised loan obligations	119,490	112,692
Total Fixed Income investments in securitisations	**125,835**	**121,054**

A.4. Performance of other activities

Other income and expenses are set out below:

	2022	2021
	€'000	€'000
(Loss) on foreign exchange	(14,862)	(2,500)
Impairment of Group undertakings	—	(11,895)
Other (charges)	(875)	(2,810)
	(15,737)	(17,205)

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 (FX) 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 statement of profit or loss on a straightline basis over the period of the lease.

Total operating lease charges during the year:

	2022	2021
	€'000	€'000
Land and buildings	683	335
Other leases	—	1
	683	336

A.5. ORSA

The ORSA encompasses processes to identify, assess, monitor, manage and report the short to medium and also long term risks, with the aim of assessing:

• The overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy;

• The compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions; and

• The significance with which the risk profile of the Company deviates from the assumptions underlying the calculated SCR on a standard formula basis.

The ORSA is a tool of the risk management framework, contributing to strengthen the culture of risk management, and giving a comprehensive and complete vision of the risks embedded in the Company.

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.

A.6. Any other information

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

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

B. System of Governance

The Board and management are committed to effective corporate governance and have established a comprehensive framework for the Company's operations. The key component of this framework is the Board, which has ultimate responsibility for the implementation and maintenance of an effective corporate governance framework, and the various Board and management committees through which the Board discharges its Legal and Fiduciary responsibilities.

The Board is responsible for the Internal Control Framework (ICF) and the Company operates a 'Three Lines of Defence' model where (1) the Business, (2) Risk Management and Compliance and (3) Independent Audit work together to ensure that risk management is effective.

The Risk Management Framework (RMF) determines risk appetites and risk limits, 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 Risk Management Framework and Own Risk and Solvency Assessment (ORSA) activities that are carried out throughout the year with oversight by the Board. The Company is supported by a number of Group-wide processes in the achievement of its risk management objectives.

Further details of the Company's Systems of Governance are provided in Section B below.

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

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 Committees.

The Company’s governance framework begins with the Board and the Board Committees (for further information see below).

B.1.1 Board of Directors

The Board is composed of Executive and Non-Executive Directors.

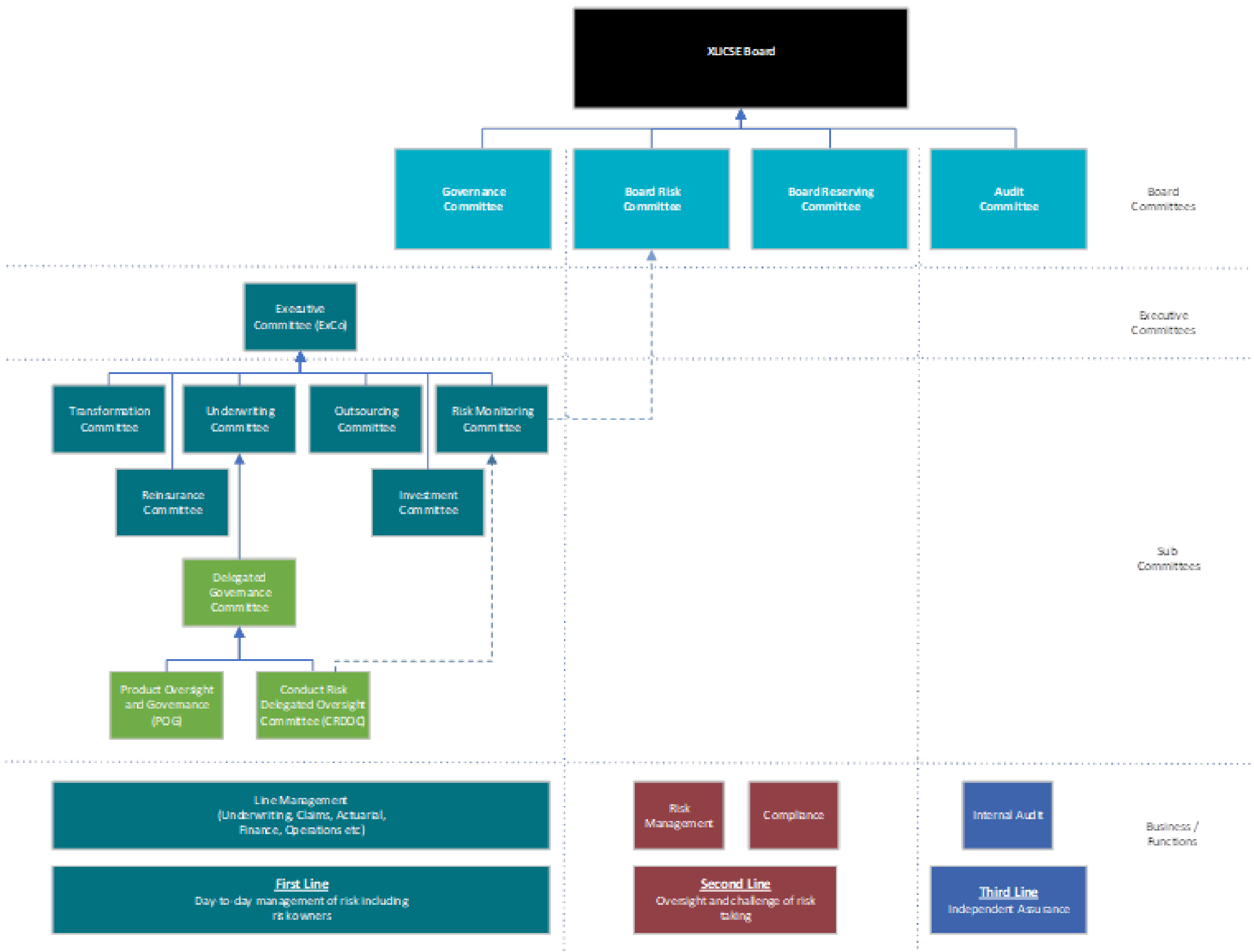
The names of the persons who are Directors of the Company as at the date of this report are:

Xavier Veyry	Chief Executive Officer
Bryan Joseph	Independent Non-Executive Director, Chair of the Board, the Governance Committee and the Reserving Committee
Julie O'Neill	Independent Non-Executive Director and Chair of the Audit Committee
Doina Palici-Chehab	Non-Executive Director
Helen Browne	Non-Executive Director
Paul-Henri Rastoul	Executive Director, General Secretary and Director of Strategy and Company Secretary
David Guest	Independent Non-Executive Director, Chair of the Risk Committee

Board meetings are held six times a year with additional meetings held as required. 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 reserving.

B.1.2 Board committees

Governance structure



The Board seeks to ensure that the operations of the Company are conducted within a framework of prudent and effective controls that enable effective risk management and conformity with applicable legal and regulatory requirements. The Board sets the risk appetite for the Company. Management is responsible for monitoring risks against risk appetite and for escalating any risks that breach risk appetite to the Board.

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 its responsibilities appropriately, and that robust internal systems and controls are in place. The Board comprises members of the executive management team and Non-Executive Directors.

The Board delegates tasks and functions to others, including its Committees, by means of clear, documented delegations. Specifically, the Board delegates responsibilities to the following Committees as specified in each of their respective terms of reference which shall be reviewed by the Board on an annual basis; Audit Committee, Governance Committee, Reserving Committee and Risk Committee. The Board also delegates responsibilities to a formal management committee called the Executive Committee ("Exco"). The ExCo further delegates to the Company's management committees. The Company's current governance structure chart is set out herein

The Board delegates tasks and functions to others, including its Committees, by means of clear, documented delegations. Specifically, the Board delegates responsibilities to the following Committees as specified in each of their respective terms of reference which shall be reviewed by the Board on an annual basis; Audit Committee, Governance Committee, Reserving Committee and Risk Committee. The Board also delegates responsibilities to a formal management committee called the Executive Committee ("Exco"). The ExCo further delegates to the Company's management committees. The Company's current governance structure chart is set out herein

The Company undertakes a thorough strategic planning process considered within the overall strategy of the AXA XL division and overseen by the Board. The ExCo is responsible for implementing the Company's strategy and for the on-going oversight and management of the risks associated with the strategy.

The ExCo is responsible for ensuring there is a governance framework in place to support the delivery of the Company's strategic plan by the business. The Company undertakes regular Board effectiveness and Governance reviews to ensure the governance framework is effective and appropriate.

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.

Internal controls

The Company operates a 'Three Lines of Defense' approach to ensure effective and robust day to day governance is in place. The Operational line, or the 'first line of defense', 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 defense', which is made up of oversight functions - specifically Risk Management. These functions have responsibility for overseeing and challenging day to day management, control and reporting of risks. The Risk oversight functions are independent of management and individuals with responsibility for taking on risk exposures. The Internal Audit Function provides the 'third line of defense' 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.

Audit Committee

The Audit Committee is responsible for oversight and review of risk management and internal control as well as the external and internal audit processes. Its members are independent non-executive and non-executive directors. In terms of Risk Management and Internal Control, updates on the internal control framework are reported to the Audit Committee. In the case of the external audit process, this involves reviewing the appointment of the external auditors, their proposed audit scope and approach and their performance in the preparation of the statutory financial statements and any external reporting requirements. In the case of the internal audit function, the role involves agreeing and monitoring the nature and scope of internal audit work to be carried out. This is aimed at providing assurance to management that the internal control systems are appropriate for the prudent management of the business and are operating as planned.

Board Risk Committee

The Board Risk Committee consists of non-executive and independent non-executive directors and is attended by some members of senior management. Key responsibilities of this committee include advising the Board in relation to material risk issues relating to, or arising from, the Company's strategy, risk appetite and tolerances; providing review and appropriate challenge to the risk strategy, risk appetite, stress testing, and overseeing and challenging the Risk Management and Compliance functions and advising the Board on the effectiveness of strategies and policies with respect to maintaining, on an on-going basis, amounts, types and distribution of both capital and own funds adequate to cover the risks of the Company.

Board Reserving Committee

The Board Reserving Committee consists of both non-executive directors and key executive management. The key responsibility of this committee is to oversee the governance of the setting of the technical provisions of the Company and to oversee and challenge the Company reserving processes and practice.

Governance Committee

The Governance Committee examines matters of governance, board composition and remuneration on behalf of the Board. The Governance Committee is a nominations committee with some limited additional responsibilities for remuneration, more particularly set out in its Terms of Reference

Executive Committee

The role of the XLICSE Executive Committee is to manage and oversee the execution of the strategy of XLICSE in line with its agreed business plan, whilst ensuring compliance with applicable legal and regulatory requirements; as well as the management of risk in line with that strategy and agreed risk appetite, as delegated by the Board. This includes assessment of the performance of the business to ensure risks associated with the strategy and its implementation are understood and managed with action taken to mitigate those risks and challenges in line with the risk appetite of the Company.

Underwriting Committee

The role of the Underwriting Committee is to oversee and monitor the XLICSE underwriting strategy (including Underwriting policy and appetite) and advise, make recommendations and raise issues to the XLICSE Executive Committee as appropriate.

Risk Monitoring Committee

The RMC oversees the risk management framework of the Company, including its effective implementation in relation to material and emerging risk issues relating to or arising from strategy, risk appetite, risk tolerance and/or annual assurance. This role includes the monitoring of key risk exposures for all branches and subsidiaries, the distribution network and related cover-holder arrangements. The Board has approved the risk policies which forms the risk management framework and has charged day to day monitoring of it to the RMC.

Investment Committee

XL Insurance Company SE Investment & ALM Committee is an internal management committee of XL Insurance Company S.E overseeing investment activities for XLICSE. It will report to the Executive Committee of the Company via the finance update or risk update as necessary.

Outsourcing Committee

The XLICSE Outsourcing Committee is an internal governance committee overseeing the operation of an effective outsourcing governance framework in order to meet XLICSE's regulatory obligations. It reports to the Executive Committee and Board via the COO update as necessary.

Reinsurance Committee

The XLICSE Reinsurance Committee is an internal management committee formed to support and assist the Exco with their responsibilities in respect of reinsurance purchases - external and intra-group.

B.1.3 Key Functions

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 respective 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 report any major problem in their respective area of responsibility to the Board.

There should be as much independence between functions as possible and the 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.

As well as the required Key Functions, the Board has designated underwriting, finance and claims as functions which are of specific importance to the sound and prudent management of the Company. The finance function reports directly to the Board. The risk management function reports to the Board Risk Committee, Board Reserving Committee and the Board Audit Committee; the compliance function reports into the Board Risk Committee; the claims and actuarial functions report to the Board Reserving Committee whilst internal audit reports to the Audit Committee.

The underwriting, finance, claims, risk management, actuarial and compliance functions are members of the ExCo

B.1.4 Remuneration policy and practices

Remuneration Principles

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 Solvency II regulations and any other applicable regulatory requirements.

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, 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.

B.1.5 Material related party transactions

The Company actively monitors all related party transactions. The material transactions with shareholders, persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body include the intra-Group reinsurance arrangements, and payments in respect of services provided to the Company.

As the Company is a wholly-owned subsidiary whose ultimate parent AXA SA (incorporated in France), the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of the AXA SA Group

The Directors resolved to pay a dividend of €100m in 2023. The Central Bank of Ireland have been notified in advance of the dividend payments.

B.2. Fit and proper requirements

B.2.1 Qualifications of the Board and Key Function holders

The Board regularly considers the qualifications necessary for its members. In this regard, the Board believes that its members should be persons with superior business judgement and integrity, who have knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the business operations or activities, and who have distinguished themselves in their chosen fields of endeavour. In addition, the Board believes 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 protect the interests of the shareholder and the policyholder whilst maintaining the highest standards of ethical business conduct. The Company supports these objectives through an ongoing programme of Board training. The Board believes 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 and Senior Management Function holders possess the skills, knowledge and expertise to carry out their regulatory obligations.

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. This discussion and evaluation of diversity occurs at the Governance Committee with recommendations made to the Board.

The Board Diversity Policy sets out the approach to diversity for the Board of Directors of XLICSE.

B.2.2 Recruitment process

All permanent recruitment within the Company is undertaken in line with the standard AXA XL recruitment process and with regard to regulatory requirements.

Human Resources (HR) undertake, on an outsourced basis, a series of checks in relation to a candidate after an offer has been communicated to them. The offer of employment is made subject to the satisfactory completion of detailed relevant background checks. These checks are commensurate to the regulatory status 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. For regulated positions these checks include (subject to any country local legal restrictions):

a. Financial Stability-

a. Regulatory sanctions

b. Employment history and references

c. Academic and professional qualifications

d. Identity check

e. Directorships search

B.2.3 Code of conduct

The Company is subject to AXA Group's Compliance & Ethics Code and AXA XL's Code Supplement ("the Code"). The Code sets out AXA Values : Customer First, Integrity, Courage and One AXA and the high standards of ethical behaviour and compliance that are expected of all employees. Areas covered include Treating Customers Fairly, Data Privacy, Workplace Conduct, Financial Crime and Competition. In addition, there is a Code for Representatives that explains what is expected of third parties. The Code also includes the Company's Speaking Up/Whistleblowing policy and processes, and encourages reporting of Code violations.

B.2.4 Fit & Proper Assessment

AXA XL's Fit and Proper policy applies to individuals who are deemed to be the persons responsible for managing or overseeing AXA XL's operations or holding key functions. This includes :

Board members of regulated entities

Holders of Key functions in regulated entities

i. Chief Executive Officer and where relevant Deputy Chief Executive Officer

ii. Chief Financial Officer; Chief Risk Officer ; Chief Compliance Officer

iii. Head of Internal audit

iv. Actuarial Function holder

In alignment with the policy, AXA XL is required to ensure that for each regulated entity:

i. Designated Key function holders have relevant professional qualifications, knowledge and experience to carry out their role appropriately – the fit requirement

ii. There are no unresolved doubts about the individuals' reputation or integrity – the proper requirement

iii. An appropriate and documented assessment of the above is carried out annually by HR for each individual within the scope of this policy, including being satisfied as to all professional qualifications

Additionally, the CBI Fitness and Probity Standards apply to persons occupying Controlled Functions (CFs), including Pre-approval Controlled Functions (PCFs). All proposed CFs are subject to regulated background checks and due diligence to ensure the Company is satisfied on reasonable grounds that the person complies with Standards set out by the Central Bank of Ireland and that the person agrees to abide by these Standards. PCFs require prior written approval of the CBI before being appointed.

On an annual basis, CFs and PCFs are required to declare that they continue to abide by the Standards and to declare if there is any material developments in relation to their compliance with the F&P Standards of which the Company should be aware.

B.2.5 Key Function Holders

The key functions relating to corporate governance and risk management identified by XLICSE are shown in the table below. Each key function holder is either a standing ex officio attendee of, or has a right of access to, the XLICSE Board outside of their own management reporting line. This gives the individual the operational independence to carry out their tasks and advise and inform the Board of any issues or concerns.

Key Function Holders		
CBI Definition	**XLICSE Role Title**	**Individual in Role**
The Risk Management Function	Chief Risk Officer, Asia & Europe	Eric Brown
The Compliance Function	Head of Compliance & Regulatory Affairs Europe	Paul Kierans
The Internal Audit Function	Head of Internal Audit	Joe Foy
The Actuarial Function	Head of Actuarial Function	Gary Dunne

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

B.3.1 Risk Management Framework (RMF)

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.

For information on risk management by individual risk type, please see section C 'Risk Profile'.

The RMF is governed by the Risk Monitoring Committee (RMC) and the annual plan for the Risk Management function is recommended for approval to the Board. The risk plan would be reviewed more regularly than annually if the Company was subject to a major change in regulatory requirements, strategy or organisational structure. 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 quarterly 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 the Executive and the Board, related to risk and capital management. The RMC ensures that material, emerging and sustainability 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 Chief Risk Officer (CRO), and established a 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 held by the Company;

• A diversified portfolio of underwriting, financial markets and counterparty risks;

• Managing excessive aggregation risk via a limit framework;

• Exercising consistency and transparency of risk management and control across the Company;

• Risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and

• Risk reporting to the 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 RAF where relevant. 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 exist 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. natural catastrophes (NAT CAT)), liquidity standards, tolerance to specific investment related risks and operational risk.

The risk management strategy and risk appetite frameworks 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 - 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 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. The (non-approved) internal model is used in the risk assessment process.

• 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 quarterly to the RMC. The dashboard measures the status against risk appetite and the associated monitoring triggers and limits using the latest output from the business and Standard Formula. The dashboard includes information related to the monitoring against all of the Company's material risk categories. Highlights from the dashboard including performance against appetite and limits are reported to the Board Risk Committee through the CRO report.

The RMF remains appropriate for 2022.

B.3.2 Internal/external credit assessments

Investments

Internal and external credit assessments are important tools in AXA XL's investment risk management processes. They have been a good indicator of the probability of default/downgrade and mark-to-market volatility due to yield/credit spread changes for credit markets as a whole.

Internal credit assessments are performed by the AXA Group Credit Team (ACT), an internal credit rating unit, and take priority over external credit assessments. To the extent that an issuer is not covered by the internal team, external credit ratings are used from reputable credit rating agencies.

AXA XL uses internal/external credit assessments mainly to classify bonds for the purposes of (1) strategic asset allocation, (2) capital modelling, and (3) investment risk governance.

The Fixed Income Concentration framework uses these ratings and applies varying base limits at an issue level which tighten with lower credit quality (in addition to capital structure position and tenor).

The Exposure Per Asset Class framework uses the credit ratings to determine where exposures are classified for measurement and limit monitoring, with Speculative Grade exposure having a significantly tighter limit vs Investment Grade.

The credit ratings are used in the internal capital model for managing Market and Credit Risk.

BBB exposure is monitored and has a related investment guideline maximum monitored by Investment and Risk Management teams.

The ratings are used for the purpose of the Average Credit Quality calculation and related investment guidelines monitored by the Investment and Risk Management teams.

B.3.3 Own risk and solvency assessment (ORSA)

The ORSA encompasses processes to identify, assess, monitor, manage and report the short to medium and also long term risks, with the aim of assessing:

• The overall solvency needs related to the Company's risk profile, as well as the assessment of the appropriateness of the standard formula;

• The compliance, on a continuous basis, with the capital requirements, which includes sensitivities and scenarios analyses, and with the requirements regarding technical provisions.

The ORSA is a tool of the risk management framework, contributing to strengthen the culture of risk management, and giving a comprehensive and complete vision of the risks embedded in the Company. AXA Group has established a policy on the ORSA to describe the common framework and rules to run and report on the ORSA across the Group. The

Company ORSA utilises the common framework and rules. This ORSA policy has been adopted by Division and the Company has an addendum to this policy.

The Regulatory Capital Requirement is derived using the Solvency II Standard Formula. In addition, the Standard Formula 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.

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.3.4 Pre-Emptive Recovery Planning

During 2021, regulations were issued for pre-emptive recovery planning for (re)insurers, requiring insurers to have a recovery plan in place by 31/03/2022. The CBI also issued Guidelines as to what the (re)insurers' plans need to address. The rationale underpinning the requirements is to encourage companies to future-proof their businesses against a range of potential adverse scenarios. The Company has refreshed their Recovery Plan which is owned and approved by its Board to reflect the regulatory requirements. The Recovery Plan defines recovery indicators with defined limits and thresholds that would prompt the company to take specific action, and sets out the options available to restore its financial position in the event of the company coming under stress.

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.

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

a. Implementing a risk-based approach to focus on risks that really matter;

b. Promoting management accountability for controls;

c. Introducing a common set of tools and techniques to be consistently used across the Group;

d. 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 is 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.

The Internal Audit Function represents the 'third line of defence', 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:

a. Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls, including controls over financial reporting;

b. 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;

c. Providing executive management, the Company's Board and AXA Group reasonable assurance over AXA XL's processes – in particular on financial reporting; and

d. 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 committee, 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 finished the implementation of the Internal Control Framework end of 2022 with the description of all controls in the 30 macro-processes and first round of testing performed on all controls. Staring from 2022, AXA XL Internal Control Framework is in Business as Usual and controls will be tested over 3 years according to a test plan formalized and validated by AXA XL Chief Risk Officer.

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 laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to XLICSE operations. Our 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 XLICSE is exposed.

The Head of Compliance is supported by the wider Irish Compliance team as well as members of the Legal & Compliance teams based in the various branches of the Company.

XLICSE’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 and anti-fraud programmes as well as international sanctions/embargo compliance), (iii) conduct, (iv) regulatory interaction.

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 each year.

The compliance activities within XLICSE are articulated around a number of AXA Group Standards and Policies which set the minimum requirements expected to be covered by XLICSE. The AXA Group Standards contain standards and policies on significant risks affecting the compliance activities as well as the high-level control and monitoring principles to which XLICSE must adhere. Both the standards and policies contained in the AXA Group Standards (e.g. Compliance Governance, Anti-Money Laundering, Sanctions and Anti-Bribery) are mandatory. In addition, 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.

The Company’s Compliance function reports 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 Audit Committee each year.

The head of the internal audit function has a direct and unfettered reporting line directly to his/her 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

An Actuarial Function has been established locally with the specific objective of adhering to the requirements of Solvency II. In addition to the Actuarial Function responsibilities under Solvency II, the CBI has introduced specific domestic requirements regarding the Actuarial Function and related governance arrangements which apply to all (re)insurance undertakings subject to Solvency II and which are supervised by the CBI.

The responsibilities assigned to the Actuarial Function under Solvency II and under the Domestic Actuarial Regime are held by one individual, the Head of Actuarial Function ("HoAF"). This role is a Pre-approval Controlled Function ("PCF") role and as such requires pre-approval from the CBI via the Fitness & Probity regime before the proposed individual can be appointed to the role. That individual shall have the prerequisite level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the undertaking. The HoAF shall be a member of a recognised actuarial association, for example one that is a member of the Society of Actuaries in Ireland. Where an undertaking is designated as a High Impact undertaking (as is the case for the Company), the HoAF shall be an employee of the undertaking. The term "employee" means a direct employee of the undertaking or an employee provided through a group services company on a full-time basis.

The operational responsibilities of the Actuarial Function are shared by a number of key individuals who are supported by their respective teams. These teams are of sufficient size, and consist of suitably qualified and experienced people that meet the Company's minimum fitness and proper employment criteria. The teams are structured with varying lines of defence to facilitate effective peer review and independent challenge..

B6.2 Reports of the Actuarial Function to the Board and Regulators

The undertaking shall ensure that the HoAF provides an Actuarial Opinion on Technical Provisions ("AOTPs") to the CBI on an annual basis. The HoAF also provides an annual Actuarial Report on Technical Provisions ("ARTPs") to the Board, supporting the AOTPs, to inform the Board and management on their conclusions about the reliability and adequacy of the calculation of technical provisions ("TPs").

The HoAF presents the results of reserve and TP valuations to the Board throughout the year.

The HoAF provides the Board with Actuarial Opinions on the overall Underwriting Policy and on the adequacy of Reinsurance Arrangements on an annual basis.

The HoAF also provides the Board with an Actuarial Opinion in respect of each ORSA process carried out by the Company. The opinion is provided to the Board at the same time as the results of the ORSA process to which it relates

The Actuarial Function also produces an annual Actuarial Function Report documenting all material tasks that have been undertaken by the function, including the disclosure of key results and the evaluation of any deficiencies and recommendations for addressing any such deficiencies.

B6.3 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 responsibilities are:

- Estimation of the gross and net TPs;

- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of TPs and explaining any material effect of change of data, methodologies or assumptions between valuation dates on the amount of TPs;
- Assessing the sufficiency and quality of the data used in the calculation of TPs and where relevant providing recommendations on internal procedures to improve data quality;
- Informing the Board on the reliability and adequacy of the calculation of TPs;
- Assisting in the execution of the risk management framework and ensuring effective governance framework around the review and validation of TPs (including loss reserves), policyholder obligations and potential exposures, including:
    - regular contact between reserving actuaries and underwriting and claims teams;
    - review of reserve valuations and TP estimations through an escalating series of reviews from reserving actuaries to the divisional Actuarial Function Holder;
    - review of TPs to provide sufficient independence from management; and
    - 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 Division and local regulatory requirements;
- Providing, at least annually, an actuarial opinion on the overall underwriting policy and the adequacy of reinsurance arrangements;
- Assisting with the underwriting process, including those surrounding pricing and design of underwriting contracts and risk transfer mechanisms;
- Helping to maintain a competent, effective and efficient approach to pricing; and
- Comparing best estimates against experience..

B.7. Outsourcing

Outsourcing is a fundamental component of the Company's business model and enables it to more effectively service its customers while also providing access to scalable capacity and AXA Group or third party expertise in an efficient manner.

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 Solvency II requirements. This framework incorporates the activities of the Executive and Outsourcing Committees. The role of the Outsourcing Committee is to ensure adequate controls are implemented, review key performance indicators and assess potential Outsourcing risk.

The Company has outsourced arrangements in place to cover delegated underwriting, delegated claims handling and intragroup arrangements with AXA Group companies to cover the provision of intermediary and support services, investment management and IT infrastructure. Where AXA Group companies further outsource services (sub-outsourcing), they must also ensure that they comply with the requirements of the Company's Outsourcing Policy.

The Company adopted revised criticality/materiality criteria & thresholds for Outsourcing in 2022 which specify the thresholds in place for determining materiality for notification, monitoring and reporting purposes taking into consideration the scale of the Company's business. Criticality/materiality for outsourced arrangements is assessed prior to signing a contract and is subsequently reviewed on an annual basis or when there are material changes to the arrangement.

The Company had the following critical/material outsourced arrangements in place at year end 2022:

The provision of intermediary and support services to the Company is primarily through the AXA Group service company, XL Catlin Services SE (XLCSSE), which is also headquartered and regulated in Ireland. XLCSSE provides these services to XLICSE via a Master Services Agreement (MSA) and a Binding Underwriting Authority Agreement (Binder). The vast majority of staff providing functional support to the Company are employed by XLCSSE and XLCSSE is also responsible for sourcing services for the Company from external third parties. The services provided by XLCSSE include actuarial, claims handling, compliance, finance, HR, IT, internal audit, legal, marketing, operations, risk management, tax, treasury and underwriting. The Company has put in place appropriate governance arrangements to control and monitor these services with oversight and management of XLCSSE provided by the Company's heads of function with clear accountability through the Executive Committee to the Board.

The Company also has binders in place, which cover the delegation of underwriting and claims authorities, with the following Group service companies established and regulated in Australia, Hong Kong and Singapore respectively: Catlin Australia Pty Limited, Catlin Hong Kong Limited and Catlin Singapore Pte Limited (covering Singapore & Labuan). The staff acting on behalf of these service companies are required to comply with individual underwriting and claims authorities which are issued by the Company.

The Company has an Investment Management Agreement (IMA) with XL Group Investments Ltd (XLGIL), which provides investment management services to the Company. XLGIL is the AXA XL Division's dedicated investment management centre of excellence and is established in Bermuda. It is responsible for advising on investment strategy, appointing sub-investment managers and custodians, providing investment reporting and setting benchmarks. Oversight is provided through the Company's Investment Committee.

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.

A key ongoing objective is the integration of merged entities, governance and controls into the Company framework.

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;

• Intangible risk (intangible assets).

As outlined in section B.3.2 the Standard Formula is used to calculate the regulatory capital requirement. The Company is now in the process of developing an Internal Model (IM). A full breakdown of the key risk drivers of the Standard Formula SCR can be found in Section E.2.2 below.

Key risks and capital drivers

The key risks and capital drivers are identified in the Standard Formula, and from the risk identification processes.

Underwriting risk is a significant risk XLICSE is exposed to and is heavily driven by natural catastrophes and man-made perils.

C.1. Insurance risk

Risk definition

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

Component	Definition
Underwriting risk	The risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing, provisioning assumptions and reinsurance schemes, and risk of the premiums paid by policyholders not being sufficient to cover claims which have to be paid in case the insured event takes place.
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 pay outs do not align with the timing or amounts of the estimated claims pay outs 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.

Risk mitigation

Reinsurance purchase

The Company participates in AXA XL managed outwards 3rd party reinsurance risk transfer programme to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL work with the AXA Group Reinsurance department (AXA Group Ceded 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 Company 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 also has intra-Group reinsurance arrangements with related entities for 2022. The counterparty exposure to these internal counterparties is managed through a range of risk mitigation actions.

Actuarial Function

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

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, 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 risks individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to meet its clients' needs while controlling its exposure both on a portfolio basis and on individual insurance contracts through terms and conditions, policy limits and sub-limits, attachment points and reinsurance arrangements on certain types of risks.

New product process and profitability reviews (PAP)

The new product process is designed to track and manage product innovation and obtain approval of new products by the Underwriting and Executive Committees.

The Company's new products process was expanded to incorporate a number of additional features derived from the AXA process. This entailed the introduction of New Product Approval Process ("PAP") including a documented risk management opinion on new products. With respect to the existing business, regular reviews are being carried out especially on portfolios not achieving planned targets. These reviews follow a strict framework reflected by the PAP Policy.

Risk monitoring

On a quarterly basis catastrophe exposure valuations are measured against risk appetites, monitored and reported to the RMC and Board. This monitoring is both on an exposure (aggregate for CAT risk type) and per-risk basis. Realistic Disaster Scenarios (RDSs) are also produced bi-annually and monitored and reported to RMC and Board. In addition, Large Losses are regularly monitored at Board and Executive level.

Underwriting risk monitoring includes articulation of risk appetites per the Risk Appetite Framework (RAF), alerts and limits are specified by risk category which include P&C UW - Property, P&C UW - Liability, P&C UW - D&O, P&C UW - Marine, P&C UW - Aviation, P&C NAT CAT Event impact - Peak peril, and P&C UW - Cyber.

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, natural catastrophe 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 and to assist in the setting of overall risk limits

Natural catastrophe 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 bi - annually 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.

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 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.

Additional Market risk components include;

• Real Estate

• Hedge Funds

• Private Equity

• Inflation

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 risk appetite framework	The company Risk Appetite Framework sets maximum risk tolerances and is reviewed annually.
Risk reporting and processes	The risk assessment process assists in identifying if there are any changes to market risks already identified in the previous assessment.
Emerging risks	The Division operates an emerging risks identification process with Company representation. This assessment identifies key external factor changes that may give rise to Market risk issues.

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 AXA XL 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 / Risk Appetite Framework**

In conjunction with the SAA, the Company has a Risk Appetite Framework modeled off the AXA Group 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 through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities and 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.

- **Investment Management agreement**

An investment management agreement is in place between XL Group Investments Ltd ("XLGIL") 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 Company's Board.

Currency risk mitigation

The Company's currency exposure is mainly dominated by the Euro. The Company seeks to mitigate the currency risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Asset liability management analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched.

Risk monitoring

Market Risk definition includes articulation of Risk Appetites per the Risk Appetite Framework, alerts and limits 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 Risk Appetite Framework is cascaded down to the Company and approved by the Board. Any breaches in limits of the Risk Appetite Framework are highlighted in the risk dashboard presented to the RMC and escalated to the Board.

The Company's investment portfolio mostly contains high rated government and corporate assets. This is reported to the RMC via the risk dashboard and discussed at the Investment Committee , with any breaches in Risk Appetite highlighted to the Board.

Stress testing framework

An embedded stress testing and scenario analysis framework is used to understand possible impacts of major risks, including market risks. The following stress tests are used to identify risk exposures:

• Interest rate and 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.

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, Worker's Compensation, 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.
Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.
Emerging risks	The Division operates an emerging risks identification process. This assessment identifies 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 aligns with the Division credit risk framework and Group superseding restrictions. Credit risk in the investment portfolio is managed through various frameworks applied the Division and Entity level including Authorities & Guidelines, Fixed Income Concentration, Sovereign Risk Appetite, and Country of Risk. 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 VaR methodology. FRM 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.

- **Legal documentation** - Corporate functions and underwriting businesses are responsible for sound and legally enforceable documentation that should be in place for each agreement with credit risk content. Approved documentation is put in place before entering into a contractual obligation.
- **Intra-group credit arrangements** - The Company derives significant reductions in risk resulting from intra-Group reinsurance arrangements as identified in section C1.
- **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.
- **Premium payment and brokers** - The Company underwrites a significant amount of its (re)insurance business through brokers and credit and premium risk exists should any of these brokers be unable to pay premium due.

A list of approved broking houses is maintained.

Risk monitoring

Credit Risk monitoring includes articulation of Risk Appetites per the Risk Appetite Framework (RAF), alerts and limits are specified by risk category, which include Sovereign Exposure, Fixed Income concentration, Global Issuer exposure, and Reinsurance Counterparty Risk.

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.

The Company has issued letters of credit of €65m as a participant to these credit facilities.

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.

Risk identification

The Company measures and monitors liquidity 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 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, capital providers 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:

Risk	Description
Asset-Liability Management (ALM)	Treasury conducts detailed ALM analysis to match the currency mix of its liabilities with appropriate assets. Investments manage 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 in certain markets. 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.

Risk monitoring

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.

Risk appetite is captured through risk reporting to the RMC and Board and monitored as part of the RAF. 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 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 operating cashflows, capital markets and natural catastrophes over each time horizon.

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.

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 operational 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 teams are responsible for reviewing the proposed changes and for highlighting any change 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 and risk owners so any required changes to the risk register can be implemented.
Emerging risks	The Company operates a Division wide emerging risks identification process which captures 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 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.

Risk appetite

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 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 tolerances; and

• To better understand economic and reputational impact of the identified top operational risk exposures.

Information and Communication Technology and Cyber Risks

Information Risk is defined as the risk that arises when AXA XL's 's information or information systems fail to deliver the expected value to the organisation, impacting business objectives or creating unacceptable operational loss. It includes any data systems, networks, and the supporting resources (incl. budget, people, premises, security) that process it. In order to support our business strategy and information and technology risk, AXA XL has built an Information Risk Management (IRM) practice to enable information risk decisions to be made consistently across the organization and establish sustainable risk management capabilities that are integrated with the business. This IRM practice includes cyber and IT risks, such as fraud, malware, and IT outages, which are supported by a dedicated suite of Key Risk Indicators (KRIs) reported internally and to AXA Group. Cyber and IT risks are also considered as part of Project reviews and upcoming regulation reviews to ensure that there is ongoing and proactive coverage for these risks.

In line with Regulations, AXA has set three lines of defence emphasising the importance of each of them to protect AXA against threats. The first line of defence ensures that risks are identified and controlled on a permanent basis, within the operations, close to the activities, by defining and operating control activities under supervision of line management responsible for accepting, managing and mitigating the risks. The second line of defence defines standards for control activities, and monitor the first line's controls efforts and effectiveness. This function performs objective risk identification and assessments, second opinions and independent controls testing. The third line of defence performs an assessment of the risk and governance processes on a periodic basis to provide independent assurance on the effectiveness of the system of internal control.

The Information Risk framework is fully embedded within the Operational Risk framework. The Information Risk framework aims at providing greater insight into information risks (i.e. IT, Data and Security). Key outcomes and decisions of the framework are supervised and validated through an appropriate governance.

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 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.

Risk mitigation, monitoring and Stress Testing Framework

The Company controls asset liability mismatch risk through:

Risk	Description
Asset Liability Management analysis ("ALM")	The Company will conduct detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which it 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 on additional considerations of each entity. This is mandatory to be completed at least once every three years.
Investment Risk Appetite Framework	Board approved Risk Appetite Framework 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.
Reserving process controls.	Among the key drivers of the Company's reserve risks are inflation, correlation across lines of business, legislative and regulatory changes, loss trend movements, timing and reporting changes at underlying ceding companies, and the excess nature of exposures in certain lines including non-proportional reinsurance
Stress Testing Framework	The Company uses stress testing as one method to assess asset liability mismatch risk exposures.

Strategic risk

A strategic risk is the risk that 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;

• 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

Reputational 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 are included in the Risk Dashboard reported to the RMC.

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.

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 tis 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 could 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. This is an on-going journey, with the current processes described below.

Climate change risk is managed through the Risk Management Framework ("RMF"). Through this process risks are identified. In the case of risks pertaining to climate change, physical, transition and litigation risks have been long standing items in our emerging risks identification process. As these risks have developed, they are assessed and monitored for each risk type. For example, the potential physical risk impacts on our natural catastrophe risk are considered within our underwriting risk framework. This ensures that each element of climate risk is managed by those with most expertise, that relevant stakeholders are kept informed and that these risks can be cross compared to others with similar characteristics. In addition, AXA XL has established a Climate Change Risk & Stress Testing Working Group to ensure that information is relayed across risk types and a transversal approach is also taken to the risk. Controls in relation to these risks are documented in the applicable risk policies where relevant.

For underwriting risk, stress testing has been developed to consider the impact of physical risk to our natural catastrophe exposures. In addition, work is in progress to consider a number of litigation risk scenarios and the impact on underwriting risk. Within market risk, there is a stress test in place to consider a disorderly transition, based on an EIOPA scenario.

Environmental, Social and Governance (ESG) risks

Regarding its long-term viability, XLICSE as part of AXA XL is also focused on Environmental, Social and Governance related risks. A key aspect of Environmental risk is described under "Climate Change" but in addition, AXA XL seeks to promote issues related to striving for Net-Zero, promoting sustainable waste management and use of water. In social risk, an immediate area of focus is on Inclusion and Diversity, particularly in AXA XL's workforce. This includes hiring and promoting a diverse workforce through our Diverse Slate policy and building succession plans and creating an inclusive environment through our Dignity at Work Policy, Business Resource Groups and implementing flexible working arrangements.

C.7. Any other information

Ukraine and Russia Conflict

On 24 February 2022, Russia invaded Ukraine and the war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g. Belarus) or that conduct business with their counterparties, the war is affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

During the year the Company has been monitoring the situation closely to identify potential exposures arising out of underwriting but also to investments, operational issues including potential cyber attacks, impacts from sanctions and the Company has considered expansion or changes to the conflict. From a claims perspective the Company is exposed to potential losses especially from Marine line of business. There is a significant amount of uncertainty and a large number of potential outcomes regarding the length of war, sanctions, exposures, coverages, event aggregation for reinsurance recovery and loss expectancy for example. The Company continues to monitor the evolving situation.

D. Valuation for Solvency Purposes

This section contains information regarding the valuation of balance sheet items for solvency purposes. The Solvency II 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 Solvency II balance sheet is presented below.

A reconciliation between the Irish GAAP equity and Solvency II equity is provided in Section E1.2. Eligible Own Funds below.

Each material asset class is described in paragraph D.1. Valuation of technical provisions is described in paragraph D.2. Other liabilities are described in paragraph D.3

		2022			2021
	Reference	Irish GAAP Value	Adjustment	Solvency II Value	Solvency II Value
Assets		€'000	€'000	€'000	€'000
Deferred Acquisition Costs (DAC)	1	593,298	(593,298)	—	—
Deferred tax asset	2	38,604	—	38,604	36,912
Property, plant and equipment	3	41	—	41	98
Investments (excl participations)	4	5,533,562	320,499	5,854,061	6,455,985
Participations	5	8,010	(1)	8,009	80,420
Reinsurance recoverables	6	12,668,735	(3,783,784)	8,884,951	9,764,659
Deposits to cedants	7	101,394	—	101,394	108,552
Insurance and intermediaries receivables	8	2,103,992	(1,790,138)	313,853	530,037
Reinsurance receivables	9	1,990,254	(721,464)	1,268,790	528,774
Receivables (trade, not insurance)	10	119,052	8,048	127,100	68,836
Cash and cash equivalents	11	—	307,148	307,148	333,136
Any other assets, not elsewhere shown	12	42,142	(40,410)	1,732	1,927
Total assets		23,199,084	(6,293,399)	16,905,685	17,909,336
Liabilities					
Technical provisions (best estimates) - Non life & health similar to non life	13	17,001,216	(5,810,371)	11,190,845	12,602,853
Technical provisions (risk margin) - Non life & health similar to non life	13	—	416,505	416,505	488,589
Technical provisions (best estimates) - Life & health similar to life	14	—	53,204	53,204	80,703
Technical provisions (risk margin) - Life & health similar to life	15	—	1,980	1,980	13,893
Pension benefit obligations	16	7,703	—	7,703	11,068
Deposits from reinsurers	17	746,422	(717,198)	29,224	41,191
Deferred tax liabilities	18	33,676	53,013	86,689	105,338
Derivatives	19	—	11,314	11,314	6,134
Debts owed to credit institutions	20	328,088	442,151	770,239	452,207
Financial liabilities other than debts owed to credit institutions	21	741,655	—	741,655	525,971
Insurance & intermediaries payables	22	59,442	—	59,442	48,816
Reinsurance payables	23	1,641,823	(702,891)	938,931	970,570
Payables (trade, not insurance)	24	345,602	154	345,756	327,988
Subordinated liabilities	25	—	—	—	52,761
Any other liabilities, not elsewhere shown	26	490,031	(460,930)	29,101	23,504
Total liabilities		21,395,658	(6,713,071)	14,682,588	15,751,586
Excess of assets over liabilities		1,803,426	419,672	2,223,097	2,157,750

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 template a reconciliation is prepared to reflect the difference between the Irish GAAP equity and Solvency II equity.

The Solvency II Balance Sheet requires an economic (fair) 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;

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

VI. The Company uses a fair value hierarchy for its investment portfolio that prioritises inputs to its valuation techniques which are used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets, 64% of the total portfolio, and then quoted prices in markets that are not active or inputs that are observable either directly or indirectly (36% of the total portfolio). The equity accounting method is used for the Affiliates holdings, 2% of the total portfolio.

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

1. Deferred acquisition costs (DAC) are costs relating to the acquisition of new business for insurance 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 Solvency II;

2. Under Solvency II the valuation of deferred tax assets is determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base. A deferred tax asset can only be recognized 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 utilized. The criteria for holding a deferred tax asset is similar under Irish GAAP and Solvency II and a review under both basis of accounting has been performed;

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 Solvency II;

4. The reason for the differences between Solvency II and Irish GAAP for investments is that some assets are carried at cost under Irish GAAP compared to fair value under Solvency II. Accrued investment income is included within the value of the investment under Solvency II, whereas it is disclosed separately in the Irish GAAP balance sheet. In addition, certain cash instruments in the Irish GAAP balance sheet are classified as investments under Solvency II;

5. Participations are equivalent to Associates in the Irish GAAP balance sheet and are accounted for under the adjusted equity method under both Irish GAAP and Solvency II. The adjusted equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets, which for Solvency II is calculated on an economic basis;

6. See Section D2.2 for a discussion of reinsurance recoveries under Irish GAAP compared to Solvency II;

7. Deposits to cedants under Irish GAAP are measured at cost less provision for impairment and are not discounted. Cost less provision for impairment is a reasonable proxy for fair value for the Solvency II measurement given the short term nature of these assets;

8. Insurance and intermediaries receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The valuation differs to Solvency II due to the fact that all of the not-yet-due insurance and intermediaries receivables are transferred to technical provisions under Solvency II (See Section D2 for details). As

this is simply a balance sheet reclassification between assets and liabilities there is no material impact on equity (apart from the fact that receivables not-yet-due are discounted within technical provisions). Only the due receivables remain in assets under Solvency II and are measured at cost less provision for impairment as a reasonable proxy for fair value given the short term nature of these assets;

9. Reinsurance receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. The Solvency II adjustment represents assumed premium debtors which are offset against technical provisions under Solvency II. Therefore there is no impact on equity for this adjustment. Cost less provision for impairment is a reasonable proxy for fair value for the Solvency II measurement given the short term nature of these assets;

10. Trade receivables under Irish GAAP are measured at cost less provision for impairment and are not discounted. There is no change in valuation under Solvency II as cost less provision for impairment is a reasonable proxy for fair value for the Solvency II measurement given the short term nature of these assets;

11. Cash and cash equivalents are measured at fair value under both Irish GAAP and Solvency II. The difference in cash valuation is because any bank accounts in an overdraft position are moved to debts owed to credit institutions. In addition, certain cash instruments in the Irish GAAP balance sheet are classified as investments under Solvency II;

12. Other assets are measured at cost less provision for impairment under Irish GAAP, which is a reasonable proxy for fair value under Solvency II given the short term nature of the assets. The difference is due to the fact that under Solvency II accrued investment income is included within the value of the investment; whereas it is disclosed within Other assets in the Irish GAAP section of the Balance Sheet.

D.2. Technical provisions

Items 6 and 13-15 from the Solvency II Balance Sheet in Section D above are combined below to present Net Technical Provisions:

		Solvency II Value	
		2022	**2021**
		€'000	**€'000**
Technical provisions (best estimates)	13-15	11,244,049	12,683,555
Technical provisions (risk margin)	13-15	418,485	502,482
Gross technical provisions		11,662,533	13,186,037
Reinsurance recoverables	6	8,884,951	9,764,659
Net technical provisions		**2,777,582**	**3,421,378**

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

Technical provisions are valued based on best estimate cashflows, adjusted to reflect the time value of money using risk-free discount rate term structures with the volatility adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cashflows which is calculated using the cost of capital approach and risk-free discount rate term structures without the volatility adjustment. The discount rate term structures are prescribed by EIOPA for each reporting period.

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

- Removal of any margins for prudence (as Solvency II technical provisions are established on a best estimate basis);
- Incorporation of expected reinsurance counterparty defaults (bad debt);
- Incorporation or the identification of events not in data (ENID) as appropriate;
- Incorporation of expected earned future premiums and commissions (payable and receivable);
- Other adjustments related to the consideration of investment and operating expenses, etc., and
- Discounting.

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:

- Removal of the unearned premium reserves and incorporation of expected unearned future premiums and commissions (payable and receivable);
- Allowing for premiums from business that is legally obliged but not yet incepted as at the valuation date;
- Allowing for the expected gross and ceded losses arising from the unearned and legally obliged exposure;
- Allowing for expected reinsurance bad debt on the ceded losses;
- Allowing for the cost of future "losses occurring" reinsurance cover for the unearned exposure, and for the cost of reinsurance cover for the legally obliged exposure;
- Incorporation or the identification of ENID as appropriate;
- Other adjustments related to the consideration of investment and operating expenses, etc.;
- Adjustments for lapses as appropriate, and
- Discounting.

The Company has been authorised by the CBI to apply the Volatility Adjustment (referred to in Article 77d of Directive 2009/138/EC) to the EIOPA risk-free interest rate term structure, as part of the valuation of the (re)insurance obligations within the technical provisions. The Company has not applied any of the following adjustments to the EIOPA risk-free interest rate term structure:

- matching adjustments (referred to in Article 77b of Directive 2009/138/EC);
- transitional risk-free interest rate term structure (referred to in Article 308c of Directive 2009/138/EC); and
- transitional deductions (referred to in Article 308d of Directive 2009/138/EC).

At 31 December 2022, the total net technical provisions amounted to €2,780m (2021: €3,421m) comprising the following:

	2022	2021
	€'000	€'000
Claims Provision	3,392,957	3,837,158
Premium Provision	(1,033,859)	(918,261)
Risk Margin	418,485	502,482
Total Technical Provisions	**2,777,583**	**3,421,379**

The following tables show the breakdown of total net technical provisions as at 31 December 2022, for each material line of business:

2022

Solvency II Lines of Business	**Best Estimate**	**Risk Margin**	**Total Technical Provisions**	**Percentage of Total**
	€'000	**€'000**	**€'000**	**%**
General liability	1,274,751	206,644	1,481,395	53%
Fire and other damage to property	325,581	87,067	412,648	15%
Other	758,766	124,775	883,541	32%
Total	**2,359,098**	**418,485**	**2,777,583**	100%

2021

Solvency II Lines of Business	**Best Estimate**	**Risk Margin**	**Total Technical Provisions**	**Percentage of Total**
	€'000	**€'000**	**€'000**	**%**
General liability	1,540,032	229,354	1,769,386	52%
Fire and other damage to property	472,757	102,951	575,708	17%
Other	906,108	170,177	1,076,285	31%
Total	**2,918,897**	**502,482**	**3,421,379**	100%

The General Liability business makes up approximately 53% (2021: 52%) of the Company's net technical provisions because of the long-tail nature of potential liabilities. The main methods and assumptions used to calculate the General Liability technical provisions are consistent with those used on all the other lines of business, although the underlying parameters are specific to each line of business. For example, there is a higher discounting credit on the General Liability business relative to the other lines of business due to longer settlement durations.

The methods and assumptions are described above.

D2.2. 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 ceded-to-gross ratios reflecting the reinsurance programmes applicable to the gross claims amounts.

Principle of Correspondence

Under the principle of correspondence, the technical provisions allow for the renewal cost of future Losses Occurring during reinsurance programmes insofar as they would benefit already incepted policies. For unincepted business, future reinsurance cost is explicitly allowed for, and its associative benefit is recognised within the ceded recoveries.

Reinsurance counterparty risk is the risk that ceded recoverables cannot be collected. To cover this risk a reinsurance bad debt ("RIBD") allowance is created. This RIBD allowance is calculated based on the credit rating for each reinsurer over the lifetime of the liabilities.

D2.3. Uncertainty / limitations associated with the value of the technical provisions

General As with all insurance business, there is inherent uncertainty over the exact amount that will be needed to settle the future liabilities. In addition to the inherent uncertainty regarding claims outcomes, there are a number of potential specific sources which contribute to further increasing this uncertainty. It should be noted that these potential specific sources of uncertainty are monitored and discussed regularly in reserving committees, risk committees and/or management committees, with actions taken as appropriate.

Inflation The Russia/Ukraine war, along with continued supply chain delays and material shortages due to the COVID-19 pandemic drove significant price inflation within the Eurozone in 2022. An increase in the total cost of settling individual claims could materially impact the future claims cost for future projection periods. While wage inflation in the Eurozone has not increased in line with price inflation to date, the outlook remains uncertain.

COVID-19 There exists uncertainty as to the ultimate cost of COVID-19 losses. There are a number of assumptions made as part of the actuarial projection of the ultimate cost, which may significantly vary from actual experience.

Eurozone uncertainty following Brexit in January 2022 is expected to result in increased uncertainty in the Eurozone. This is expected to increase the volatility of settling insurance claims for several years. This will stem from potential quantitative easing in the EU but is likely to then knock on to other areas of the market (e.g. wages may ultimately also be affected). Nonetheless, it is possible that the additional financial impacts could be significantly in excess of the projected claims amounts, investment income and expenses.

Exposure to large losses or an accumulation of losses The Company has exposure to large events or accumulation of a number of smaller events. The emergence of a large loss event of this type could significantly alter the estimate of financial projections on a gross of reinsurance basis. The Company note that the reinsurance protection in place mitigates the impact on a net of reinsurance basis. Further, a very large loss across the insurance market can significantly change the underwriting environment and can have a material impact on the financial projections.

Frequency trends An increase in the frequency claims occurring could materially impact the total future claims cost for future projection periods.

Legislative changes in particular jurisdictions A change to the legislative environment could impact the severity and frequency of losses which could have the potential to materially impact the total future claims cost for future projection periods.

Reinsurance coverage A change in the reinsurance coverage purchased could lead to a material deviation from the estimates stated in the financial projections. For example, an increase in the level of reinsurance coverage purchased could lead to an increase in the combined ratio but, in turn, may lead to a reduction in the SCR.

D.3. Other liabilities

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

		2022			2021
Other liabilities	Reference	**Irish GAAP Value**	**Adjustment**	**Solvency II Value**	**Solvency II Value**
		€'000	**€'000**	**€'000**	**€'000**
Pension benefit obligations	16	7,703	—	7,703	11,068
Deposits from reinsurers	17	746,422	(717,198)	29,224	41,191
Deferred tax liabilities	18	33,676	53,013	86,689	105,338
Derivatives	19	—	11,314	11,314	6,134
Debts owed to credit institutions	20	328,088	442,151	770,239	452,207
Financial liabilities other than debts owed to credit institutions	21	741,655	—	741,655	525,971
Insurance & intermediaries payables	22	59,442	—	59,442	48,816
Reinsurance payables	23	1,641,823	(702,891)	938,931	970,570
Payables (trade, not insurance)	24	345,602	154	345,756	327,988
Subordinated liabilities	25	—	—	—	52,761
Any other liabilities, not elsewhere shown	26	490,031	(460,930)	29,101	23,504
Total other liabilities		**4,394,443**	**(1,374,389)**	**3,020,053**	**2,565,548**

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

16. Under both Irish GAAP and Solvency II the pension benefit obligations are measured as the excess of the projected benefit obligation over the plan assets. This is considered a reasonable proxy for fair value, particularly given the immateriality of the liability.

17. Deposits from cedants are held at amortized cost under both Irish GAAP and Solvency II. This is deemed a reasonable proxy for fair value given the short term nature of these liabilities.

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

19. The reason for the differences between Solvency II and Irish GAAP for derivatives is that derivatives are carried at cost under Irish GAAP compared to fair value under Solvency II.

20. Debts owed to credit institutions represent the reclassification of overdrafts from cash and cash equivalents when moving from Irish GAAP to Solvency II. They are measured at fair value under both Irish GAAP and Solvency II.

21. Financial liabilities other than debts owed to credit institutions are measured at fair value under both Irish GAAP and Solvency II.

22. Insurance and intermediaries payables are measured at amortized cost under Irish GAAP and are not discounted. The difference under Solvency II is a result of a balance sheet reclassification to move a debit balance to Insurance receivables.

23. Reinsurance payables are held at amortized 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 Solvency II 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).

24. Payables (trade, not insurance) are held at amortized cost under both Irish GAAP and Solvency II. This is deemed a reasonable proxy for fair value given the short term nature of these liabilities.

25. Subordinated liabilities was repaid during the year. The subordinated loan note, was taken up in 2013, and was repayable at the option of the Company after a period of 5 years has elapsed following notice being given of the intention to repay the loan. The subordinated loan note was categorised as Tier 2 Capital under Solvency II

26. Any other liabilities, not elsewhere shown include ceded unearned commissions. This income is deferred under Irish GAAP but written off as it is not permitted under Solvency II.

D.4. Alternative methods for valuation

Approximately 64% of investments (excluding participations) are valued using the unadjusted quoted price in an active market for identical assets or liabilities that the Company can access at the measurement date. All remaining investments are valued using inputs that management consider to be Level 2. Level 2 inputs include: quoted prices for similar (but not identical) assets; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets.

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 primarily Level 2 inputs. 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 the Company 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. Contingent liabilities

As a result of the merger between XL Insurance Company SE and AXA Corporate Solutions Assurance SA on 31 December 2019, there is a greater than remote risk that the accumulated tax losses of XL Insurance Company SE are foregone at the merger date.

In the event that the losses were foregone, the impact would be to increase the German net deferred tax liability by c. €97m. There would be no possibility of reimbursement therefore the cost would be borne by the company.

D.6. Any other information

A going concern assessment has been undertaken as part of the 2022 reporting process. The assessment considered the company's business activities, liquidity, solvency as well as position/reliance within the group.

The going concern assessment included consideration of the Company's current and forecast solvency and liquidity positions over a three-year period through management's 2023-2025 business plan and evaluates the results of stress and scenario testing. The Company's stress and scenario testing considers the Company's capacity to respond to a series of relevant financial, insurance or operational shocks should future circumstances or events differ from the current assumptions in the business plan, focusing on the impacts on solvency and liquidity.

On the basis of the most recent stress testing, the directors are satisfied that there are no material uncertainties which cast doubt on the ability of the Company to continue as a going concern over the period of assessment being at least 12 months from the date of approval of the return. For this reason the going concern basis has been adopted in preparing the return.

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

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 Solvency II, capital is referred to as Own Funds. Own Funds are calculated from the excess of assets over liabilities in the Solvency II balance sheet, to which any subordinated debt is then added. This combined amount is known as Basic Own Funds. Total Own Funds may include Ancillary Own Funds which are off-balance-sheet items that can be called up to absorb losses. The Company has €500m of 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.

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 the standard formula capital requirement. 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 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

It is the Board's authority to determine any material changes to the Company's capitalisation. This includes issuance, changes, redemptions and, on equity instruments, any distributive actions (dividends or share buybacks).

E.1.2 Eligible Own Funds

The starting point to determine Eligible Own Funds is to prepare the Company balance sheet on a Solvency II basis. The Solvency II balance sheet is derived from the Irish GAAP balance sheet by making the adjustments necessary to reflect the Solvency II valuation basis of assets and liabilities. This Solvency II balance sheet then provides the Basic Own Funds which are categorized into the three Solvency II 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
Difference between equity shown in the financial statements and excess of assets over liabilities per Solvency II	**€000's**	**€000's**
Shareholder equity per financial statements	1,803,426	1,984,899
Adjustments for technical provision and risk margin under Solvency II	463,386	(179,078)
Adjustments for DAC	(593,298)	(581,198)
Deferred Tax Adjustment	(53,014)	(50,918)
Fair value uplift of investments	141,821	627,656
Other adjustments	460,776	350,255
Excess of assets over liabilities per Solvency II	**2,223,097**	**2,151,616**

An additional analysis is performed to determine the eligibility of these Own Funds to meet the SCR. Own Funds of subsidiaries are assessed to identify any elements which are not fungible (i.e. cannot cover losses), not transferable or not liquid (within 9 months), and hence not available for the Company.

Tiering of Basic Own Funds

At 31 December 2022 the Company's Basic Own Funds were assigned to the Solvency II tiers as shown in the following table:

2022	**Tier 1 - unrestricted**	**Tier 2**	**Tier 3**	***Total***
	€'000	**€'000**	**€'000**	**€'000**
Ordinary share capital	314,969	—	—	314,969
Share premium	274,187	—		274,187
Net Deferred Tax Asset	—	—	38,604	38,604
Reconciliation reserve	1,495,336	—	—	1,495,336
Subordinated liabilities	—	—	—	—
Ancillary own fund	—	500,000	—	500,000
Total basic own funds after deductions	**2,084,493**	**500,000**	**38,604**	**2,623,097**

2021	Tier 1 - unrestricted	Tier 2	Tier 3	Total
	€'000	€'000		€'000
Ordinary share capital	314,970		—	314,970
Share premium	274,187			274,187
Net Deferred Tax Asset		—	—	36,912
Reconciliation reserve	1,525,547		—	1,525,547
Subordinated liabilities	—	—	52,761	52,761
Ancillary own fund	—		500,000	500,000
Total basic own funds after deductions	**2,114,704**	—	**552,761**	**2,704,377**

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. There is no intention to increase share capital in the foreseeable future. The reconciliation reserve of €1,495m (2021:€1,526) comprises net assets from the Solvency II balance sheet of €2,221m (2021:€2,234m) less ordinary share capital of €589m (2021:€589m), deferred tax asset of €39m (2021: 36m) and a foreseeable dividend of €100m. The change in valuation of the reconciliation reserve is driven by the change in net assets on the Solvency II balance sheet.

The subordinated loan note was repaid during the year. The subordinated loan note, was taken up in 2013, and was repayable at the option of the Company after a period of 5 years has elapsed following notice being given of the intention to repay the loan. The subordinated loan note was categorised as Tier 2 Capital under Solvency II.

The Company had no defaults of principal, interest or other breaches with respect to its subordinated loan note during the period.

The Company received a capital commitment deed from XLB to provide €500m of capital should it be needed. The Company received an approval from the Central Bank of Ireland on 6 December 2019 to be able to recognize this as a Tier 2 Ancillary Own Fund item

The Company also has a Capital Maintenance Agreement of €400m (2021:€400m) which is not classified as Eligible Own Funds under Solvency II rules, but is a potential source of additional capital to the Company from the Group.

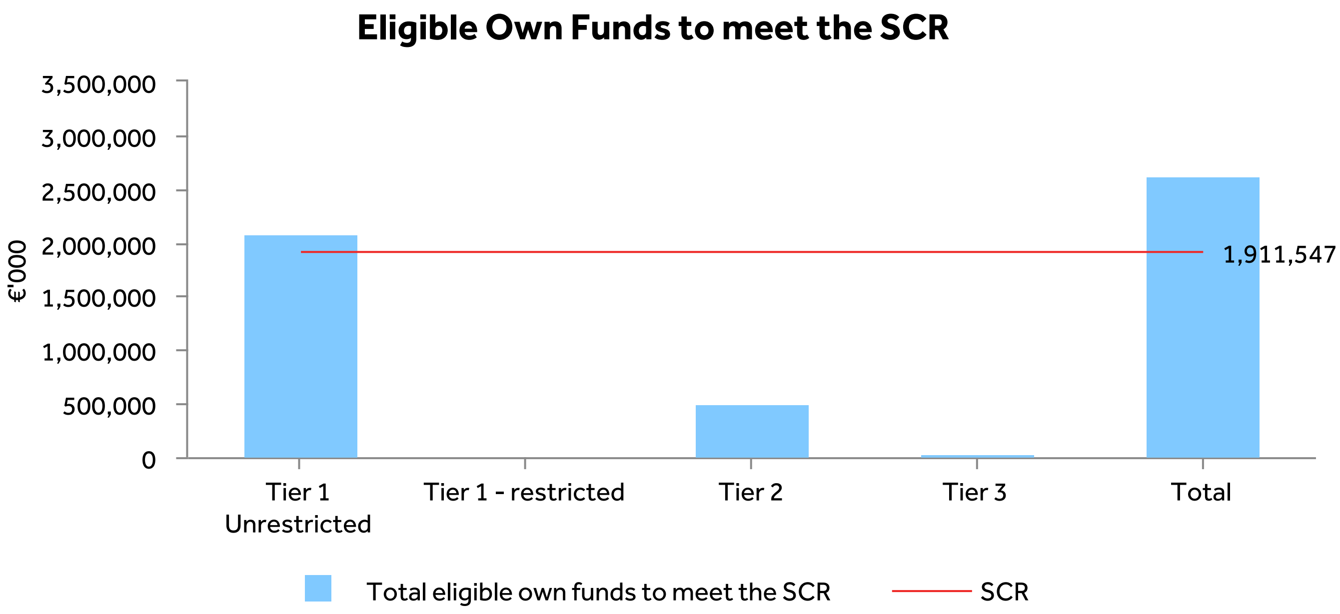
Eligible Own Funds to cover the SCR and MCR

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.

Eligible Own Funds to meet the Standard Formula SCR and MCR at 2022 and 2021 is detailed below:

2022	Tier 1 - unrestricted	Tier 2	Tier 3	Total
	€'000	€'000	€'000	€'000
Total eligible own funds to meet the SCR	2,084,493	500,000	38,604	2,623,097
Total eligible own funds to meet the MCR	2,084,493	—	—	2,084,493

2021	Tier 1 - unrestricted	Tier 2	Tier 3	Total
	€'000	€'000	€'000	€'000
Total eligible own funds to meet the SCR	2,114,704	552,761	36,912	2,704,377
Total eligible own funds to meet the MCR	2,114,704	52,761	—	2,167,465



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	1,911,547	1,947,681
MCR	477,887	486,920
Total eligible own funds to meet the SCR	2,623,097	2,704,377
Total eligible own funds to meet the MCR	2,084,493	2,167,465
	%	**%**
Ratio of Eligible own funds to SCR	**137.2%**	**138.9%**
Ratio of Eligible own funds to MCR	**436.2%**	**445.1%**

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 Solvency II Directive. The Standard Formula SCR calculation is calibrated to ensure that all quantifiable risks are taken into account.

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

	2022	2021
	€'000	€'000
SCR	1,911,547	1,947,681
MCR	477,887	486,920

The Standard Formula 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 Senior Management.

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

	MCR	
	2022	2021
	€'000	€'000
Linear MCR	444,720	484,795
SCR	1,911,547	1,947,681
MCR cap	860,196	876,456
MCR floor	477,887	486,920
Combined MCR	477,887	486,920
Absolute floor of the MCR	4,000	3,700
Minimum Capital Requirement	**477,887**	**486,920**

The non-life linear MCR is based on factors applied to net written premiums amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II Class of business. The charge for premium and technical provision elements are then summed to create a total charge.

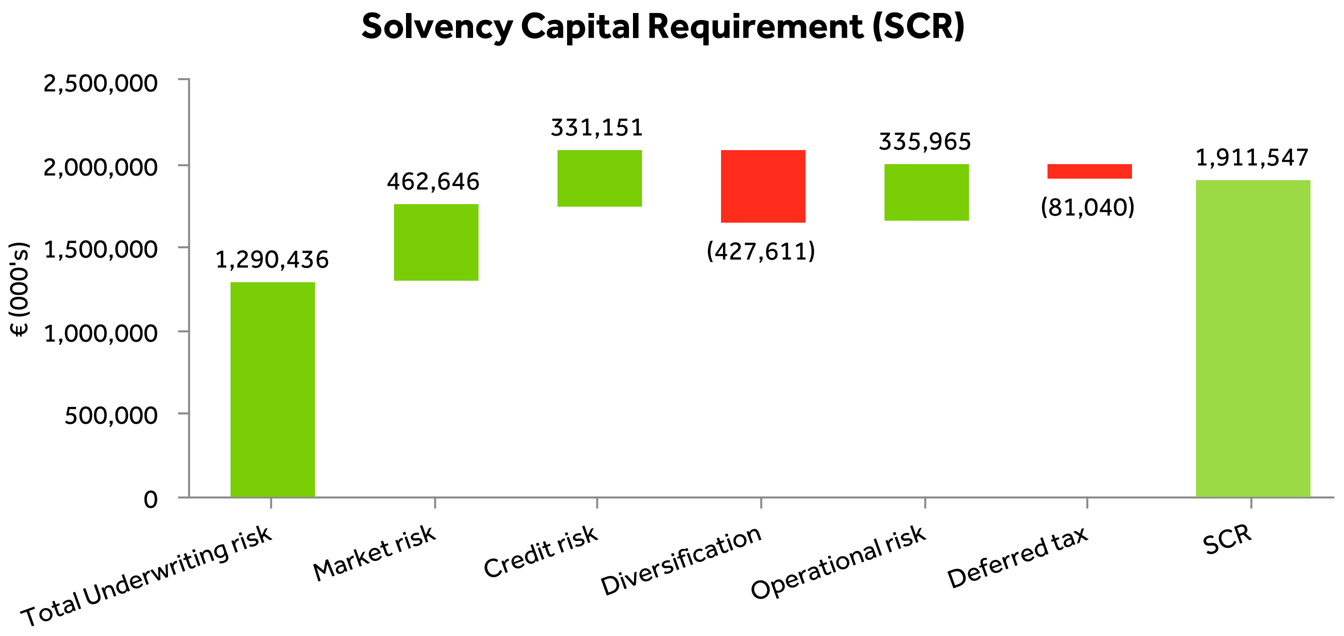
The following table illustrates the inputs to the MCR calculation for 2022 and 2021.

	Net (of reinsurance) best estimate provisions		Net (of reinsurance) written premiums in the last 12 months	
Inputs to MCR calculation	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Motor vehicle liability insurance and proportional reinsurance	208,021	312,453	54,538	98,182
Other motor insurance and proportional reinsurance	26,646	24,265	50,957	42,995
Income Protection	28,443	29,686	3,875	41,468
Marine, aviation and transport insurance and proportional reinsurance	382,563	325,453	437,671	321,101
Fire and other damage to property insurance and proportional reinsurance	325,581	472,757	470,496	436,306
General liability insurance and proportional reinsurance	1,274,751	1,540,032	358,238	367,094
Credit and suretyship insurance and proportional reinsurance	—	—	35,212	23,776
Miscellaneous financial loss insurance and proportional reinsurance	246,903	255,333	64,908	54,995
Non-proportional health reinsurance	—	—	—	—
Non-proportional casualty reinsurance	5,197	3,158	10,038	15,114
Non-proportional marine, aviation and transport reinsurance	831	9,486	17	—
Non-proportional property reinsurance	28,974	24,518	1,191	39,614

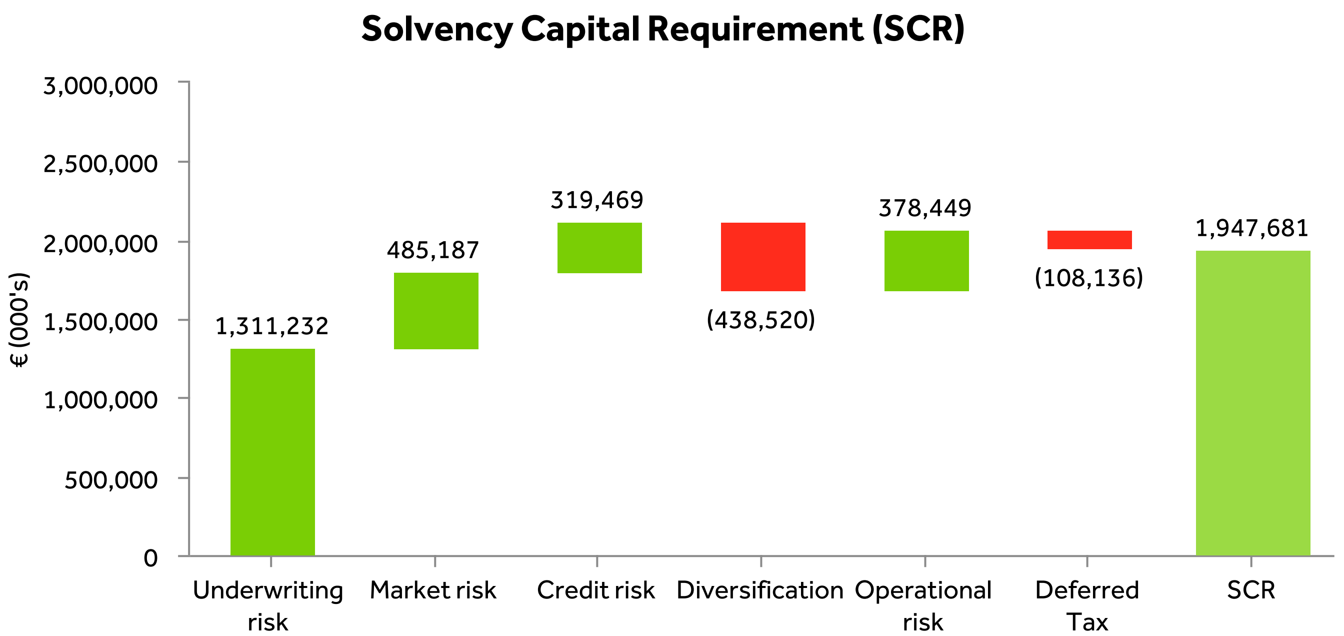
E.2.2 SCR by risk module

The Standard Formula SCR by risk module is set out below:

2022



2021



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

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

Non-life underwriting risk (incl. Health)

The Company is exposed to non-life underwriting risk as a result of the policies it sells. The decrease in premium and reserve risk is driven by the reduction in net claims provision primarily due to increased discounting of loss reserves. The increase in lapse risk is driven by an increase in expected profit in future premium (EPIFP) and the increase in catastrophe risk is driven by FX movements..

Non-life underwriting risk (incl. Health)	2022 €000's	2021 €000's
Non-life premium and reserve risk	993,837	1,084,607
Non-life lapse risk	427,809	316,711
Non-life catastrophe risk	467,017	408,191
Diversification within non - life underwriting risk module	(615,515)	(519,291)
Health underwriting risk	12,707	14,186
Non Life Underwriting Risk (incl. Health) Total	**1,285,855**	**1,304,404**

Market Risk

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

- €141m (2021:€152m) of currency risk mainly driven by the exposure of the Company's assets and liabilities denominated in foreign currencies. The increase is driven by a mismatch in net asset currency value, particularly USD and SGD
- €204m (2021:€253m) of spread risk mainly driven by the Company's investments in bonds and securitised assets. The decrease is driven by the sale of investment in bonds and subject to the spread risk module.
- €82m (2021:€50m) of equity risk due to investments in listed and unlisted equities. The increase is a result of a purchase of equities, primarily within funds.
- €28m (2021:€10m) of interest rate risk driven by the changes in assets and liabilities of the Company due to changes in discount rates. The increase is due to changes in yields during the year
- €171m (2021: €171m) of property risk driven primarily by investment in real estate funds. There has been no material movement in property risk

Market Risk	2022 €000's	2021 €000's
Interest rate risk	28,066	9,710
Equity risk	82,303	50,479
Spread risk	204,326	252,688
Property risk	171,030	170,991
Concentration risk	—	—
Currency risk	141,133	151,827
Diversification within market risk module	(164,212)	(149,793)
Total Market Risk	**462,646**	**485,902**

Operational Risk

The capital requirement for operational risk based on technical provisions is the standard measure of 3% of non-life gross technical provisions (excluding risk margin).The capital requirement for operational risk is capped at 30% of the BSCR which is not applicable for the Company. The operational risk charge has decreased to €336m from €378m due to a decrease in non-life gross technical provisions.

Operational risk	2022 €000's	2021 €000's
Non-life gross technical provisions (excluding risk margin)	11,244,049	12,683,555
Capital requirement for operational risk based on technical provisions	**335,965**	**378,449**

Counterparty default risk (Credit risk)

The Company is exposed to €331m (2021: €319m) of counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2). There has been an increase in counterparty risk driven by a change in the age profile of debtors with a heavier weighting to >90 days past due (type 2) offset by a decrease in reinsurance recoverables & receivables due to reduction in technical provisions as well as a decrease in cash.

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

The Company met all of the SCR and MCR compliance requirements during the year.

E.6. Any other information

XL Insurance Company SEs' solvency ratio calculated without applying the volatility adjustment amounted to135.1% at December 31, 2022 compared to 137.2% with volatility adjustment.

The basic own funds without considering the volatility adjustment would decrease by €33 million to €2,589 million, reflecting the increase in best estimate liabilities due to lower discount rate.

The total SCR would increase by €6 million mainly due to higher non-life reserve risk as a result of the movement in Best Estimate. The Minimum Capital Requirement would not increase.

There is no other material information regarding capital management.

Public Quantitative Reporting Templates

S02.01.01 Basic information

Undertaking name	XL Insurance Company SE
Undertaking identification code	LEI/635400PTQW4DT3C4DG08
Type of code of undertaking	LEI
Type of undertaking	3 – Non–Life undertakings
Country of authorisation	IE
Language of reporting	English
Reporting submission date	7/4/2022
Reporting reference date	12/31/2022
Currency used for reporting	EUR
Accounting standards	UK GAAP
Method of Calculation of the SCR	1 – Standard formula
Use of undertaking specific parameters	2 - Don't use undertaking specific parameters
Ring-fenced funds	2 - Not reporting activity by RFF
Matching adjustment	2 - No use of matching adjustment
Volatility adjustment	1 - Use of volatility adjustment
Transitional measure on the risk-free interest rate	2 - No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	2 - No use of transitional measure on technical provisions

S.02.01.02 Balance Sheet

		Solvency II value	
		2022	2021
		€'000	€'000
		C0010	C0010
Assets			
Intangible assets	R0030	—	—
Deferred tax assets	R0040	38,604	36,912
Pension benefit surplus	R0050	0	0
Property, plant & equipment held for own use	R0060	41	98
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,670,867	6,374,447
Property (other than for own use)	R0080	—	—
Holdings in related undertakings, including participations	R0090	8,009	80,420
Equities	R0100	13,475	13,082
Equities - listed	R0110	12,829	12,435
Equities - unlisted	R0120	646	647
Bonds	R0130	4,198,748	5,000,834
Government Bonds	R0140	2,360,066	2,804,095
Corporate Bonds	R0150	1,712,847	2,075,192
Structured notes	R0160	—	—
Collateralised securities	R0170	125,835	121,547
Collective Investments Undertakings	R0180	1,448,288	1,277,807
Derivatives	R0190	2,346	2,303
Deposits other than cash equivalents	R0200	—	—
Other investments	R0210	—	—
Assets held for index-linked and unit-linked contracts	R0220	—	—
Loans and mortgages	R0230	191,203	161,958
Loans on policies	R0240	—	—
Loans and mortgages to individuals	R0250	—	—
Other loans and mortgages	R0260	191,203	161,958
Reinsurance recoverables from:	R0270	8,884,951	9,764,659
Non-life and health similar to non-life	R0280	8,884,951	9,764,659
Non-life excluding health	R0290	8,864,484	9,733,815
Health similar to non-life	R0300	20,467	30,844
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	—	—
Health similar to life	R0320	—	—
Life excluding health and index-linked and unit-linked	R0330	—	—
Life index-linked and unit-linked	R0340	—	—
Deposits to cedants	R0350	101,394	108,552
Insurance and intermediaries receivables	R0360	313,853	530,037
Reinsurance receivables	R0370	1,268,790	528,774
Receivables (trade, not insurance)	R0380	127,100	68,836
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	307,148	333,136
Any other assets, not elsewhere shown	R0420	1,732	1,927
Total assets	**R0500**	**16,905,685**	**17,909,336**

		Solvency II value	
		€'000	€'000
		C0010	C0010
Liabilities			
Technical provisions – non-life	R0510	11,607,350	13,383,534
Technical provisions – non-life (excluding health)	R0520	11,556,692	13,315,544
TP calculated as a whole	R0530	—	—
Best Estimate	R0540	11,141,935	12,903,175
Risk margin	R0550	414,758	412,369
Technical provisions - health (similar to non-life)	R0560	50,658	67,989
TP calculated as a whole	R0570	—	—
Best Estimate	R0580	48,911	65,279
Risk margin	R0590	1,747	2,711
Technical provisions - life (excluding index-linked and unit-linked)	R0600	55,184	91,797
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	55,184	91,797
TP calculated as a whole	R0660	—	—
Best Estimate	R0670	53,204	80,990
Risk margin	R0680	1,980	10,807
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	7,703	11,520
Deposits from reinsurers	R0770	29,224	41,275
Deferred tax liabilities	R0780	86,689	90,718
Derivatives	R0790	11,314	1,132
Debts owed to credit institutions	R0800	770,239	158,008
Financial liabilities other than debts owed to credit institutions	R0810	741,655	318,233
Insurance & intermediaries payables	R0820	59,442	428,159
Reinsurance payables	R0830	938,931	1,881,534
Payables (trade, not insurance)	R0840	345,756	118,545
Subordinated liabilities	R0850	—	49,038
Subordinated liabilities not in BOF	R0860	—	—
Subordinated liabilities in BOF	R0870	—	49,038
Any other liabilities, not elsewhere shown	R0880	29,101	41,285
Total liabilities	**R0900**	**14,682,588**	**16,614,778**
Excess of assets over liabilities	**R1000**	**2,223,097**	**2,332,656**

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Line of business for: accepted non-proportional reinsurance				
		Income protection insurance	Motor Vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	**Total**
		C0040	C0050	C0060	C0070	C0080	C0090	C0120	C130	C0140	C150	C160	C0200
		€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Premiums written													
Gross - Direct Business	R0110	10,405	56,653	591,463	1,552,295	1,335,568	172,597	448,769					4,167,749
Gross - Proportional reinsurance accepted	R0120	(237)	107,638	156,262	745,661	238,546	3,211	26,558					1,277,640
Gross - Non-proportional reinsurance accepted	R0130								—	9,635	(8)	(826)	8,801
Reinsurers' share	R0140	6,293	58,797	310,055	1,827,460	1,215,876	140,597	410,419		(404)	(25)	(2,017)	3,967,050
Net	R0200	3,875	105,495	437,671	470,496	358,238	35,212	64,908	—	10,038	17	1,191	1,487,140
Premiums earned													
Gross - Direct Business	R0210	16,029	72,846	564,834	1,491,085	1,331,165	110,776	434,661					4,021,397
Gross - Proportional reinsurance accepted	R0220	(54)	108,112	157,522	709,476	219,594	3,587	24,980					1,223,218
Gross - Non-proportional reinsurance accepted	R0230								—	11,740	(17)	16,351	28,074
Reinsurers' share	R0240	8,089	58,848	324,672	1,723,887	1,181,423	91,050	403,926		(762)	(25)	(2,149)	3,788,959
Net	R0300	7,887	122,110	397,684	476,675	369,336	23,313	55,715	—	12,502	8	18,500	1,483,729
Claims incurred													
Gross - Direct Business	R0310	3,488	30,890	474,086	911,786	1,189,279	26,738	231,769					2,868,035
Gross - Proportional reinsurance accepted	R0320	4,005	93,790	77,837	270,445	193,056	341	35,310					674,784
Gross - Non-proportional reinsurance accepted	R0330								—	7,461	(15)	8,618	16,065
Reinsurers' share	R0340	(2,951)	26,104	289,164	1,052,179	1,099,378	24,722	226,208		(71)	122	58	2,714,913
Net	R0400	10,444	98,576	262,758	130,051	282,957	2,357	40,872	—	7,533	(137)	8,560	843,972
Expenses incurred	R0550	8,980	48,519	184,743	234,638	225,609	1,746	21,814	—	1,364	(3)	5,625	733,033
Other expenses	R1200												—
Total expenses	R1300												733,033

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		IRELAND	FRANCE	GERMANY	AUSTRALIA	ITALY	AUSTRIA	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000
Premiums written								
Gross - Direct Business	R0110	457,072	1,011,191	838,820	515,118	270,048	128,483	3,220,731
Gross - Proportional reinsurance accepted	R0120	184,539	199,822	138,180	32,576	49,860	177,756	782,733
Reinsurers' share	R0140	541,943	794,568	629,082	415,127	223,260	246,576	2,850,556
Net	R0200	99,667	416,445	347,918	131,970	96,648	59,663	1,152,312
Premiums earned								
Gross - Direct Business	R0210	392,517	999,589	806,546	488,506	248,699	121,236	3,057,093
Gross - Proportional reinsurance accepted	R0220	134,319	198,066	134,657	29,112	52,454	164,892	713,500
Reinsurers' share	R0240	444,238	766,629	599,338	392,494	214,165	231,622	2,648,487
Net	R0300	82,598	431,026	341,864	135,752	86,988	54,506	1,132,734
Claims incurred								
Gross - Direct Business	R0310	353,885	652,861	697,584	297,091	147,832	57,299	2,206,551
Gross - Proportional reinsurance accepted	R0320	135,565	154,084	80,862	23,088	45,297	66,962	505,858
Gross - Non-proportional reinsurance accepted	R0330	—	—	—	11,683	—	—	11,683
Reinsurers' share	R0340	454,625	518,007	586,956	293,706	141,950	99,901	2,095,146
Net	R0400	34,825	288,938	191,489	38,156	51,179	24,359	628,946
Expenses incurred	R0550	76,050	209,568	107,652	21,028	50,201	35,462	499,961
Other expenses	R1200							—
Total expenses	R1300							499,961

S.12.01.02 Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0150
Technical provisions calculated as a whole			
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	53,204	53,204
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	53,204	53,204
Risk Margin	R0100	1,980	1,980
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110		
Best estimate	R0120		
Risk margin	R0130		
Technical provisions - total	R0200	55,184	55,184

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance							
		Income protection insurance	Workers' compensa tion 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
		C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Best estimate									
Premium provisions									
Gross	R0060	(4,682)	—	(31,008)	(13,911)	(144,903)	(501,105)	(337,523)	(397,229)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(189)	—	(13,205)	(5,867)	(50,454)	(171,216)	(93,557)	(167,807)
Net Best Estimate of Premium Provisions	R0150	(4,493)	—	(17,803)	(8,044)	(94,450)	(329,889)	(243,966)	(229,423)
Claims provisions									
Gross	R0160	53,592	—	310,592	51,208	1,161,973	2,670,686	6,338,605	43,234
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	20,656	—	84,768	16,518	684,961	2,015,216	4,819,888	35,826
Net Best Estimate of Claims Provisions	R0250	32,936	—	225,824	34,690	477,012	655,470	1,518,717	7,408
Total Best estimate - gross	R0260	48,910	—	279,583	37,297	1,017,070	2,169,581	6,001,082	(353,996)
Total Best estimate - net	R0270	28,443	—	208,021	26,646	382,563	325,581	1,274,751	(222,015)
Risk margin	R0280	1,747	—	10,126	1,669	37,881	87,067	206,644	1,409
Technical provisions - total	R0320	50,657	—	289,709	38,967	1,054,951	2,256,648	6,207,726	(352,586)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	20,467	—	71,562	10,652	634,507	1,844,000	4,726,331	(131,981)
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re - total	**R0340**	**30,190**	**—**	**218,146**	**28,315**	**420,444**	**412,648**	**1,481,395**	**(220,606)**

		Direct business and accepted proportional reinsurance	Accepted non-proportional reinsurance				Total Non-Life obligation
		Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	
		€'000	€'000	€'000	€'000	€'000	€'000
		C0130	C0140	C0150	C0160	C0170	C0180
Best estimate							
Premium provisions							
Gross	R0060	(153,973)	—	—	—	(720)	(1,585,054)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(49,199)	—	—	2	296	(551,194)
Net Best Estimate of Premium Provisions	R0150	(104,774)	—	—	(2)	(1,016)	(1,033,859)
Claims provisions							
Gross	R0160	2,085,739	—	5,757	6,205	48,309	12,775,899
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,734,062	—	560	5,372	18,319	9,436,145
Net Best Estimate of Claims Provisions	R0250	351,677	—	5,197	832	29,990	3,339,754
Total Best estimate - gross	R0260	1,931,766	—	5,757	6,205	47,589	11,190,845
Total Best estimate - net	R0270	246,903	—	5,197	831	28,974	2,305,894
Risk margin	R0280	67,997	—	188	202	1,575	416,505
Amount of the transitional on Technical Provisions							
Technical provisions - total	R0320	1,999,763	—	5,945	6,407	49,164	11,607,350
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	1,684,863	—	560	5,374	18,616	8,884,951
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	**314,900**	**—**	**5,385**	**1,033**	**30,548**	**2,722,399**

S.19.01.21 Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year													
Year		**0**	**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**	**C0100**		**C0170**	**C0180**
Prior	**R0100**											446	R0100	446	446
N-9	**R0160**	304	824	357	222	181	101	62	71	40	38		R0160	38	2,201
N-8	**R0170**	284	703	433	203	192	101	69	38	82			R0170	82	2,105
N-7	**R0180**	486	967	924	276	218	142	115	152				R0180	152	3,281
N-6	**R0190**	288	921	480	286	194	195	142					R0190	142	2,506
N-5	**R0200**	426	1,098	769	473	201	193						R0200	193	3,160
N-4	**R0210**	330	1,148	699	335	335							R0210	335	2,847
N-3	**R0220**	439	907	596	521								R0220	521	2,463
N-2	**R0230**	289	790	595									R0230	595	1,674
N-1	**R0240**	224	740										R0240	740	964
N	**R0250**	241											R0250	241	241
													a l R0260	**3,486**	**21,887**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
Year		—	—	—	—	—	—	—	—	—	—	**10 & +**		
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											1,215	R0100	1,007
N-9	**R0160**	—	—	—	735	533	480	387	326	285	256		R0160	200
N-8	**R0170**	—	—	975	739	589	577	401	351	241			R0170	196
N-7	**R0180**	—	2,091	1,094	957	868	818	682	436				R0180	352
N-6	**R0190**	2,424	1,858	1,151	1,168	1,143	941	765					R0190	623
N-5	**R0200**	2,913	2,045	1,601	1,307	1,173	959						R0200	789
N-4	**R0210**	3,233	2,669	2,166	1,693	1,287							R0210	1,075
N-3	**R0220**	3,274	2,960	2,181	1,673								R0220	1,419
N-2	**R0230**	4,197	2,937	2,238									R0230	1,944
N-1	**R0240**	3,400	2,566										R0240	2,262
N	**R0250**	3,251											R0250	2,908
													R0260	**12,776**

S.22.01.01 Impact of Long term Guarantees

			Impact of the LTG measures and transitionals (Step-by-step approach)								
		Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Impact of transitional on technical provisions	Without transitional on interest rate	Impact of transitional on interest rate	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero	Without matching adjustment and without all the others	Impact of matching adjustment set to zero	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions	R0010	11,662,533,967	11,662,533,967	—	11,662,533,967	—	11,793,890,815	131,356,848	11,793,890,815	—	131,356,848
Basic own funds	R0020	2,123,097,303	2,123,097,303	—	2,123,097,303	—	2,089,479,243	(33,618,060)	2,089,479,243	—	(33,618,060)
Excess of assets over liabilities	R0030	2,223,097,303	2,223,097,303	—	2,223,097,303	—	2,189,479,243	(33,618,060)	2,189,479,243	—	(33,618,060)
Restricted own funds due to ring-fencing and matching portfolio	R0040			—		—		—		—	—
Eligible own funds to meet Solvency Capital Requirement	R0050	2,623,097,303	2,623,097,303	—	2,623,097,303	—	2,589,479,242	(33,618,061)	2,589,479,242	—	(33,618,061)
Tier 1	R0060	2,084,492,825	2,068,993,825	—	2,068,993,825	—	2,035,375,765	(33,618,060)	2,035,375,765	—	(49,117,060)
Tier 2	R0070	500,000,000	500,000,000	—	500,000,000	—	500,000,000	—	500,000,000	—	—
Tier 3	R0080	38,604,477	54,103,477	—	54,103,477	—	54,103,477	—	54,103,477	—	15,499,000
Solvency Capital Requirement	R0090	1,911,547,500	1,911,547,500	—	1,911,547,500	—	1,917,427,536	5,880,036	1,917,427,536	—	5,880,036
Eligible own funds to meet Minimum Capital Requirement	R0100	2,084,492,825	2,068,993,825	—	2,068,993,825	—	2,035,375,765	(33,618,060)	2,035,375,765	—	(49,117,060)
Minimum Capital Requirement	R0110	477,886,875	477,886,875	—	477,886,875	—	479,190,906	1,304,031	479,190,906	—	1,304,031

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		€'000	€'000	€'000	€'000	€'000
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	314,969	314,969		—	—
Share premium account related to ordinary share capital	R0030	274,187	274,187	—	—	—
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	1,495,336	1,495,336		—	—
Subordinated liabilities	R0140	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	38,604		—	—	38,604
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds		—	—	—	—	—
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	—	—	—	—	—
Deductions		—	—	—	—	—
Deductions for participations in financial and credit institutions	R0230	—	—	—	—	—
Total basic own funds after deductions	R0290	2,123,096	2,084,492	—	—	38,604
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	500,000	—	—	500,000	—
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—	—	—	—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—	—	—	—	—
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—	—	—	—	—
Other ancillary own funds	R0390	—	—	—	—	—
Total ancillary own funds	R0400	500,000	—	—	500,000	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2,623,097	2,084,493	—	500,000	38,604
Total available own funds to meet the MCR	R0510	2,084,493	2,084,493	—	—	
Total eligible own funds to meet the SCR	**R0540**	**2,623,097**	2,084,493	—	500,000	38,604
Total eligible own funds to meet the MCR	**R0550**	**2,084,493**	2,084,493	—	—	—
SCR	R0580	1,911,547				
MCR	R0600	477,887				
Ratio of Eligible own funds to SCR	R0620	137 %				
Ratio of Eligible own funds to MCR	R0640	436 %				

		C0060
		€'000
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,223,097
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	100,000
Other basic own fund items	R0730	627,761
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	1,495,336
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,405,911
Total Expected profits included in future premiums (EPIFP)	R0790	1,405,911

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
		€'000	**€'000**	**€'000**
Market risk	R0010	462,646		—
Counterparty default risk	R0020	331,151		
Life underwriting risk	R0030	4,581	—	—
Health underwriting risk	R0040	12,707	—	
Non-life underwriting risk	R0050	1,273,149	—	—
Diversification	R0060	(427,611)		
Intangible asset risk	R0070	—		
Basic Solvency Capital Requirement	R0100	1,656,623		

Calculation of Solvency Capital Requirement		
Operational risk	R0130	335,965
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(81,040)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	—
Solvency Capital Requirement excluding capital add-on	R0200	1,911,547
Capital add-ons already set	R0210	—
Solvency capital requirement for undertakings under consolidated method	**R0220**	**1,911,547**
Other information on SCR		—
Capital requirement for duration-based equity risk sub-module	R0400	—
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	—
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	—
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	—
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
		€'000
MCRNL Result	R0010	443,602

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
		€'000	**€'000**
Medical expense insurance and proportional reinsurance	R0020	—	—
Income protection insurance and proportional reinsurance	R0030	28,443	3,875
Workers' compensation insurance and proportional reinsurance	R0040	—	—
Motor vehicle liability insurance and proportional reinsurance	R0050	208,021	54,538
Other motor insurance and proportional reinsurance	R0060	26,646	50,957
Marine, aviation and transport insurance and proportional reinsurance	R0070	382,563	437,671
Fire and other damage to property insurance and proportional reinsurance	R0080	325,581	470,496
General liability insurance and proportional reinsurance	R0090	1,274,751	358,238
Credit and suretyship insurance and proportional reinsurance	R0100	—	35,212
Legal expenses insurance and proportional reinsurance	R0110	—	—
Assistance and proportional reinsurance	R0120	—	—
Miscellaneous financial loss insurance and proportional reinsurance	R0130	246,903	64,908
Non-proportional health reinsurance	R0140	—	—
Non-proportional casualty reinsurance	R0150	5,197	10,038
Non-proportional marine, aviation and transport reinsurance	R0160	831	17
Non-proportional property reinsurance	R0170	28,974	1,191

Overall MCR calculation

		C0070
		€'000
Linear MCR	R0300	444,720
SCR	R0310	1,911,547
MCR cap	R0320	860,196
MCR floor	R0330	477,887
Combined MCR	R0340	477,887
Absolute floor of the MCR	R0350	4,000
Minimum Capital Requirement	**R0400**	**477,887**

Appendices

Glossary

AC	Audit Committee
ACPR	Authorité de Contrôle Prudentiel et de Résolution
AFR	Actuarial Function Report
ALM	Asset Liability Management
APAC	Asia Pacific
APSs	Actuarial Profession Standards
AXA	AXA SA
AXA XL	AXA division comprising legacy XL companies and certain existing AXA companies
BBNI	Bound But Not Incepted
BRRC	Board Risk & Reserving Committee
Board	Board of Directors
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Requirement
CAT	Catastrophe
Code	Code of Conduct
Companies Act	Bermuda Companies Act 1981
Company Share	Each issued and outstanding common share, par value $0.01 per common share of XL
COR	Combined Operating Ratio
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EMEA	Europe, Middle East and Africa
ENiD	Events not in Data
ERM	Enterprise Risk Management
Exco	Executive Committee
EUR	Euro
FCA	Financial Conduct Authority
FIC	Framework for Internal Control
FX	Foreign exchange
GAAP	Generally Accepted Accounting Principles
GN	Guidance notes
HR	Human Resources
ICM	Internal Capital Model
IIA	The Institute of Internal Auditors
Key Functions	The Company's risk management, compliance, internal audit and actuarial functions
LOD	Losses Occurring During
Merger sub	Camelot Holdings Ltd.
Merger Agreement	Agreement and Plan of Merger, dated as of March 5, 2018, by and among XL, Merger Sub and AXA
MCR	Minimum Capital Requirement
MTM	Mark to market
NAT CAT	Natural Catastrophe
OEP	Occurrence exceedance probability
ORSA	Own Risk and Solvency Report
P&C	Property and Casualty
PAP	Product Approval Process
PRA	Prudential Regulatory Authority
PWC	PriceWaterhouseCoopers
QRT	Quantitative Reporting Template

RDS	Realistic Disaster Scenario
RI	Reinsurance
RIBD	Reinsurance Bad Debt
RM	Risk Margin
RMC	Risk Monitoring Committee
RMF	Risk Management Framework
RMS	Risk Management Solutions
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SF	Standard Formula
SF SFCR	Standard Formula Solvency and Financial Condition Report
SFCR	Solvency and Financial Condition Report
SII	Solvency II
S&S	Stress & Scenario
UC	Underwriting Committee
UEPR	Unearned Premium Reserve
UK&I	United Kingdom and Ireland
XL	XL Group Ltd.
XLB	XL Bermuda Ltd.
XLCICL UK	XL Catlin Insurance Company UK Limited
XLCSSE	XL Catlin Services SE
XLGIL	XL Group Investments Limited
XLICSE	XL Insurance Company SE