Hiscox Société Anonyme

Solvency and Financial Condition Report 2024

April 2025

Contents

Glossary of terms

Abbreviation	Details of abbreviations
ARC	Audit & Risk Committee
CAA	Commissariat aux Assurances
CEO	Chief Executive Officer
CFO	Chief Finance Officer
COO	Chief Operating Officer
CUO	Chief Underwriting Officer
DAC	Deferred Acquisition Costs
EAL	Excess of assets over liabilities
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not In Data
EU	European Union
EUR	Euro
FTSE	Financial Times Stock Exchange
GBP	British Pound
GWP	Gross Written Premium
HSA	Hiscox Société Anonyme
HSA Board or the Board	Board of Directors of Hiscox Société Anonyme
HIB	Hiscox Insurance Company (Bermuda) Ltd.
HIG	Hiscox Investment Group
Hiscox Board or Group Board	Board of Directors of Hiscox Ltd
Hiscox Group or the Group	Hiscox Ltd and its group of companies
HSA	Hiscox Société Anonyme
IBNR	Incurred but not reported
IELR	Initial Expected Loss Ratio
IFRS	International Financial Reporting Standards
Lux GAAP	Luxembourg Generally Accepted Accounting Principles
MD	Managing Director
NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
PDR	Performance and Development Review
Property insurance	Fire and other damage to property insurance
Quota share	Reinsurance agreement where the primary insurer and the reinsurer use a fixed percentage in sharing the amount of premiums and losses
QRTs	Quantitative Reporting Templates
ROE	Return on Equity
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
Solvency II Directive	DIRECTIVE 2009/138/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
SPV	Special Purpose Vehicles
the Plan	Internal Audit Plan
UK	United Kingdom

Directors' statement

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report (SFCR) in all material respects in accordance with the Solvency II Regulations. We have approved the SFCR.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued to comply subsequently and will continue to do so in future.

Signed on behalf of the Board of Directors on 7th of April 2025 by:

Robert Dietrich Chief Executive Officer

Signed by:
Robert Dietrich
3AE8D4525F35431...

Patrícia Vaz Baptista Chief Financial Officer

DocuSigned by:
Patricia Vaz Baptista
BBD82372064440A...

Executive summary

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide stakeholders with additional information over and above that contained in the annual financial statements. This SFCR is prepared in accordance with Article 82 of the Law of 7 December 2015 on the insurance sector, as amended, as well as Annex XX of the Commission delegated Regulation (EU) 2015/35 and EIOPA guidelines on reporting and public disclosure BoS-15-109.

The SFCR contains qualitative and quantitative information on the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management of Hiscox SA (HSA or the Company) together with standardised Quantitative Reporting Templates (QRTs) for 2024.

In 2024, there continued to be significant macroeconomic and geopolitical volatility and uncertainty. Loss estimates and their underlying assumptions continue to be reviewed on an ongoing basis. HSA stays vigilant of the potential impacts of direct and indirect exposures on the business.

Business and performance

HSA is a Luxembourg authorised insurer and is a wholly owned subsidiary of Hiscox Ltd, which is incorporated in Bermuda and has a FTSE 100 listing on the London Stock Exchange. HSA's operations form the vast majority of the European division of Hiscox Ltd.

As of 31st December 2024, HSA's principal activity is the transaction of general insurance business, in particular personal and commercial insurance. Personal insurance includes high-value households, fine art and collectibles as well as luxury motor vehicles. Commercial insurance is focused on small and medium sized businesses, particularly for professional indemnity and other liabilities such as cyber and directors and officers liability, as well as property risk.

The most material Solvency II lines of business are estimated to be general liability insurance and fire and other damage to property insurance (property insurance) accounting for approximately 93% of Gross Written Premium (GWP). HSA underwrites insurance risk in various locations including Germany, France, the Netherlands, Belgium, Spain, the Republic of Ireland, Portugal and the United Kingdom (UK). The most material geographical areas where HSA underwrites business are Germany and France.

In 2024, the HSA's gross written premium increased by 9%. This increase is explained by a strong performance of household and commercial property and professional indemnity lines.

The claims performance slightly deteriorated compared to 2023 with a gross loss ratio of 35% (2023: 34%). With the reinsurance arrangements that HSA has in place, the net loss ratio improved, reaching 50% in 2024 (2023: 67%).

The operational expense ratio of 19% (2023: 19%) remained stable, driven by a tight management control of expenses although some additional expenses were required to support growth.

HSA made an underwriting profit of €2.9 million in 2024, compared to a profit of €2.2 million in 2023, generating a combined ratio of 96% (2023: 93%).

No final dividend has been declared for the year ended 31 December 2024 (2023: nil).

Further details of HSA's business and performance during the reporting period are included in Section A of this report.

System of governance

HSA operates within an established system of governance with defined roles and responsibilities throughout the organization, which underpins its business model in accordance with the Group's governance framework and the Solvency II requirements.

The Board meets at least four times a year and is provided with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities, solvency, and regulatory compliance.

HSA operates in a three lines of defence model, which establishes clear risk roles and responsibilities that enables risk-reward decisions to be taken in a transparent and consistent manner, with an appropriate amount of challenge and oversight. The three lines of defence model provides a widely-understood system of risk management and internal control across the business, and a mechanism for assessing and monitoring its effectiveness.

HSA's Own Risk and Solvency Assessment (ORSA) process is an integral part of the risk management system. The ORSA process covers business planning, assessing and monitoring the risk profile, validating outputs used to inform capital decisions and conducting solvency assessments. The ORSA process is evidenced during the course of the year as part of risk monitoring and reporting presented to the HSA Board and HSA Audit & Risk Committee. The ORSA report is approved annually by the HSA Board.

HSA's system of governance is reviewed regularly to ensure appropriateness with the development of HSA and regulatory requirements. In 2024, there has been no material change to HSA's system of governance, risk management approach and internal control systems.

Further details of HSA's system of governance are included in Section B of this report.

Risk profile

HSA calculates its regulatory Solvency Capital Requirement (SCR) using the standard formula, which is based on four risk types: non-life underwriting risk; market risk; credit risk and operational risk. Material risk exposures are mitigated through the operation of controls to reduce the likelihood or impact of risks occurring; the holding of capital; and through the purchase of reinsurance to limit HSA's exposure to losses.

A snapshot of HSA's pre-diversified risk profile composition for the year ended 31 December 2024 and comparison with prior year is shown in Figure 1. The risk profile is produced using the Solvency II standard formula framework.

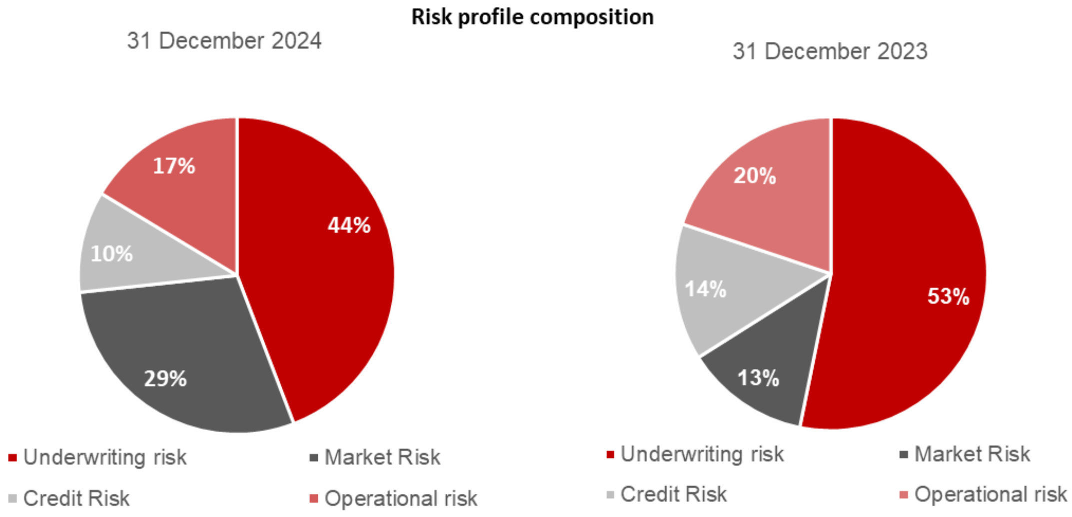

Figure 1

Underwriting risk (including reserve risk) remains the most significant risk that HSA is exposed to, representing 44% of its pre-diversified SCR which is assumed mainly through the underwriting process.

The second largest risk type is **market risk**. The pre-diversified SCR for market risk amounted to 29% at year-end 2024. HSA invests in accordance with the Solvency II Prudent Person Principle to protect the security, quality, liquidity, and profitability of the portfolio and ensure that assets are available to the company in the relevant currency as required. Market risk has increased since the end of 2023 as the allowance for market risk mitigation, provided by the whole account quota share with Hiscox Bermuda, has been removed.

The third largest risk is **operational risk**, making up 17% of the overall pre-diversified risk profile.

The remaining type is **credit risk**, which amounted to 10%. The inherent credit risk exposure for HSA is material with the quota share agreement in place with Hiscox Insurance Company (Bermuda) Ltd. This risk is mitigated by holding collateral through a funds withheld structure and limiting the amount of exposure to reinsurers based on their credit rating.

All risk types are actively managed as part of the risk management framework.

Although there are links between underwriting, market, and credit risk, it is unlikely that the most extreme losses in each category will be incurred at the same time. To recognise this, HSA's SCR is less than the sum of the individual capital requirements for each risk, reflecting the impact of this diversification benefit. Further details of HSA's risk profile, including analysis of HSA's diversified capital standard formula SCR are included in Section C of this report.

Valuation for solvency

Assets and liabilities have been valued for solvency purposes in accordance with the Solvency II Directive (as implemented in Luxembourg) and the Solvency II Regulations.

Table 1 shows the differences between HSA's shareholders' equity (as presented in the financial statements prepared under Lux GAAP) and the Solvency II balance sheet shown in Appendix A of this report:

Differences between HSA's shareholders' equity and the Solvency II balance sheet (€000):

	2024	2023
Shareholders' equity as shown in the financial statements	171,326	143,730
Solvency II valuation adjustments to assets (Note i)	(1,206,088)	(1,008,656)
Solvency II valuation adjustments to technical provisions (Note ii)	274,883	243,801
Solvency II valuation adjustments to other liabilities (Note iii)	888,115	728,226
Solvency II EAL	**128,237**	**107,101**

Table 1

The differences between shareholders' equity and Solvency II Excess of Assets over Liabilities (EAL) are due to valuation adjustments as explained below:

i. Valuation of assets under Solvency II

Valuation adjustments to assets relate primarily to adjustments to remove deferred acquisition costs, intangible assets and insurance and reinsurance receivables not yet due as these are taken into account in the valuation of technical provisions under Solvency II. Adjustments have been made to the valuation of investments for the purposes of Solvency II as they are valued on a market value basis, however under Lux GAAP, the collective investments are valued at lower of historical acquisition cost and market value, and the debt securities are valued at amortised cost or acquisition cost. Additionally, for Solvency II purposes IFRS 16 was applied, resulting in differences to Lux GAAP.

ii. Valuation of technical provisions under Solvency II

Adjustments have been made to statutory technical provisions and reinsurance recoverables (consistent with the adjustments to valuation of assets) to reflect Solvency II valuation requirements. Solvency II requires the technical provisions ("claims provisions" plus "premium provisions") to be a best estimate of the current liabilities relating to insurance contracts, plus a risk margin. The best estimate liabilities are calculated as the discounted best estimate of all future cash flows relating to claim events prior to the valuation date, as well as the discounted best estimate of all future cash flows relating to future exposure arising from policies that the insurer is obligated to at the valuation date.

iii. Valuation of other liabilities

Valuation adjustments to other liabilities relate primarily to adjustments to remove deferred acquisition costs payable in the financial statements (relating to reinsurance ceded) and insurance and reinsurance payables not yet due as these are taken into account in the valuation of reinsurance recoverables under Solvency II. Additionally, for Solvency II purposes IFRS 16 was applied, resulting in differences to Lux GAAP.

Further details of HSA's valuation of assets and liabilities for solvency purposes are included in Section D of this report.

Capital management summary

The solvency position of an insurer under Solvency II is determined by comparing eligible own funds with the Solvency Capital Requirement (SCR). Insurers are required to meet the SCR at all times and are required to rectify any breach within six months (though this period can be extended by a further three months). A breach of the lower Minimum Capital Requirement (MCR) is required to be rectified within three months.

On 31 December 2024, HSA's Solvency II eligible own funds were €128.2 million, compared to a standard formula SCR of €86.8 million, representing an SCR coverage ratio of 148%. HSA's MCR was €39.1 million.

HSA's eligible own funds	2024	2023
Solvency II EAL (€000)	128,237	107,101
Eligible own funds (Tier 1 & Tier 3) (€000)	128,237	107,101
Minimum capital requirement (€000)	39,072	31,178
Solvency capital requirement (€000)	86,826	69,285
Solvency capital requirement ratio	148%	155%

Table 2

There are no restrictions on the availability or transferability of HSA's own funds (e.g. no existence of ring-fenced funds). The majority of the eligible own funds are unrestricted Tier 1 items (i.e. ordinary share capital, related share premium and reconciliation reserve), with the exception of a deferred tax asset amounting to €12 million which is Tier 3 assets not eligible to cover the MCR.

HSA has not requested and therefore does not have in place approvals to use the matching adjustment, volatility adjustment, transitional interest rate term structure or the transitional deduction on technical provisions. Therefore, no adjustments have been made relating to these transitional measures.

HSA regularly reviews the suitability of the Solvency II standard formula that has been assessed as appropriate.

Decisions on optimal capital levels are an integral part of HSA's business planning and forward-looking assessment of risk processes which cover a three year time horizon. HSA manages its own funds in such a way that it will ensure it holds sufficient capital to meet its regulatory and business requirements. In the event of an estimated solvency ratio below the risk appetite, a capital injection from the parent company is envisaged.

There were no instances of non-compliance with the SCR or MCR. Further details of HSA's capital management approach are included in Section E of this report.

A. Business and performance

A.1. Business performance

A.1.1. Name and legal form of the undertaking

Hiscox S.A. is a private company limited by shares.

The registered office is 35, Avenue Monterey, L-2163 Luxembourg.

A.1.2. Supervisory authority responsible for the financial supervision of HSA

HSA is supervised by the Commissariat aux Assurances
Commissariat aux Assurances
11, rue Robert Stumper
L-2557 Luxembourg

A.1.3. External auditor

The external auditor of HSA is PricewaterhouseCoopers, Société coopérative.

PricewaterhouseCoopers, Société coopérative
2 rue Gerhard Mercator
L-2182 Luxembourg

A.1.4. Holders of qualifying holdings in HSA

Hiscox Ltd, a company incorporated in Bermuda and listed on the London Stock Exchange, owning 100% of the ordinary share capital of HSA.

The registered office of Hiscox Ltd is Chesney House, 96 Pitts Bay Road, Pembroke HM08, Bermuda.

A.1.5. Details of HSA's position within the legal structure of the group and related undertakings

The simplified group structure in Figure 2 shows HSA's position within the legal structure of Hiscox Ltd and its group of companies.

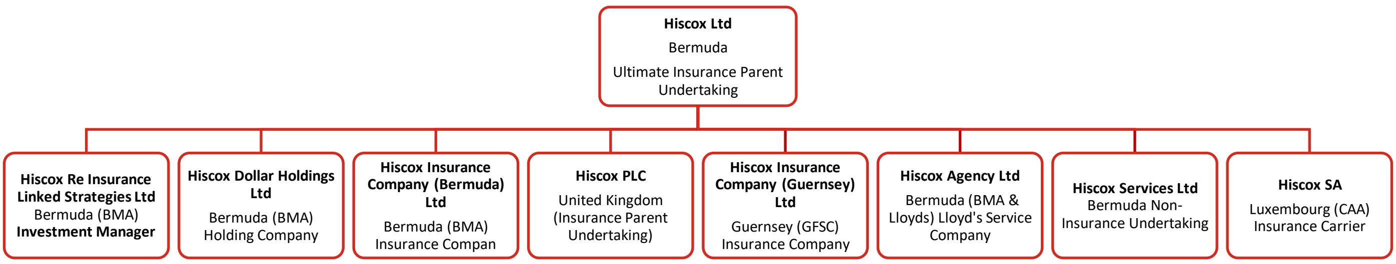

Figure 2

The detail of ownership of HSA is shown in sub-section A.1.4 above.

A.1.6. Material lines of business and material geographic areas where business is carried out

The principal activity of HSA is the transaction of general insurance business, in particular personal and commercial insurance cover. Personal insurance includes high-value household, fine art and collectibles as well as classic luxury motor vehicles. Commercial insurance is focused on small and medium sized businesses, particularly for professional indemnity and other liability lines such as directors and officers, cyber, public liability, employers' liability, and property risks.

Material lines of business

The material Solvency II lines of business which HSA underwrites and their relative contribution to HSA's gross premiums written are as shown in Table 3.

Solvency II line of business	% of gross premiums written	
	2024	**2023**
Fire and other damage to property insurance	29.8%	31.1%
General liability insurance	63.4%	62.3%
Others	6.8%	6.6%

Table 3

Material geographic areas

As of 31 December 2024, the main locations where HSA conducts business are Germany, France, and the Republic of Ireland, their combined contribution to HSA's gross premiums written is €418 million. This is shown in Figure 3 below.

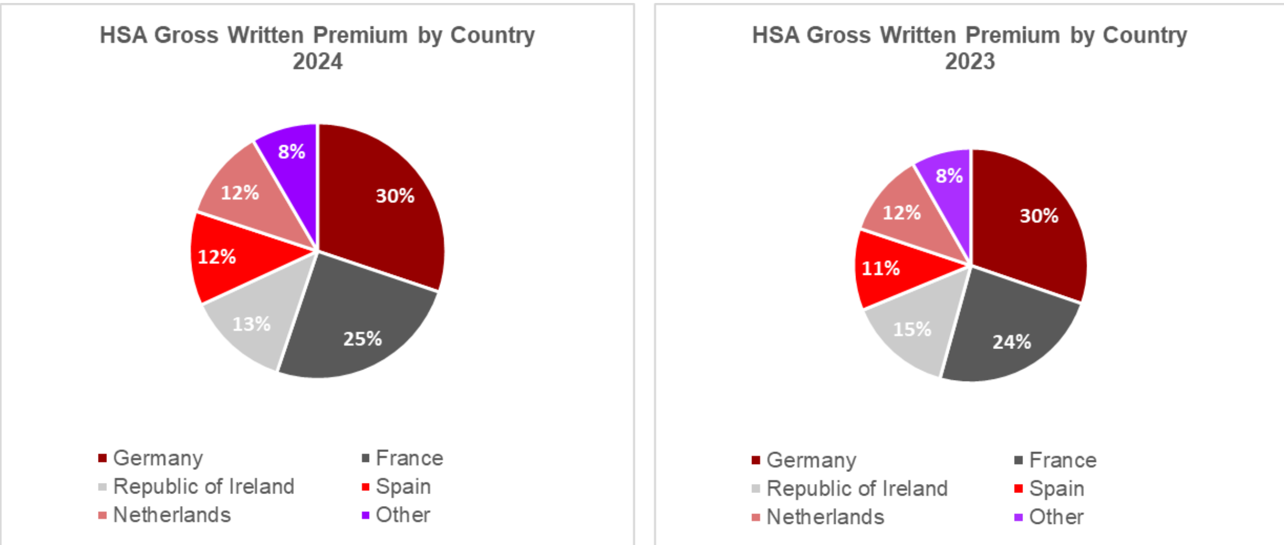

Figure 3

HSA Gross Written Premium by Country: (€000)	2024	2023
Germany	185,233	170,841
France	153,645	135,537
Republic of Ireland	79,457	81,955
Spain	73,235	64,014
Netherlands	70,837	65,566
Other	51,635	46,619

Table 4

A.1.7. Significant business or other events during the period that have had a material impact on HSA

2024 continued to be a year of geo-political and macro-economic uncertainty, including conflicts in the Middle East and Ukraine. Elections in the US, and closer to home in Germany, have the potential to change global or local economic policy. We have seen disinflation in 2024 across much of Europe, with this projected to continue in 2025. At the same time though, the war in Ukraine continues, with ever-present risk of escalation. The same is true of the conflict in the Middle East, which has started to spill into and involve other countries in the area, as feared. Whilst this uncertain landscape is highlighted as a risk, it did not manifest in events considered to have had a material impact on HSA in 2024.

A.2. Underwriting performance

HSA's underwriting performance for the year ended 31 December 2024 is set out in Table 5.

Key performance indicators	2024	2023
Gross premiums written (€000)	614,043	564,531
Net premiums written (€000)	64,301	61,925
Net premiums earned (€000)	64,544	44,556
Underwriting profit (€000)[1]	2,887	2,202
Net claims ratio (%)	50	67
Operational expenses ratio (%) [Net][2]	45	28
Net combined ratio (%)	96	95

Table 5

[1] Underwriting profit (excluding investment expenses) on an Lux GAAP basis
[2] Including acquisition costs

A.2.1. Analysis of underwriting performance by material Solvency II lines of business

HSA's underwriting performance by material Solvency II lines of business for the year ended 31 December 2024 is set out in Table 6.

Key performance indicators[1]	Fire and other damage to property insurance	General liability insurance	Other	Total 2024	Total 2023
Gross premiums written (€000)	182,960	389,247	41,835	614,043	564,531
Net premiums written (€000)	19,298	40,951	4,052	64,301	61,925
Net premiums earned (€000)	19,165	40,285	5,094	64,544	44,556
Gross claims incurred (€000)	53,774	102,114	20,685	176,572	154,238
Net claims incurred (€000)	5,473	11,249	1,755	18,478	14,863
Expenses incurred (€000)	14,249	26,052	3,342	43,643	27,920
Underwriting profit (€000)[1]	(502)	3,387	2	2,887	2,202
Net claims ratio (%)	50	50	53	50	67
Operational expense ratio (%) [Net]	53	42	47	45	28
Combined ratio (%) [Net]	103	92	100	96	95

Table 6

[1] Underwriting profit on a Lux GAAP (excluding investment expenses) basis, although the expenses incurred include the investments expenses as per QRT S.05.01.

In 2024, HSA's gross premiums written totalled €614 million on a Lux GAAP basis, showing a stable growth year on year.

The combined ratio in 2024 is in line with the previous year.

A.2.2. Analysis of underwriting performance by geographic area where HSA conducts business

Key performance indicators[1]	Germany	France	Republic of Ireland	Other	Total 2024
Gross premiums written (€000)	185,233	153,645	79,457	195,708	614,043
Net premiums written (€000)	18,659	16,400	9,290	19,952	64,301
Net premiums earned (€000)	18,694	16,746	9,964	19,139	64,544
Gross claims incurred (€000)	59,939	44,678	22,212	49,743	176,572
Net claims incurred (€000)	7,181	3,705	2,056	5,535	18,548
Expenses incurred (€000)	10,694	12,292	6,083	14,573	43,572
Underwriting profit (€000)[1]	873	840	1,846	(673)	2,887
Combined ratio (%) [Net]	95	95	81	103	96

Table 7

[1] Underwriting profit (excluding investment expenses) on a Lux GAAP basis, although the expenses incurred include the investments expenses as per QRT S.05.01.

Table 7 sets out an analysis of HSA's underwriting performance by geographical area. The main locations where HSA conducts business are Germany, France, Republic of Ireland, the Netherlands Spain, Belgium, Portugal and the UK.

A.3. Investment performance

A.3.1. Income and expenses arising from investments by asset class

The composition of HSA's investment portfolio as of 31 December 2024 is as shown in Table 8.

Asset class	Composition (%)	
	2024	2023
Debt and fixed income securities	82.6	83.2
- Government bonds	19.4	13.9
- Corporate bonds	63.2	69.3
Collective investment undertakings	7.8	6.0
Derivatives	0.0	(0.0)
Deposits other than Cash equivalents[1]	(0.0)	0.1
Cash and cash equivalents	9.5	10.7

Table 8

[1] Includes risk margin for derivatives

The investment income and expenses by asset class considering the fair value for the year ended 31 December 2024 are shown in Table 9.

Investment income and expenses by asset class €000

Asset class	2024			2023
	Investment Income (including realised and unrealised gains)	Investment expense	Net investment return	Net investment return
Debt and fixed income securities	3,267	(263)	3,004	3,619
- Government bonds	595	(62)	533	446
- Corporate bonds	2,672	(201)	2,471	3,173
Collective investment undertakings	(49)	(24)	(73)	205
Derivatives	5	0	5	150
Cash and cash equivalentes	72	(30)	42	(29)
Total	**3,295**	**(318)**	**2,977**	**3,945**

Table 9

Considering the fair value of HSA's investment portfolio, the investments performance was as shown in Table 10.

Asset class	Investment Return (%)	
	2024	2023
Debt and fixed income securities	4.4	5.3
- Government bonds	4.2	3.7
- Corporate bonds	4.5	5.8
Collective investment undertakings	(0.5)	7.0
Derivatives	0.0	0.2
Cash and cash equivalents	0.8	0.0
Total	**3.9**	**4.9**

Table 10

Debt and fixed income securities: The fixed interest portfolio delivered a positive return of 4.4% which outperformed the benchmark (which returned 4.0%), when including the positive return achieved by the short government bond futures positions. The benchmark comprises 30% Euro Government Index and 70% Euro Corporate bond index.

Collective investment undertakings: For the year, the risk assets returned (0.5%) versus the benchmark which delivered a return of 12.7%. The risk asset benchmark is a combination of equity and hedge fund indices and the fund that HSA holds is not exposed to broader equity markets.

Derivatives: The short government bond futures positions generated €29,000 by hedging interest rate risk.

Cash and cash equivalents: Interest on cash was €470,549, which was higher than last year due to the renegotiation with the financial institutions.

A.3.2. Gains and losses recognised directly in equity

There were no investment gains and losses recognised directly in equity during the period. All investment gains and losses were recognised in profit and loss.

A.3.3. Information about any investments in securitisations

There are no investments in securitisation as of 31 December 2024.

A.4. Performance of other activities

A.4.1. Other material income and expenses incurred over the reporting period

Details of HSA's underwriting and investment performance are included in sub-sections A.2 and A.3 above. HSA did not have any other material income and expenses in the reporting period other than corporation taxation expenses (current taxes).

A.4.2. Leasing arrangements

The Company has arranged bank guarantees with respect to their various office deposits. These guarantees are held with a number of different banks throughout Europe. These bank guarantee shall be terminated at the termination of the lease.

A.5. Any other information

All material information relating to HSA's business and performance has been disclosed in sub-sections A.1 to A.4 above.

B. System of governance

In 2024, there has been no material change to HSA's system of governance, risk management approach and internal control systems. The regular review of the system of governance in 2024 ensures that the system of governance is further developed for the purpose of providing sound and prudent management of HSA's business taking into account its growth and development and regulatory requirements since the start of its activities in 2019.

B.1. General information on the system of governance

As with every part of the Hiscox Group, HSA seeks to apply clear and appropriate standards of corporate governance.

The HSA Board is ultimately responsible for the oversight of HSA's performance and risk management. There is an established system of governance with defined segregation of duties and delegation of responsibilities to various committees reporting to the Board. The reporting relationship between the Board and functional areas are detailed in sub-section B.1.1 of this report. The sub-committees that act on behalf of HSA's Board are identified in Figure 4.

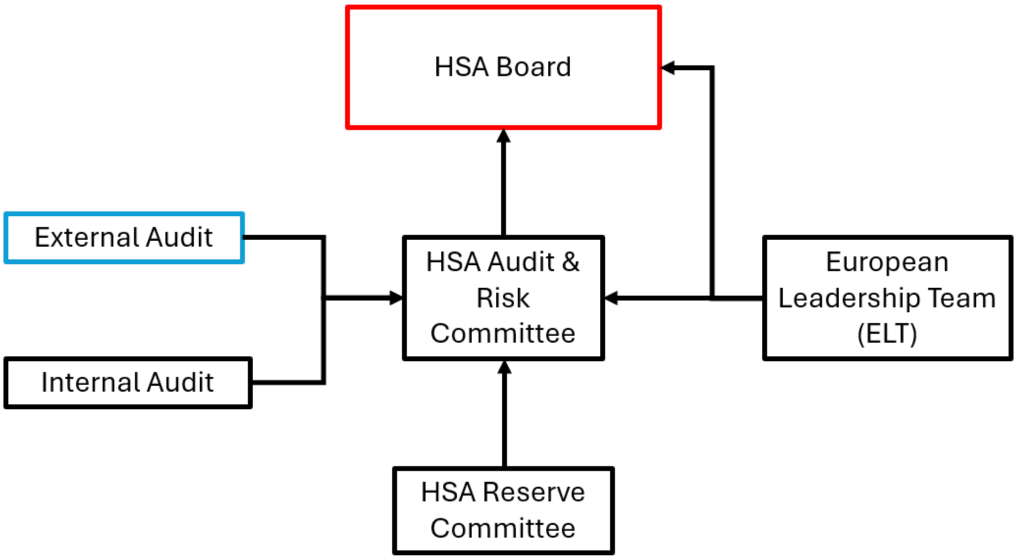

Figure 4

B.1.1. Boards and committees

The Board is vested with the broadest powers to perform any actions necessary or useful in connection with the purpose of the Company. All powers not expressly reserved to the sole shareholder fall within the authority of the Board. The Board is collectively responsible for the long-term success and performance of the Company with the key purpose being to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholder and relevant stakeholders.

As of 31 December 2024, the Board was composed of two Non-Executive Directors, one Independent Director and two Executive Directors, the latter comprising of the HSA Chief Executive Officer (who is also licensed as the Approved Director of HSA) and the HSA Chief Financial Officer.

The composition of the Board as of 31 December 2024 was as follows:

- Mrs. Joanne Musselle (Non-Executive Director and Chair)
- Mr. Robert Dietrich (Executive Director)
- Mrs. Patricia Vaz Baptista (Executive Director)
- Mr. Victor H. van der Kwast (Independent Non-Executive Director)
- Mr. Thomas Hürlimann (Non-Executive Director)

The Board meets at least four times a year and operates within established Terms of Reference. It is provided with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities, solvency, and regulatory compliance.

The Board retains ultimate responsibility for all aspects of the operation of HSA. A number of matters are reserved specifically for decision by the Board. Other matters are delegated to the Approved Director of HSA, the European Leadership Team, the appointed legal representative of the respective country branches and the Audit and Risk Committee.

Senior Management Structure

All matters not specifically reserved for the Board or its Committees are carried out by the European Leadership Team (ELT), an Executive Committee which serves as the most senior decision-making forum in relation to the organisation and governance of the Company and to achieve the strategic plans, goals and objectives of the Company approved by the Board, along with such other matters as specified by the CEO.

Business unit structure

The Hiscox Group of companies operates primarily through the use of business units, which are largely structured around specific geographies or distinct business activities to best serve customers. These business units each have their own governance structures, and each can utilise the capacity provided by various Group Insurance Companies.

For the year ended 31 December 2024, two business units have written business onto HSA – Hiscox Europe and Hiscox UK. Both of these business units are part of the Retail division of the Hiscox Group.

HSA Key Functions' business activities

The three lines of defence model is applied across the Group. This provides a structure for risk roles and responsibilities that enables risk-reward decisions to be taken in a transparent and consistent manner, with an appropriate amount of challenge and oversight. The three lines of defence model provides a widely-understood system of risk management and internal control across the business, and a mechanism for assessing and monitoring its effectiveness. The three lines of defence are defined as per the below table.

1. First line of defence	2. Second line of defence	3. Third line of defence
Owns risk and controls	Assesses, challenges and advises on risk objectively	Provides independent assurance of risk control
The first line of defence is responsible for ownership and management of risks on a day-to-day basis and consists of everyone at every level in the organisation, as all have responsibility for risk management at an operational level.	The second line of defence provides independent oversight, challenge and support to the first line of defence. Functions in the second line of defence consists of the Risk team and the Compliance team.	The third line of defence is made up of the internal audit function, which provides independent assurance to the Board that risk is being managed in line with approved policies, appetite, frameworks and processes. It also helps verify that the system of internal control is effective.

Table 11

HSA Key Function Holders are in Table 12.

Key function	Performance of function	Key function holder
Risk management function	EU Risk Manager with additional support from the Group Risk function	**William Rose** Chief Risk Officer, Europe
Actuarial function	Activities of the Actuarial function are outsourced to the Group Actuarial team, overseen by the Key Function Holder.	**Jessica Phillips** HSA Chief Actuary
Internal audit function	European Internal Audit team with support and oversight from the Group Internal Audit function	**Miruna Badici** EU Audit Hub Director
Compliance function	EU Compliance Manager with additional support from the Group Compliance function	**William Rose** Chief Risk Officer, Europe

Table 12

HSA Board & Committees

The HSA Board is collectively responsible for the long-term success of the Company and its performance.

As shown in Figure 4 above, the Audit & Risk Committee (ARC) is a Committee of the Board, which reports to the HSA Board.

The HSA ARC is chaired by an Independent Non-Executive Director.

HSA Audit and Risk Committee

The HSA Audit and Risk Committee has delegated responsibility to provide oversight and challenge to the following Audit & Finance, Risk and Compliance Management practices related to HSA:

Audit & Finance:

- the statutory audit process and annual financial statements;
- the performance of the internal audit function (on matters relating to HSA) and monitors the effectiveness of internal controls;

- the adequacy and design of the policies and procedures relating to Whistleblowing;
- HSA's reserving process;
- HSA's financial returns and reports to the CAA and any other relevant regulator; and

Risk Management:

- Provide advice to the Board on risk strategy, including the oversight of current risk exposures;
- Develop proposals for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the Company's risk management performance;
- Ability to request specific risk reviews on areas of interest from across the business;
- Review and challenge the ORSA report at least annually and recommend it to the Board for approval;
- Provide oversight and challenge of the design and execution of stress and scenario testing;
- Provide oversight and challenge of the day-to-day risk management and oversight arrangements of the executives;
- Review results of validation activity over the economic modelling used to develop the non-regulatory (ORSA) capital requirement and assess the overall level of capital surplus;
- When requested by the Board, provide oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the governing body; and
- Provide advice, oversight and challenge as necessary to embed and maintain a supportive risk culture throughout the firm.

Compliance Management:

- Communicate and apply the HSA Financial Crime Policy and corresponding procedures;
- Uphold Group-wide policies, procedures and measures in accordance with the legal provisions in force in Luxembourg (e.g. data protection and intra-Group sharing of information for the purposes of the fight against money laundering and terrorist financing);
- Define and update EU wide minimum compliance standards in line with the evolution of regulatory risks and oversee their implementation across HSA;
- Advise and support the Board of Directors, senior management and the local Compliance teams on HSA compliance standards and regulatory matters or incidents;
- Identify and assess the regulatory risks relevant to the HSA operations and that of the branches (including adequacy of controls);
- Monitor compliance with applicable laws, regulations, and internal standards and to evaluate the potential impact of any changes in the legal environment on Hiscox's activity;
- Design and execute a monitoring program;
- Report on a regular basis to HSA senior management and the HSA Board Committees, on major compliance matters/incidents, ongoing compliance projects and initiatives, on the implementation of the HSA compliance standards, and on outstanding action points (high risk);
- Support the business in its preparations in any regulatory reviews, information requests, applications and filings;
- Support and oversee the implementation of solutions to mitigate regulatory risks.

HSA Reserving Committee

The HSA Reserving Committee reports to the Audit & Risk Committee and is chaired by the CFO of the Group.

Following the pre-reserving meeting and any other analysis deemed necessary as a consequence, the Head of Reserving and CFO Europe will form their respective recommendations to the HSA Reserving Committee on the actuarial best estimate and management loadings.

The HSA Reserving Committee reviews the HSA Balance Sheet and makes a recommendation to the

Audit and Risk Committee on the appropriate level of reserves to be held in the Company. The committee also oversees, monitors, and manages the Reserve Risk of HSA.

As set out in Figure 4, the Board exercises its oversight of HSA's reserve position and challenges as necessary its adequacy via the reporting of the HSA Reserving Committee into the HSA Audit and Risk Committee.

In line with governance structure across the Hiscox Group representatives of HSA are attending the following Group meetings: the Group Credit Committee, the Cash and Capital Committee, the Divisional Investment Group, Information Security & Privacy Group, Reinsurance Purchase Group and Exposure Management Group.

B.1.2. Material changes in the system of governance over the reporting period

There have been no material changes in the system of governance over the reporting period.

B.1.3. Remuneration policy and practices

The Hiscox Group has a single remuneration policy which is applicable to all legal entities and therefore applies to all members of staff of HSA including its executive Board members and key function holders. HSA delegates its remuneration responsibilities to the Hiscox Ltd Group Remuneration Committee. However, discussions are held with the HSA Non-Executive Directors at least annually in order to seek their views on HSA specific remuneration matters and when necessary additional sessions are held.
The key principles of the Group remuneration policy are set out below.

Principles of remuneration policy

Hiscox Group's core business, including HSA's, is to accept risk on behalf of customers and our ongoing success depends on how well these risk exposures are understood and managed. It is therefore crucial that knowledge of those risks underpins every important decision made.

The primary objective of the Hiscox Group is to deliver strong shareholder returns across the insurance cycle and consistently grow dividends and net asset value per share whilst protecting the policyholder. The aim is to achieve this by building a diversified business which gives flexibility throughout the cycle. When setting business unit targets, we seek to motivate strong performance but in a manner which encourages sustainable behaviours in line with the defined risk appetite of individual entities including HSA. The variable pay elements for staff supplying services to HSA are structured with these strategic objectives in mind.

Profit before tax (PBT) is a key measure of the company's performance and is used alongside individual personal performance to determine annual bonus outcomes.

For long-term share awards we use a combination of relative and absolute financial performance measures assessed over a three-year period. Growth in Net Asset Value (NAV) per share plus dividends and shareholder returns accounts for 50% of the financial performance element and relative Total Shareholder Return (TSR) is used for the other 50%. These metrics complement the PBT measure used for the short-term incentive and add further diversity to the overall performance assessment.

The structure of the incentive arrangements and the targets set and assessed are intended to be inherently risk-adjusted taking into account exposure to current and future risk.

Specific features of the remuneration structure

The following features of the remuneration strategy contribute to ensuring remuneration of staff supplying services to HSA is aligned with HSA's business strategy, risk profile, objectives, risk management practices and long-term interests:

a) Fixed pay – represents a sufficient proportion of the remuneration package, so no individual is dependent on variable pay. This enables HSA's internal service providers to operate a fully flexible variable pay policy and where performance does not justify the payment of bonus or long-term share award, the variable components of the remuneration package will not be made or may lapse;

b) Performance metrics and targets – the approach to bonus and long-term incentives is linked to strategic priorities. The qualitative assessment of individual performance considers an individual's adherence to the risk management system and compliance requirements, with a balance of financial and non-financial factors;

c) Time horizons – a portion of qualifying individuals' annual bonuses are deferred and senior leaders take part in a long-term incentive plan which normally vests after three years. Share awards to Hiscox Group's Executive Directors also have an additional two-year holding period on vested shares;

d) Shareholding guidelines – applicable to Hiscox Partners ('Hiscox Partner' is an honorary title given to employees who make significant contributions to the development and profitability of the Group). The shareholding guidelines provide long-term focus and alignment with shareholders' interests; and

e) Malus and clawback – these are safeguard mechanisms to avoid payments for failure.

f) The Hiscox Ltd Remuneration Committee is responsible for determining when a malus and/or clawback adjustment should be applied to variable pay. The Committee may in its absolute discretion, determine at any time prior to the vesting of an award, to reduce, defer, cancel or impose further conditions in the following circumstances:

- a retrospective material restatement of the audited financial results of the Group;
- an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted, or vests;
- actions of gross misconduct or material error, including fraud, by an individual or their team;
- significant reputational or financial damage to the Company as a result of your conduct.
- failure of adequate risk management and/or controls by an individual, the participant or their team, resulting in a material impact to the Group;
- a material corporate failure in the Group;
- a regulatory or law enforcement investigation which results in significant censure.

In the circumstances described above, Performance Share Plan (PSP) awards and bonuses to individuals identified as Material Risk Takers (MRTs) are also subject to clawback for up to 2 years from the date of vesting. In the circumstances described above, the Remuneration Committee may require an individual to repay some or all of their vested awards.

g) The Hiscox Ltd Remuneration Committee has discretion to decide whether and to what extent the performance condition or any other condition to which an award is subject has been met. The Committee may adjust the extent to which an award vests to ensure that the outcome reflects the performance of the company and participant over the performance period.

Individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

Variable compensation across HSA has two components: i) annual incentives which comprise a personal performance bonus and a profit bonus component, and ii) a long term incentive scheme, the Performance Share Plan (PSP).

Annual incentive – personal performance bonus

A threshold level of overall Group profitability is required before bonuses can be paid. Awards under this scheme are based on individual performance ratings (which measure the achievement of set objectives and the behaviours demonstrated) and/or the achievement of team or business area objectives (such as customer metrics, expense ratio). Individuals must normally achieve a “successful” Performance and Development Review (PDR) rating at year-end in order to qualify for a bonus. Where PDR ratings are below this level, awards may be scaled back.

Annual incentive – profit bonus

Individual allocations under this scheme are also discretionary. As above, individuals must normally achieve a “Successful” PDR rating at year-end in order to qualify for a bonus. Where PDR ratings are below this level, awards may be scaled back.

Bonus pools under this scheme are determined based on financial performance. Therefore, this is the main determinant of overall bonus pay-outs.

For the profit bonus, when determining the size of the overall bonus pool following the year-end, the Group Remuneration Committee is able to make adjustments where appropriate. This may include making adjustments to recognise the performance of developing/fledgling businesses where bonus awards may not be fully self-funding (at an individual business unit level) in early years. In extreme cases, the size of the overall bonus pool may be reduced if the Committee deems that payments would compromise Hiscox Group’s future capital base or results are considered to have been achieved in a manner outside of the Group’s risk appetite or the risk appetite of HSA.

Performance Share Plan (PSP)

Share awards under this scheme are typically made to senior leaders at the discretion of the Hiscox Ltd Remuneration Committee. Awards normally vest after a three-year period subject to the achievement of performance conditions. These performance conditions are reviewed annually and set to align with the long-term objectives of Hiscox Limited, the ultimate parent company of HSA.

Main characteristics of supplementary pension or early retirement schemes for members of the Board or other key function holders

There are no supplementary pension or early retirement schemes for members of the Board or other key function holders of HSA. Any existent pensions are applicable to all employees.

B.1.4. Material transactions during the reporting period with shareholders, persons who exercise a significant influence on HSA and with members of the Board

There were no material transactions during the reporting period with shareholders of the Company other than the two capital increases of €18 million in the third quarter and €5 million in the fourth quarter which were fully paid up by way of cash contribution by the sole shareholder of the Company. There were no material transactions with persons who exercise a significant influence on HSA or with members of the HSA Board.

B.2. Fit and proper requirements

B.2.1. Description of the skills, knowledge and expertise applicable to the persons who effectively run HSA or are responsible for significant functions

HSA has adopted the Group Fitness & Propriety Policy. The Policy includes individuals who effectively run HSA or are responsible for significant functions which fulfil the following requirements under the Solvency II Directive:

a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit);
b) they are of good repute and integrity (proper).

All Board members and any member of staff who is responsible for a significant function is required to have the relevant professional qualifications, knowledge and experience to enable sound and prudent management. In addition, the Board needs to collectively hold the qualifications, knowledge and experience necessary to run a company of HSA's size and complexity.

The qualities of each individual are also assessed in the wider team context to ensure that collectively there is a wide breadth of skills, knowledge and expertise to ensure the effectiveness of the Board and the operation of key functions. The effectiveness of the Board is self-assessed annually and an external review is undertaken at least once every three years to ensure ongoing appropriateness.

Good repute, integrity, substantial management and leadership experience, a good understanding of regulators' expectations and strong people skills are overarching qualities sought from all Board members and individuals responsible for significant functions.

B.2.2. Process for assessing the fitness and the propriety of the persons who effectively run HSA or have other key functions

For Group A individuals, fitness and propriety will be assessed as follows:
- Upon appointment,
- When required by a Regulatory Authority where fitness and propriety is deemed a regulatory requirement, and
- Assessed annually in line with this policy

For the sake of clarity Group A individuals are those roles which effectively run Hiscox or are responsible for significant functions, including:
- The Executive and Non-Executive Directors of Hiscox Ltd and the regulated companies in the Hiscox Group,
- The members of the Executive Sub-Committee of the Hiscox Ltd. Board,
- The ultimate heads of the following functions:
    - Actuarial
    - Claims
    - Compliance
    - Finance
    - Internal Audit
    - Underwriting
    - Investment Management
    - IT
    - Outwards Reinsurance
    - Risk Management

- The individuals responsible for a function (other than those listed above) which is deemed by a local Regulatory Authority to be significant (e.g. Solvency II Material Risk Takers),

For Group B individuals, fitness and propriety will be assessed as follows:
- Upon appointment, and
- When moving into a Group A role where fitness and propriety is deemed a regulatory requirement.

Group B individuals are defined as all other individuals in Hiscox.

Fitness and propriety assessment on appointment

For all individuals, the assessment of fitness and propriety upon appointment will normally include (but may not be limited to):
- Interview with an appropriately qualified manager,
- Interview with other relevant senior experienced individuals as appropriate,
- Verification of academic and or professional qualifications to the extent that they are relevant to the position, and
- Obtaining references from previous employers in line with local employment legislation guidance.

For individuals in Group A, the assessment of fitness and propriety upon appointment will additionally include (but may not be limited to) the following and where legally permissible to do so:
- Checks with credit reference agencies regarding financial soundness,
- Criminal record check to the extent it is legally permissible to do so,
- Checks on disqualification from acting as a Director or in relation to a regulated function,
- A declaration by the individual concerned that they are fit and proper, and
- A regulatory reference check where it is deemed necessary by the appropriate regulatory authority.

Fitness and propriety annual assessment

For all individuals, the annual assessment of fitness and propriety will normally include (but may not be limited to):
- Annual Performance and Development Review (PDR) by an appropriate qualified line manager, and
- Any other issues arising that would cause concern as to an individual's fitness and propriety.

For individuals in Group A, the ongoing annual assessment might include, where legally permissible to do so:
- Checks with credit reference agencies regarding financial soundness,
- Criminal record check to the extent it is legally permissible to do so, and
- Checks on disqualification from acting as a director or in relation to a regulated function.

For individuals in Group A, the ongoing annual assessment will include:
- A declaration by the individual concerned that they are fit and proper,
- Line manager attestation that the individual concerned is deemed fit and proper,
- Confirmation of completion of mandatory training by the individual, and
- Confirmation of no issues identified due to disciplinary or Code of Conduct / Conduct Rule actions, as they apply.

Furthermore, members of the different boards within Hiscox will be subject to regular discussion and evaluation of board effectiveness (the detail of which process falls outside the scope of the Policy).

Additional concerns

If any matter is highlighted through the ongoing assessment process which increases the risk of the individual not being deemed as a fit and proper individual, this will be referred to the Head of People Compliance to consider and review following which this will be raised with the Chief People Officer.

The Head of People Compliance will review the matter, having consideration to the significance to the matter, the duties and responsibilities of the individual concerned, and the possible impact of the matter on the individual's ability to perform those duties and responsibilities.

The Head of People Compliance will consult with the Chief People Officer and refer to the Chair of the relevant Boards any matter which is deemed to be material.

B.3. Risk management system including the ORSA

B.3.1. Description of the risk management system

HSA has an established Risk Management Framework (RMF) in place, illustrated in Figure 5. The RMF is designed to operate continuously. It is reviewed and enhanced regularly in light of changes to the risks HSA is exposed to, the external environment and evolving practice on risk management and governance.

The Board has ultimate responsibility for setting HSA's risk strategy and the amount of risk that the Company can accept in order to maximise the likelihood of achieving business plan objectives and for the overall effectiveness of the risk management framework.

Risk identification (includes risk definition and risk ownership)

Risk identification is achieved by clearly defining an exposure (e.g. identifying the potential drivers and consequences of the risk) and identifying a risk owner responsible for management of the exposure. HSA's material risks and the key controls used to mitigate them are documented in its Risk and Control Register (RCR).

The RCR details HSA's current key risk exposures including a qualitative assessment of the probability and impact, risk mitigation/controls and related monitoring and reporting processes. The RCR is periodically reviewed and updated as HSA identifies and assesses the material risk exposures and the appropriateness and effectiveness of the risk management framework and system of internal control.

Each year, HSA identifies a number of 'Critical risks' as part of its risk identification and RCR refresh processes. A Critical risk is defined as an exposure which materially threatens financial strength, severely impacts business operations or significantly affects strategy. Critical risks often develop over a short time or offer limited time to react, respond or recover, thereby requiring continuous focus. Critical risks are reviewed regularly by the Audit & Risk Committee.

Risk appetite

Risk appetite is communicated in qualitative and quantitative terms, describing the level and types of risk the Board is willing to assume in order to achieve their strategic objectives and business plan. HSA's risk appetite framework allows clear monitoring and management of risk exposure in relation to the Board's willingness to take on risk.

Risk measurement

Risk measurement is the assessment of HSA's actual risk exposures using various methods including risk and capital models, stress and scenario testing, reverse stress testing, and expert judgement. This enables the prioritisation of risk and mitigating actions.

Risk mitigation

Risk mitigation involves implementing and maintaining internal controls and other mitigation techniques to manage, reduce or eliminate risk exposures as part of the system of internal control.

After risks are formally assessed, a decision is made on how to mitigate them to reduce exposure or to maintain them at an acceptable level. Determining the most appropriate response involves understanding the associated costs and benefits. Risk mitigation techniques include: strengthening existing controls or introducing new ones; risk transfer mechanisms (e.g. entering reinsurance arrangements); and risk avoidance (i.e. taking action to prevent exposure to the risk at all).

The methods used to mitigate each of HSA's material risks are described in more detail in section C.

Risk monitoring

HSA operates a number of practices and tools to monitor risk exposures, trends, effectiveness of controls and changes across the Company

Risk monitoring provides different lenses over HSA's risk environment, including topical current risk issues through to deep dive analysis as part of Risk Reviews. Monitoring of risks occurs at various levels across HSA, including at a functional and management level. Critical risks and other significant exposures are monitored at Board and Committee level on a regular basis, with more frequent monitoring occurring at the business and functional levels.

Risk reporting

HSA employs a broad risk reporting system to raise awareness of risks across the business.

Risk reporting describes the methods and forums used to communicate and discuss risk and control exposures and issues, including the escalation routes that support appropriate risk governance.

Material risk types and Critical risks are formally reported to Management, the Board and ARC regularly, with more frequent reporting at the business and functional levels.

Figure 5

B.3.2. Implementation of the risk management system

The sub-sections below outline how the risk management framework is implemented and integrated in HSA's organisational structure, culture and decision-making processes.

On a regular basis all material risks are assessed to ensure that even following a series of significant loss events, sufficient capital is available to support risk exposures and regulatory requirements, and to meet financial obligations, particularly to policyholders. For material risks, our exposure is measured against an established risk appetite to ensure each risk remains within acceptable levels.

As part of the Risk and Control Self-Assessment process, a qualitative assessment of each risk's likelihood and impact is performed by risk owners, with input from the control owners and challenge from the European Risk Manager. Assessments are completed on both an inherent and residual basis, defined as follows:

- 'inherent risk' is the risk that the event would pose if there were no controls or other mitigating factors in place; and
- 'residual risk' is the risk that remains after current controls are taken in account.

The methods used to measure each of HSA's material risks are described in more detail in section C.

Risk reporting is completed for the HSA Board and for the Audit & Risk Committee to highlight material exposures requiring the Board's consideration, action or response. Some examples of risk reporting HSA undertakes are:

- Enterprise Risk reporting including
    - Dashboard of topical risk issues at HSA and branch level;
    - Regular assessment of Critical risks;
    - Operational risk event reporting;
    - Key Risk Indicators;
    - Emerging risks;
    - Management Action monitoring
- Key risk section in each Board report;
- ORSA report;
- Results of Risk and Control Self-Assessment;
- Results of stress and scenario and reverse stress testing; and
- Risk appetites and limits monitoring
- Second line risk reviews and deep-dives.

Risk governance

At the heart of risk governance is the Board's oversight responsibility for risk management across the Group. The Board has ultimate responsibility for the overall effectiveness of business operations and the Risk Management Framework, including oversight of the three lines of defence (described in section B1), ensuring appropriate and proportionate balance is maintained.

Within the second line of defence, the Chief Risk Officer of Europe assumes the Solvency II Risk Management Key Function and is ultimately accountable for the overall management of the risk management framework and associated strategies, processes and reporting procedures in HSA. To ensure their independence and objectivity, the Chief Risk Officer of Europe reports to the Group Chief Risk Officer with a dotted line reporting to the European Chief Executive Officer. The Chief Risk Officer of Europe has direct reporting to the HSA Board including the HSA Audit & Risk Committee Chair.

The Chief Risk Officer of Europe is supported by the European Risk Manager and European Risk Officer as well as appointed 1st Line European branch Risk Champions.

The European Risk team, is independent from first line decision-making and has the following key responsibilities:

- Work with the Group Risk function to design, maintain, periodically review and embed the Hiscox Risk Management Framework in Hiscox SA and Hiscox EU;
- Facilitate the identification and assessment of emerging risks;
- Monitor the general risk profile of the undertaking;
- Provide challenge and advice to the business on the decisions it takes considering the payoff and other risk-return considerations;
- Provide an independent view of risk within the company;
- Lead the local delivery and implementation of risk initiatives;
- Facilitate the setting of risk appetite by the Board and ensure management monitor the company's general risk profile;
- Coordinate the Own Risk and Solvency Assessment process and facilitate the production of the ORSA reports for the HSA Board at least annually. This incorporates the risk and control self-assessment;
- Produce regular risk reporting for the Audit & Risk Committees and Boards;
- Challenge the adequacy of regulatory and internal capital requirements;
- Assesses current and forward-looking risk exposures using various methods including the use of risk and capital models, stress and scenario testing (including reverse stress testing) and expert judgement;
- Tracks aggregate exposure across HSA against Board-approved risk policies, appetite and limits;
- Escalates any breaches of risk appetite and limits to the Board and/or Audit & Risk Committee in accordance with HSA's governance arrangements; and
- Conducts 2nd line Risk Reviews; and
- Challenging adequacy of both regulatory and internal capital requirement.

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

ORSA process

The ORSA process is defined as the set of ongoing practices and business decisions that HSA engages in to identify, measure, monitor, manage and report the risks to which it is exposed and to determine the corresponding capital needs on a current and forward-looking basis. The ORSA is an integral component of risk management specifically considering:

- HSA's approved strategy and business plan;
- The composition and dynamics of the current and forward-looking risk profiles, aligned to approved risk limits, strategy and business plan, and the extent to which the risk profile is aligned to the assumptions underlying the regulatory capital requirement;
- HSA's capital requirements (regulatory and internal), whether they are appropriate for the business' risk profile and whether HSA has sufficient assets available to meet them;
- The robustness of HSA's current and prospective solvency and liquidity, including consideration of a range of potential scenarios that could stress the business model, and how Management and the Board would respond should those circumstances arise; and

Maintaining sufficient financial strength to pay insured claims is a core critical consideration of the ORSA process.

The following diagram illustrates the components of the ORSA process.

Figure 6

Determination and management of HSA's own solvency needs

HSA uses a number of measures to determine its 1 in 200 year capital requirements for its modelled risks. HSA's use of the Solvency II Standard Formula for the calculation of its capital needs has been tested for appropriateness in light of HSA's risk profile. This provides comfort for its use in calculating HSA's regulatory capital requirement.

In addition to the Standard Formula, HSA uses the Hiscox Group's Integrated Capital Model (HICM), a non-regulatory economic capital model, to measure its own internal view of its overall solvency needs (ORSA capital) and to monitor its risk profile.

Forward looking assessments are produced to show the expected evolution of the business over the next three years under various scenarios and the impact on capital. Sensitivity testing is conducted to measure the capital impact of a number of changes in inputs to the capital requirement, including changes in assumptions and expert judgements.

Stress and scenario testing, including reverse stress testing, is used to assess the robustness of the business plan and capital in light of a range of potential threats and issues, and to identify plausible and feasible future management actions which could be taken under those scenarios to protect the businesses and facilitate their viability. These tests involve identifying and considering potential events or triggers which could affect or change the businesses in the future and their reactions to these events. A range of such tests are conducted by the businesses over the course of the year.

All rating agencies evaluate Hiscox on a Group basis, therefore there is no specific rating agency capital requirement for HSA.

ORSA reporting

An ORSA report is produced at least annually to summarise the key findings from the ORSA process. The report is reviewed and approved by the Board, however the various outputs from the ORSA process are reviewed and challenged by the Board and Audit & Risk Committee throughout the year.

Over the course of the year, HSA's performance against the approved business plan is monitored and the budget re-forecast as necessary. If there was reason to believe that internal or external events could have resulted in a material change to the business risk profile, capital measures or solvency position, or would be likely to in future, elements of the ORSA process would be re-run to evaluate whether HSA continues to hold sufficient capital and remain compliant with its regulatory capital requirements. A significant change in capital requirements could lead to actions such as a change in the business plan or to the creation of a plan to obtain additional capital.

In practice, a re-run of the entire ORSA process (or elements of it) would be performed if an event or deviation from the business plan resulted in:

- A major model change as outlined in the HICM Change Policy; and/or
- A reduction of available capital or surplus of the same percentage as that for a major model change as outlined in the HICM Change Policy.

B.4. Internal control function

B.4.1. The internal control system

Internal controls are the processes, systems and approaches that HSA has in place to provide reasonable assurance regarding the achievement of its strategic, financial, operational and compliance objectives. In practice, internal controls also provide the Board and senior management with reasonable assurance that risks are being managed within the Board's approved risk appetite where they are operating effectively. The following diagram illustrates the five components of the system of internal control. These are all reinforced by the roles of the HSA Board in owning, steering and overseeing the effective design and implementation of the system of internal control within the formal risk governance framework.

Figure 7

Control Environment: the collective set of standards, processes and structures that provide the basis for establishing and maintaining internal control across HSA.

Risk Assessment: This is the process by which HSA identifies and assesses the material risks which could influence the achievement of its objectives.

Control Activities: The actions that individuals take to implement and operate HSA's internal controls to reduce the impact or likelihood of the risk and keep exposure within appetite. They are performed at various stages within business processes and across the technology environment. They may be preventative, directive, detective or corrective in nature and encompass a range of both manual and automated activities.

Information and Communication: Management uses information from both internal and external sources to support decision making and ensure the functioning of the system of internal control and reports this to the HSA Board and Audit & Risk Committee as appropriate, to enable them to discharge their oversight responsibilities.

Monitoring Activities: Risks and controls are monitored by risk and control owners through normal day-to-day business operations. The Audit & Risk Committees is held quarterly to monitor HSA's risk exposures. On an annual basis key risks and controls are assessed and confirmed as appropriate by the risk owners as part of the Risk and Control Self-Assessment process (RCSA) review and update process. This process also provides the opportunity for risk and control owners to identify new risks and controls to be recorded in the Risk & Control Register (RCR).

The system of internal control has been developed to adhere to the following principles:

1. Board ownership and oversight of the overall effectiveness of the Risk Management Framework, including the system of internal control;
2. Clear risk and control ownership across the business;
3. Clear definition and articulation of individuals' accountabilities, roles and responsibilities;
4. Proportionate approach that focuses on Critical risks and key controls that have the potential to materially affect HSA;
5. Efficient system that transparently balances the potential costs of controls (including both implementation and opportunity costs) against the benefits.

B.4.2. The Compliance function

The Compliance function is, with Risk Management, the second line of defence in the Hiscox Group's risk management framework. As such, the Compliance function's role is to assist Hiscox in managing regulatory risk. Regulatory risk is to be understood as the risk of sanction (or other enforcement or supervisory action) by regulatory authorities due to failure to act in accordance with the relevant requirements.

The Compliance function manages regulatory risk by way of four key activities: (i) the setting of and advisory on regulatory policies and standards; (ii) the oversight and monitoring of regulatory risk and corresponding controls; (iii) the second line regulatory reporting to management, the Board and committees, as well as regulators; (iv) and the interaction with regulatory supervisors to instil and maintain an open and effective working relationship.

The HSA Compliance function is assumed by the European Compliance team located in Luxembourg that is supported by local Compliance Control Coordinators based in most of the branches of HSA. The HSA Compliance function is led by the European Compliance Manager, who is reporting into the Chief Risk Officer of Europe, creating a fully vertically integrated Compliance function in Europe with matrix oversight from the Group Compliance function.

European Compliance is responsible for defining and reviewing the HSA Compliance Program on an ongoing basis.

The principal missions of European Compliance are:

- to define and update European wide minimum compliance standards in line with the evolution of regulatory risks and oversee their implementation across HSA;
- to advise and support the Board of Directors, senior management and the local Compliance Control Coordinators on HSA compliance standards and regulatory matters or incidents;
- to identify and assess the regulatory risks relevant to the HSA operations and that of the branches (including adequacy of controls);
- to monitor compliance with applicable laws, regulations, and internal standards and to evaluate the potential impact of any changes in the legal environment on Hiscox's activity;
- to design and execute a monitoring programme;
- to continuously maintain and develop a network of compliance professionals and encourage the development of a strong compliance culture within HSA, including training initiatives;
- to initiate, manage, and/or contribute to European and Group wide compliance projects;
- to report on a regular basis to HSA senior management and the HSA Board Committees, on major compliance matters/incidents, ongoing compliance projects and initiatives, on the implementation of the HSA compliance standards;
- to support the business in its preparations in any regulatory reviews, information requests, applications and filings;
- to support and oversee the implementation of solutions to mitigate regulatory risks;

- to oversee the regulatory interaction with host state regulators and manage and maintain an open and effective relationship with the CAA.

B.5. Internal audit function

B.5.1. Implementation of the internal audit function

Hiscox Group's internal audit function operates at a Group level and is part of the overall system of governance. There is an internal audit director position based in Luxembourg, which oversees HSA internal audits. The function provides objective and independent assurance to the HSA's Audit and Risk Committee as well as to the Group's Audit Committees and the HSA Board as well as the Group Boards of Directors regarding the processes and systems of internal control and risk management operating in the Group.

Internal audit's scope extends to all legal entities, including HSA, and business units forming part of the Hiscox Group.

Internal audit is responsible for the development of an internal audit plan ('the plan'), with a corresponding budget. The plan is a rolling 12 month plan which is reviewed, updated and approved every six months to ensure it remains aligned to the key risks facing the Group's legal entities (including HSA). The plan is developed using a risk-based approach, including input from Executive Management. Prior to submission to the Group's Audit Committees (including the HSA Audit and Risk Committee) for approval, the plan is shared with Executive Management. The plan is complemented by a multi annual audit plan specific to HSA, extending over a period of three years.

In setting its plan scope, internal audit takes into account business strategy and forms an independent view of whether the key risks to the Group and its individual entities such as HSA have been identified, including emerging, critical, and systemic risks, and assessing how effectively these risks are being managed. Internal audit's view is informed, but not determined, by the views of management and/or the risk function. In setting its priorities and deciding where to carry out more detailed work, internal audit focuses on the areas where it considers risk to be higher. It makes risk-based decisions as to which areas within its scope are included in the plan; it does not necessarily cover all of the potential scope areas every year, but aims to do so over a three year period.

Internal audit reviews the plan regularly and advises the HSA Audit and Risk Committee of any material alterations to it. Any impact of resource limitations and significant interim changes are communicated promptly to the HSA Audit and Risk Committee and Executive Management.

In carrying out its duties and responsibilities, internal audit is entitled to:

a) full and unrestricted access to all of the Group's activities, records, property and information;
b) full and free access to the Hiscox Ltd Audit Committee, and other subsidiaries' Audit Committees including HSA's;
c) allocate and apply resources, scope of work and audit techniques, set frequencies and select appropriate subjects in order to meet its objectives; and
d) the assistance of staff across the Group where necessary to fulfil its objectives.

In addition, internal audit has free and unrestricted access to the HSA Board and the Group Board. The Group Chief Auditor has the right of attendance at all or part of any of the Group's governance and risk forums, or any other forum or committee in the execution of internal audit's remit. For HSA specific forums and committees, this right extends to the HSA internal audit key function holder.

B.5.2. Maintaining an independent internal audit function

Internal audit is independent of the activities that it audits, in order to ensure unbiased judgements and impartial advice to the HSA Audit and Risk Committee and the Group's Audit Committees and to management. In order to ensure this independence and objectivity, the internal audit team members report directly to the Group Chief Auditor, who reports directly to the Chair of the Hiscox Group Audit Committee. Internal Audit also adheres to the Chartered Institute of Internal Auditors' Code of Ethics. Where internal audit is unable to provide independent and objective assurance in a particular circumstance, a third party or parties with the requisite expertise may be engaged.

In order to fulfil its responsibilities efficiently and effectively, internal audit may also co-operate with other functions or assurance providers within the Group (for example, Group compliance or technical underwriting reviews). Where such co-operation takes place, the work will be planned and carried out in such a way as to ensure that the independence and objectivity of internal audit remain safeguarded.

B.6. Actuarial function

The actuarial function of HSA is responsible for:

a) calculating the technical provisions (an estimate of the amount the firm will need to pay out in the future to settle insurance claims). This involves ensuring that the methodologies and underlying models used for this purpose are appropriate;
b) assessing the sufficiency and quality of the data used in the above calculation;
c) monitoring the claim experience (the amounts paid and reported to HSA) and comparing those against the amounts predicted by the actuarial models;
d) contributing to the effective implementation of HSA's risk management system, including risk modelling, ORSA and involvement in the calculation of the capital requirements;
e) providing an opinion on HSA's underwriting policy; and
f) providing an opinion on HSA's reinsurance arrangements.

The HSA actuarial function is made up of qualified individuals who have expert knowledge of actuarial and financial mathematics, and who possess skills that make them appropriate for the role. The HSA actuarial function consists of the HSA Chief Actuary and other members of the Group actuarial team. The HSA Chief Actuary produces reports each year on the above matters, setting out their conclusion and the underlying analysis supporting this conclusion. The HSA Chief Actuary and the actuarial function escalate any relevant matters to the Audit & Risk Committee of HSA and the Executive Committee of the Hiscox Group as appropriate.

B.7. Outsourcing

B.7.1. The outsourcing policy

HSA has adopted a revised version of the Outsourcing Policy in Q1 2024. The Outsourcing Policy sets out the responsibilities and considerations when outsourcing services, together with the associated reporting and monitoring arrangements to be implemented where outsourcing is used.

The purpose of the Outsourcing Policy is to set out the framework for selecting and managing outsourced services, governed by this Policy whilst optimising the value from its service providers. Furthermore, the Policy provides an approach that addresses the need to identify, assess and manage the potential operational risks of outsourcing resulting from significant changes to people, processes and systems that may result in reduced control.

The Outsourcing Policy has been developed to ensure that prudent selection and management methods are employed for outsourced arrangements.

The Outsourcing Policy specifies the requirements for both outsourcing to external service providers and internal outsourcing where services are provided to HSA by other members of the Hiscox Group.

The process covers:

- Identification of potential suppliers;
- Assessment of importance or criticality;
- Written notification to regulator as required;
- Terms of the outsourcing contract (including data protection);
- Supervision of the outsourced service;
- Monitoring and management of the contract; and
- Orderly exit from the contract.

The approach to the management of outsourced arrangements where underwriting authority, claims management and payment authority and investment management mandates are delegated to a third party are set out in the 'Delegated Authority Policy' and the 'Group Investment Policy', respectively.
The Hiscox Group Outsourcing Policy shall be complemented by a specific annex to ensure compliance with the relevant laws and regulations applicable to HSA.

HSA has outsourcing arrangements with third parties for the following critical and important activities: Claims Vendors, Delegated Authorities / MGAs, IT and Call Centres. In addition to services outsourced by the branches to service providers established within the EEA, HSA relies on a range of internal outsourcing partners located in the UK for provision of a variety of services as outlined below:

- Hiscox Underwriting Group Services Ltd (HUGS)
  IT services, actuarial support services, investment management services, as well as capital modelling and capital management support services, outwards reinsurance support services, investment management series, and other group services.

- Hiscox Underwriting Ltd (HUL)
  HUL is an intermediary, which is fully owned by the Hiscox Group that provides insurance mediation and underwriting services to HSA and which is authorised through delegated authority to write business on behalf of HSA but only with regards to UK customers with an EEA risk.

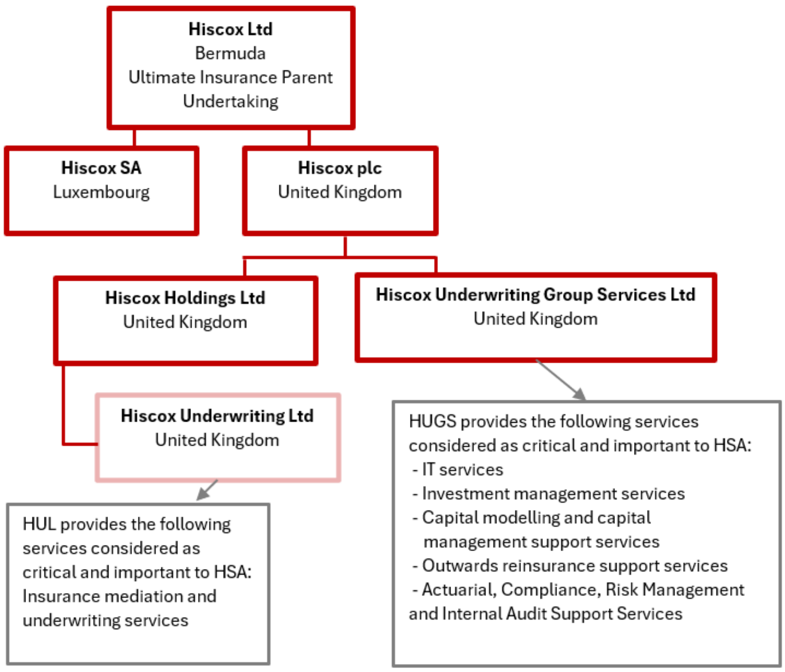

Figure 8

The table below identifies the operational functions that are outsourced, as well as the responsible person within HSA:

Function	Main Activities	Performance of function	Function Holder	Hiscox SA responsible person
Actuarial	Advice as to the appropriateness of the reserving including the preparation of actuarial opinions and reports, and presentation of reports to the reserving committee of HSA; Preparation of actuarial data for inclusion in management and other reports as requested, including regulatory returns; Detailed review of the pricing or reserving adequacy of a product or line of business, as requested by HSA.	The Actuarial Function is performed by the HSA Chief Actuary. Actuarial support services are outsourced to the Group Reserving team	**Jessica Phillips** HSA Chief Actuary	**Jessica Phillips** HSA Chief Actuary
Investments	All matters in relation to management of investments for HSA; Monitoring adherence of Investment Managers to investment guidelines.	All investment management activities are outsourced to the Group Investments team	**Todd Isaac** Chief Investment and Treasury Officer	**Patrícia Vaz Baptista** HSA CFO
Outward Reinsurance support services	Purchase of reinsurance activities.	All reinsurance purchasing activities are outsourced to the Group Reinsurance team	**Rob Caton** Director of Underwriting Risk and Reinsurance	**Justin Bowen** HSA CUO
IT Services	Provision of certain IT services	IT services are partially outsourced to the Group IT team	**Stephane Flaquet**[1] Group Chief Operations & Technology Officer	**Gonçalo Carvalho** HSA CTO
Modelling and capital management support	All matters in relation to modelling of capital requirements for HSA .	All capital modelling activities are outsourced to the Group Capital Management team	**Gareth Jones** Head of Capital Management	**Patrícia Vaz Baptista** HSA CFO

Table 13

B.8. Any other material information

The adequacy of the system of governance is considered by the Board on a regular basis. This process considers both changes and recommendations made during the year (such as through Company Secretary or Internal Audit, Risk Management and Compliance reporting) and any advice provided based on regulatory change. In light of the envisaged plan to further strengthen corporate substance of HSA so as to ensure effective decision-making and allow for the proper supervision of the company the Company's system of governance is considered to be appropriate given the nature, scale and complexity of the risks inherent in its business.

All material information regarding the system of governance of the insurer is included in the sections above.

[1] On the 6th of January of 2025, Stephane Flaquet stepped down as Group Chief Operations & Technology Officer.
On the 1st of January of 2025, Shali Vasudeva was appointed Group Chief Operations & Technology Officer.

C. Risk profile

The risk profile information presented in Section C is based on an analysis of the Standard Formula SCR at 31 December 2024. For further details please see Sections C.1 – C.7 below.

The monitoring of HSA's risk profile assists Management and the Board with ensuring that risk is taken in a consistent and balanced way, and within the Board's risk appetite. As described in section B.3.2., HSA uses various quantitative and qualitative methods to track its actual risk exposure, including the Solvency II Standard Formula to calculate its regulatory SCR. This section focuses on the diversified capital requirement for HSA, whereas the Executive Summary examined the pre-diversified Standard Formula SCR.

The regulatory capital risk profile of HSA for 2024 has remained in line with the prior year in aggregate.

The majority of the Standard Formula SCR is attributed to underwriting risk and the next largest risk area is market risk. Further information on each risk type is detailed below.

The main method used to track actual risk exposure is the risk profile tool generated by the Hiscox Integrated Capital Model (HICM). This is an economic capital model which is used for internal purposes which enables HSA to regularly monitor its exposure to its material risks against its expected business plan, risk appetite limits and risk tolerances at various return periods. The output from the resulting analysis is presented to the HSA Audit & Risk Committee, detailing any material changes from the previous update. The downside potential for a loss is openly communicated and closely monitored.

The composition of HSA's capital requirement under the Standard Formula SCR for the year ended 31 December 2024 is shown in figure 9 :

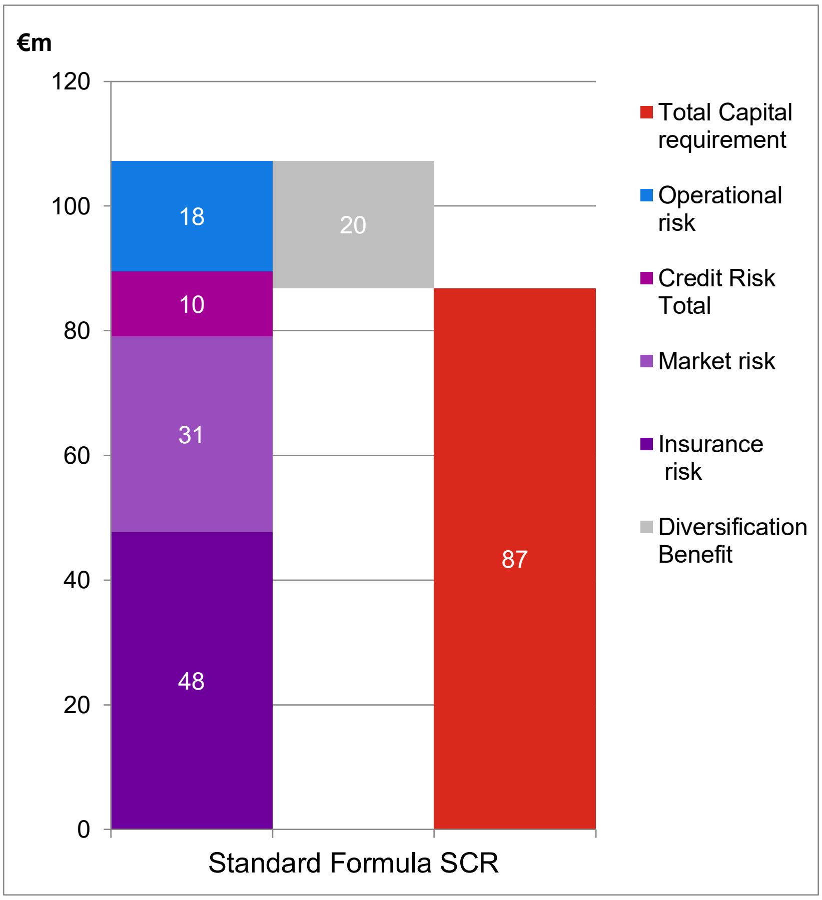

Figure 9

The ORSA process and risk management framework, described in section B.3.3, provide the basis for monitoring the effectiveness of HSA's risk management on an ongoing basis.

The Standard Formula quantifies underwriting risk, operational risk, credit risk and market risk. Other risks are not explicitly modelled under the Standard Formula.

C.1. Underwriting risk

C.1.1. Risk description

The predominant risk to which HSA is exposed is insurance risk, which is assumed mainly through the underwriting process. Insurance risk is defined as 'the possibility that insurance premiums and/or reserves are ultimately insufficient to fully settle claims and associated expenses'.

Within the Risk and Control Register, it is sub-categorised into i) underwriting (premium) risk, and ii) reserve risk.

Underwriting risk

The Underwriting risk is defined as the risk that insurance premiums will not be sufficient to cover future insurance claims and associated expenses. It also encompasses people, process and system risks directly related to underwriting, such as human error in paying invalid claims or misquoting premium prices.

Key underwriting risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Insurance	**Underwriting**	**Underwriting Exposure Management**	Insurance exposures accumulate to an unacceptable level, are not fully understood or materialise unexpectedly
		Pricing	The risk of failing to price policies adequately, or making poor risk selection decisions
		Authority Breach	Accepting risks outside of agreed underwriting parameters or where authority limits have been breached
		Contract or policy wordings	Policy wordings are vague, incorrect and/or do not adequately address the exposure assumed

Table 14

Underwriting risk can arise from poorly managed exposure, inappropriate underwriting models, loss experience not emerging as expected, changes in market conditions, poor staff training and monitoring.

Reserve risk

Reserve risk is defined as the risk that reserves set in the financial statements ("booked reserves") in respect of insurance claims are ultimately insufficient to fully settle these claims and their associated expenses. This definition includes claims from all policy exposure earned and unearned at the relevant balance sheet date.

Reserve risk arises as a result of HSA's core underwriting business in that it needs to make financial provisions for earned unpaid claims, defence costs, and related expenses to cover its ultimate liability both from reported claims and from Incurred But Not Reported (IBNR) claims. There is the possibility that the financial provisions or claims reserves held to cover the earned ultimate liabilities are not sufficient for its exposures, which could affect HSA's earnings, capital and possible even its survival. Particularly for casualty claims, the final quantum may not be established for many years after the event.

In addition, a risk arises in relation to unearned and future business including Bound But Not Incepted (BBNI) contracts, which is termed a premium provision risk. Premium provision risk is considered as part of HSA's claims reserves risk, which is described in Table 15. HSA makes financial provision for these unearned and future losses by applying the expected loss ratio to the unearned and future premium. An estimate of additional Solvency II expenses and Unallocated Loss Adjustment Expense (ULAE) in relation to these claims is also included, as is a bad debt provision in relation to recoveries that may not be received. Unearned and future premiums receivable and unearned and future ceded premiums payable are included within the premium provision.

Key reserve risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Insurance	**Reserves**	**Claims reserves**	Unsuitable case reserves (e.g. over- or under-reserving) and/or insufficient technical reserves in place to meet incurred losses and associated expenses, future losses and expenses from earned premiums.

Table 15

C.1.2. Risk mitigation

HSA has established controls to manage and mitigate its key underwriting and reserve risks.

Key controls in place for HSA's underwriting, reserving and claims risks include:

- Underwriting and claims authority letters; and
- Claims underwriting guidelines;
- Underwriting and reserving reviews;
- Portfolio monitoring and management meetings;
- Trilogy meetings, where claims, reserving and underwriting come together to discuss trends and maximize cooperation;
- Product Governance process;
- HSA Reserving Committee;
- Review and sign-off of reserves by the Audit & Risk Committee; and
- Independent actuarial review of reserves.

Underwriting authority letters and claims authorities set out the parameters within which underwriting and claims staff can operate. For example, authority limits will be based on experience and restricted to certain lines of business, with referrals to a more senior underwriter for approval before binding a risk where necessary. Ensuring that underwriters operate within defined parameters helps HSA to monitor its exposure to risk geographically and by line of business.

Peer reviews are in place for underwriting, to act as an independent check that staff have acted within their authority and according to defined processes. The outcomes of peer reviews are reported to underwriting management to highlight control weaknesses and training needs. There is a further formal audit process every year in each country.

Regular monitoring of performance helps spot trends to inform adjustments to underwriting strategy and pricing as necessary.

Claims underwriting guides help to ensure that a consistent approach is taken to managing and reserving for claims. This reduces subjectivity in the level of reserves retained for claims with similar attributes.

C.1.3. Measures used to assess risk

Underwriting risk and reserve risk are both explicitly modelled within the risk profile (see Table 14 and Table 15).

For underwriting risk and reserve risk, measurement is performed via the use of risk and capital models, including the risk profile, and expert judgment. The risk profile tool allows the Group and carriers to measure actual exposure against parameters that articulate the amount of risk it is prepared to accept.

Stress and scenario testing, as well as reverse stress testing, is also used to assess underwriting and reserve risk, please see section C.7.1. for further information and results of HSA's most recent testing.

C.1.4. Risk concentration

HSA writes a focused book of commercial and personal insurance risks. The portfolio concentrates on professionals and small and medium sized businesses as well as mid net worth and high net worth individuals. The geographic spread during 2024 in Europe was predominantly in France and Germany, and the type of risks are mainly first party property exposures and third-party liability. Concentration of underwriting exposure may exist across counterparties, industries and geographic locations.

Concentrations of property exposure at a 200 meter radius, airplane crash scenarios based on 9/11 and single fire risks are monitored monthly. We also regularly geocode all properties and feed this data into catastrophe models. For casualty classes, we use Realistic Disaster Scenarios (RDSs) to model the expected losses we would incur from systemic events. Outputs from these modelling exercises are incorporated into our expected loss ratios, which form the basis of underwriting strategy discussions and decisions.

C.1.5. Material changes over the reporting period

On a Solvency II Standard Formula basis, Underwriting risk has increased from €42.9m at year-end 2023 to €47.7m at year-end 2024, primarily driven by an increase in exposure on the Liability portfolio, resulting in an increase in the Man Made Catastrophe Liability Risk. There has also been an increase in Lapse risk since year-end 2023.

C.2. Market risk

C.2.1. Risk description

Market risk is the threat of unfavourable or unexpected movements in the value of HSA's assets and/or the income expected from them owing to movements in market prices (e.g. generating negative investment returns).
Within the Risk and Control Register, market risk is sub-categorised into i) foreign exchange (FX) risk, and ii) investment risk.

Risk type	Risk grouping	Risk name	Risk definition
Market	**Foreign exchange**	**FX Risk**	Economic capital position deteriorates as a result of unfavourable or unexpected movements in currency exchange rates
	Investments	**Investment Risk**	Probability of loss in excess of risk limits and tolerances, as a result of unfavourable or unexpected movements in the value of assets and/or the income expected from them, arising from movements in market prices including equity values, interest rates, credit spreads and foreign exchange rates, as well as losses due to defaults & downgrades, or inability to meet liquidity requirements of the business.

Table 16

HSA chooses to assume market risk in order to optimise the return on assets while ensuring that funds are available to pay claims when required. Also, the Prudent Person Principle is embedded within HSA's investment approach.

FX Risk is assessed as remote since HSA is operating mostly in the Eurozone, therefore liabilities arising as a result of known claims and those likely to be made are in Euro. Also, HSA does not actively seek to generate investment returns by taking 'bets' on currency movements.

C.2.2. Investment management in accordance with the 'Prudent Person' Principle

The Prudent Person Principle is embedded in Solvency II and is used to guide HSA's investments.

HSA invests in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. They are invested in a manner to ensure the security, quality, liquidity and profitability of the portfolio, and such that they are available to the company in the relevant currency as required. Assets held to cover technical provisions are also invested in a manner appropriate to the nature and duration of HSA's liabilities. They are invested in the best interest of all stakeholders, taking particular account of HSA's customers.

Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geography, asset class or other risk attribute in the Group or divisional portfolios.

C.2.3. Risk mitigation

HSA has established controls to manage and mitigate its key market risks.

Examples of some key controls in place for place for HSA's market risks include:

- Currency matching and asset-liability matching strategy;
- Divisional Investment Group meetings;
- Cash and Capital Committee meetings;
- Minimum cash limits; and
- Investment manager performance management.

Matching the currency of assets with the currency of liabilities reduces the likelihood of HSA not being able to pay claims due to currency fluctuations. Matching the maturity of assets with the expected timing of liabilities helps to maximize returns on the investment portfolio, and preserve liquidity, which helps to avoid liquidating assets before they are due to mature.

HSA has a minimum amount of cash that must be retained at all times. This helps to ensure planned and unforeseen liabilities can be covered in a timely manner, without impacting the investment portfolio.

HSA uses external investment companies to manage its bond portfolio. The investment managers must operate within defined constraints set by HSA, and they provide regular updates on performance, which is reported to HSA's management and the Divisional Investment Group.

C.2.4. Measures used to assess risk

Measurement of Market risk is performed via the use of risk and capital models, stress, scenario and reverse stress testing and expert judgement. For example, Market – Investment and Market – FX risk are both modelled as part of the HSA's modelled Risk Profiles. The Risk Profile tool allows clear measurement of actual exposure against parameters that articulate the amount of risk it is prepared to accept.

C.2.5. Risk concentration

Concentration risk arises when too much exposure is held in assets which respond to similar risk factors. Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geographical area, asset class or other risk attribute in the Group or Divisional portfolios.

Permitted asset classes within the investment portfolio are bonds, risk assets (including equities), cash and derivatives.

The majority of assets held by HSA, approximately 94%, comprise cash and bonds. In the bond portfolios, the largest exposures are to European governments bonds and corporate bonds issued in EUR. These exposures vary over time within the limits set in the investment guidelines. The largest individual exposure is to the government of France at 10% of bond exposure. For corporate bonds, there is a wide range of holdings, covering multiple sectors and in excess of 150 issuers. The bond portfolios are actively managed and so individual positions and exposures are subject to change over time depending on the decisions of the investment managers. Whilst the exposures shown in table 18 may change over the coming year, concentrations are limited by the portfolio restrictions applied to each mandate.

C.2.6. Material changes over the reporting period

On a Solvency II Standard Formula basis, market risk increased from €10.4 million at the end of 2023 to €31.4 million at the end of 2024. This increase is not due to changes in the investment strategy or risk profile. The primary reason is the elimination of the allowance for market risk mitigation, provided by the whole account quota share with Hiscox Bermuda, from the calculation.

C.3. Credit risk

C.3.1. Risk description

Credit risk is defined as the risk of loss or adverse financial impact due to default by counterparties to which HSA is exposed.

The inherent credit risk exposure for HSA is material with the quota share agreements in place with HIB to cede 90% of GWP (across internal and external reinsurance). Currently the quota share operates with a funds withheld agreement between HSA and HIB which mitigates HSA's residual risk exposure and hence is assessed as not a critical risk for HSA. It is worth noting that HSA will continue to review the funds withheld structure to ensure its continued appropriateness and benefit for HSA.

Within the Risk and Control Register, Credit risk is sub-categorised into i) Counterparty default (reinsurer) risk, Counterparty default (broker) risk and, ii) Counterparty default (other).

Risk type	Risk grouping	Risk name	Risk definition
Credit	**Credit**	**Counterparty default (reinsurer)**	Reinsurance counterparty (external) defaults on the terms of the reinsurance contract, for example due to downgrade, financial difficulty or contractual dispute.
		Counterparty default (broker)	Default of broker counterparty, causing them to renege on the ToBA (e.g. not passing payment to claimants) or altering the terms of agreement
		Counterparty default (other)	Default of counterparties other than reinsurers and brokers (e.g. banks, investment managers, other custodians), causing them to renege on or altering the terms of agreement

Table 17

C.3.2. Risk mitigation

HSA has established controls to manage and mitigate its key credit risks that include:

- Collateral requirements for reinsurers;
- Group Credit Committee meetings;
- Reinsurance Credit Committee meetings;
- Reinsurance counterparty limits;
- Broker exposure monitoring; and
- Bank exposure monitoring.

To reduce credit risk exposure to reinsurers, HSA benefits from the Group's approach to RI Credit risk, here, limits are in place to manage our exposure to reinsurers based on their credit rating. HSA can request collateral to be held from reinsurers, which can be used to pay claims if the reinsurer is downgraded or defaults on its obligations.

Broker credit risk is also closely managed, through an approval process for new brokers and monitoring of due and overdue premium.

Credit risk arising through exposure to banking counterparties is controlled in a similar way, through approval of the counterparties based on credit worthiness and monitoring of individual exposure and credit ratings.

C.3.3. Measures used to assess risk

HSA's exposure to credit risk is represented by the values of financial assets and reinsurance assets included in the balance sheet at any given point in time. HSA's gross receivables are exposed to the underlying internal intermediary's broker credit risk.

Reinsurance credit risk and broker credit risk are both explicitly modelled within the risk profile.

Credit risk is included in HSA's stress and scenario testing. Please see section C.7.1. for further information on HSA's most recent tests.

C.3.4. Risk concentration

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. Exposures are diversified as far as possible in accordance with Group policies, in order to avoid concentration of reinsurers, bonds issuers, brokers or other counterparties.

An analysis of HSA's current exposure to credit risk (at market value) as of 31 December 2024 is detailed in Table 18:

Credit risk exposure €000	2024	2023
Bonds	498,657	462,504
Collective Investments Undertakings	47,230	33,241
Deposits other than cash equivalents	(0)	728
Reinsurance Recoverables	73,756	70,425
Gross receivables arising from insurance and reinsurance contracts	17,447	15,071
Trade receivables	29,418	4,128
Cash and cash equivalents	57,608	59,655
Total	**724,116**	**645,752**

Table 18

Further information on the risk concentration on HSA's bond portfolio is detailed in sub-section .2.5.

C.3.5. Material changes over the reporting period

On a Solvency II Standard Formula basis, Credit Risk has decreased from €11.4m at year-end 2023 to €10.5m at year-end 2024 due to broker balances due more than 90 days decreasing by 28% over the year, resulting in a decrease in Type 2 Counterparty risk.

C.4. Liquidity risk

C.4.1. Risk description

The characteristics of liquidity risk mean that it should be viewed across three different time horizons:

- Short-term – cash required in the coming months to cover normal trading activity including payment of known claims, expenditure and salaries;
- Medium-term – cash required to meet medium-term funding requirements including tax and dividend payments and planned project and capital expenditure; and
- Long-term – cash required to support the longer term ambitions of HSA including underwriting capital to meet growth ambitions and funding to support potential future stress scenarios such as catastrophe losses.

Risk type	Risk grouping	Risk name	Risk definition
Market	**Investments**	Liquidity Risk	Inability to meet cash requirements from available resources within appropriate/required timescales.

Table 19

Liquidity risk arises from the need to pay insurance claims and other liabilities, which may have an uncertain timing or quantum. HSA has to balance the liquidity of assets with the return and the quality.

C.4.2. Risk mitigation

HSA has established controls to manage and mitigate its key liquidity risks that include:

- Minimum cash limits

- Cash-Flow projections and monitoring
- Solvency II monitoring and quarterly projections
- Cash, Capital and Credit Committee meetings
- Divisional Investment Group meetings
- Large loss procedures

As mentioned in section C.2.3, HSA has minimum cash requirements that must be retained at all times.

Quarterly Cash and Capital Committee meetings are held to monitor the liquidity position of HSA. Any significant breaches of cash reserve limits are also reported to the Cash and Capital Committee.

C.4.3. Measures used to assess risk

Cash flow analyses are performed on a regular basis to ensure sufficient cash is available to cover liabilities due and cash levels are monitored on a daily basis. Furthermore, additional liquidity is available from holdings in short dated government bonds if required, both at a Group-level and within HSA's own investment portfolio.

The Hiscox Group Cash and Capital Committee plays a key role in governance and oversight of liquidity risk for the Group, including HSA. The committee monitors the short and medium term cash flow and liquidity, and takes action where appropriate.

C.4.4. Expected profit included in future premiums

The expected profit included in future premiums is €49.8 million (2023: €38.8 million). This represents the profit that is expected to materialise from contracts which have been bound by HSA but the company is yet to go through the risk exposure period to which the premium relates. The variance year on year is driven by a change in mix of business of future premiums at 31 December 2024.

C.4.5. Risk concentration

HSA's liquidity risk concentration is managed by holding assets with a variety of approved banks, bond issuers and credit institutions.

The bond portfolios typically hold a proportion of their assets in European government bonds, which are highly liquid, particularly for the governments predominantly held. The corporate bond exposures are to over 120 issuers. At least 95% of which of which have investment grade credit ratings as the investment guidelines allow the manager to hold up to 5% in sub investment grade corporates, should appropriate return opportunity arise. HSA's exposure to risk assets is held via units in either open ended or closed ended vehicles. The underlying exposures of all vehicles are diversified. The open ended vehicles deal on at least a quarterly basis, and therefore can be expected to be realised in a reasonable time frame . The closed ended vehicles are not immediately realisable but sales in the growing secondary market are becoming more common. There is also the option for the units to be sold to another Group entity.

C.4.6. Material changes over the reporting period

To ensure adequate liquidity is maintained at all times, the Investment team and the Treasury team report to the Group Chief Investment and Treasury Officer.

C.5. Operational risk

C.5.1. Risk description

Operational risk is the risk of direct or indirect loss resulting from internal processes, people or systems, or external events.

Key operational risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Operational	**People**	Talent & Capabilities	Loss of implicit knowledge and experience of key individuals or teams, or failure to recruit the necessary amount or calibre of human resources
		Employment reputation/ compliance	Failure to ensure employment and compensation practices are in line with market standards and are appropriate in the context of employment law or regulatory requirements
		Lack of Rigorous Performance Management	Ineffective (e.g. inefficient and reactive) management and/or monitoring of employee underperformance
		Financial Crime - Fraud	Failure to implement or maintain the processes and procedures necessary for the detection and prevention of circumstances where Hiscox could become the victim of fraud, including collusive fraud by employees
		Financial Crime - Hiscox Corporate Activities	Hiscox enters into transactions, arrangements or engages in activities which amount to financial crime. This would include bribery, corruption and facilitation payments by Hiscox. This risk excludes fraud which is covered under "Financial Crime – Fraud"
	Systems	IT/Systems Failure	Major IT, systems or service failure (e.g. systems are disrupted, unavailable or insecure)
	Processes	Data Security	Failure to implement or maintain the systems and processes necessary to protect the confidentiality, integrity or availability of business sensitive information and/or customer/staff data
		Project risk/change management	Projects and/or change initiatives are not delivered to plan, budget or specification, or the risks inherent to the project or the interdependencies across projects are not appropriately managed, or a robust business investment case is not developed to ensure that the project will result in anticipated investment return and benefits to the business within the defined payback period.
		Third Party Risk	Ineffective or inadequate end to end oversight and control of individual third-party provider/supplier arrangements (including outsourcing) and/or the overall third-party portfolio; including both intra-group and external arrangements, but excluding Delegated Underwriting Authority; Claims Third Party and Investment Manager arrangements (which are covered under other specific risks)
		Business continuity	Failure to restore the delivery of services, operations or premises to acceptable predefined levels following a disruptive incident
		Financial Misstatement	The risk that financial statements have been misstated to a material degree, as a result of error or fraud
		Reserving Process	Ineffective processes, controls and systems in place to effectively manage and monitor reserves
		Claims Management	Ineffective management of claims (e.g. customer experience and appropriateness of decisions)

Risk type	Risk grouping	Risk name	Risk definition
Operational	**Processes**	Underwriting Operations	The processes, controls and systems in place to support and monitor individual underwriting decisions are insufficient/ineffective. “Underwriting Ops” covers (a) policy/documentation issuance (new business, renewals, mid-term adjustments, cancellations); (b) data capture; (c) monitoring of underwriter decisions; (d) Delegated Authority oversight
		Policy Administration	The processes, controls and systems in place to support and monitor policy administration are insufficient/ineffective. “Policy Administration” covers (a) policy/documentation issuance (new business, renewals, mid-term adjustments, cancellations); (b) data capture

Table 20

C.5.2. Risk mitigation

The key controls and mitigation in place for HSA’s Operational risks include:

People risks
- Succession planning
- Training and development programs
- Employee Performance Framework
- Employee Engagement Survey (EES)
- Benefits and Remuneration review (including gender pay-gap, market comparison)

System risks
- IT DR (disaster recovery)
- Data back-up
- IT access protocols
- IT security (e.g. firewalls, email scanning and content filter)
- IT security training (e.g. phishing, best practices)
- IT security policies
- Privacy training

Processes risks
- Change Delivery Framework (CDF)
- Business continuity plan (BCP) testing
- Information Security and Privacy Group monitoring of data security and privacy
- Data transfer policy
- European Design Authority (EDA)
- European Process Management Framework (PMF)
- European Change and Operations Leadership Team (ECOLT)

C.5.3. Measures used to assess risk

Operational risk is measured using risk and capital models, such as the risk profile tool, which measures risk exposure against Board approved risk appetite.

Stress testing and scenario analysis also includes operational risks. Please see section C.7.1. for further information on the results of the most recent testing.

Operational risk and near miss events are also reported to the risk function for analysis and to understand the root cause of each event. These are also reported to the HSA Risk Committee.

C.5.4. Risk concentration

Operational risk is reduced by having a dispersed and independent structure by country, which allows for multiple sites across nine countries in Europe. The Company also enables working from home, which lowers the risk of depending on physical offices to trade. However, DR and BCP plans are still prepared and tested regularly.

The Personal Development Review process and training and development programme aims to manage talent to reduce single person dependencies on key people as well as staff turnover. Documentation of policies and procedures also limit the reliance on specific individuals.

C.5.5. Material changes over the reporting period

As HSA's business grows at a high rate, so does the Operational risk that comes with it. However, we have balanced this risk with a considerable enhancement of our risk management skills, policies, processes and controls.

C.6. Other material risks

C.6.1. Description of other material risks

Strategic risk

Strategic risk is defined as the possibility of adverse outcomes that may result from strategic business initiatives taken or not taken by HSA. This may include business expansion or contraction, mergers and acquisitions, negative impacts to reputation or brand management, or failure of the Board to provide adequate oversight of the business or make appropriate business decisions.
Key strategic risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Strategic	**Strategic**	Strategy evolution and execution	Ineffective business plans and strategies, decision making, resource allocation or adaptation to changes in the business environment
		Management of financial performance	Management of finances (including expenses) is not suitably tracked or controlled and infringes overall profitability.
		Capital management	Holding of inadequate or inappropriate capital resources vs. risk profile, regulatory capital or rating agency capital requirements (where applicable), and/or inefficient use of capital.
		Conduct risk	Failure to pay due regard to the interests of customers or failure to treat them fairly at all times.
		Technology strategy	Outdated technology strategy or solutions in place to support business growth and harness relevant emerging technologies.
		Management of conflicts of interest	Actual or perceived conflicts of interest between two or more individuals and / or entities resulting in an adverse impact to Hiscox and / or the other party for which Hiscox is liable. Conflicts may occur where one party makes a gain (financial or otherwise) at the expense of the other party, where it has a duty to that other party. This includes Group entities, capital providers, partners and members of staff with decision making authority.

Table 21

Regulatory and legal risk

The insurance industry is a highly regulated sector and, as such, is exposed to continuous regulatory change. This can affect the level of capital that firms are required to hold or require changes to how they are set up operationally from time to time. Regulatory risk is the risk of failing to act in accordance with relevant regulatory requirements in all relevant jurisdictions or a deterioration in the quality of relationship with one or more regulators. Legal risk is the risk of failing to act in accordance with relevant legal requirements in all relevant jurisdictions.

Risk type	Risk grouping	Risk name	Risk definition
Regulatory and legal	**Regulatory and legal**	Regulatory risk	Failure to act in accordance with relevant regulatory requirements in all relevant jurisdictions or deterioration in the quality of relationship with one or more regulators
		Financial Crime - Hiscox products and associated services	The risk that Hiscox's products and services are used to facilitate financial crime committed by others. This would include transacting with sanctioned entities, money laundering, terrorist financing, and facilitation of tax evasion. This risk excludes fraud which is covered under "Financial Crime – Fraud"
		Tax governance	Failure to act in accordance with relevant taxation laws or adapt to changes in taxation
		Legal risk	Risk that Hiscox is subject to a significant corporate legal claim that causes financial, reputational or other impact. This risk is focused on litigation relating to business strategy (e.g. climate litigation, shareholder relations, activist investors) as opposed to the operational legal issues that can arise from specific business arrangements (e.g. third party contracts, employment law, reinsurance contracts, financial crime, claims disputes)
		Privacy & Data Protection	The potential loss of control over personal data

Table 22

Group risk

Group risk encompasses the risks arising from the interconnected nature of the Group and its entities. Contagion risk arises from HSA's internal reinsurance and internal transactions risk arises from inter-company transactions and services arrangements not being carried out in a way that satisfies legal or regulatory requirements.

Risk type	Risk grouping	Risk name	Risk definition
Group	**Group**	Internal transactions	Transactions conducted between entities within the Group lead to complex interdependencies amongst the Group or are not conducted in accordance with legal and / or regulatory requirements.
		Contagion risk	Decision(s) or action(s) taken by Group or another carrier within the Hiscox Group compromises the entity in question's going-concern position, strategy or regulatory standing (e.g. failure of carrier or other legal entity).

Table 23

As part of the Hiscox Group, HSA is connected to a number of other related Hiscox entities. These connections largely take the form of arrangements for services provision and reinsurance arrangements (predominantly with Hiscox Insurance Company (Bermuda) Limited). Hiscox Ltd is the parent company of all Hiscox SA.

C.6.2. Risk mitigation

Strategic risk

Examples of some key controls in place for HSA’s strategic risks include:
- HSA Leadership team and HSA Board review of business plans and operating budgets;
- Business planning process and business plan monitoring;
- Steering committees with regular reporting to the Board for large scale projects;
- Technology Roadmap;
- Stress and scenario testing; and
- Board training.

Regulatory and legal risk

Examples of some key controls in place for HSA’s regulatory and legal risks include:
- Local legal and compliance expertise and dedicated Legal & Compliance forums in each EU jurisdictions;
- EU Compliance meetings with all local Compliance Control Coordinators;
- Management and oversight of regulatory engagement by the Chief Risk Officer of Europe;
- Compliance monitoring plan operated at European and Branch level,
- Dedicated 1st line privacy team,
- Risk and Compliance event reporting process, and
- Group wide mandatory regulatory compliance training.

Group risk

Examples of some key controls in place for HSA’s Group risks include:
- Arms-length structure to reinsurance transactions;
- Annual review of the register of shared reinsurance purchases by the ARC; and
- Entity-specific governance.

As part of the Hiscox Group, HSA is subject to oversight by its own Board and Committees, and also by the Group Board and Committees. This additional review, including by independent Non-Executive Directors, helps to provide comfort that HSA is operating in a responsible manner. HSA has a conflict of interest policy in place.

Contingency plans are in place which can be followed in the event of failure of another entity in the Hiscox Group, to minimise the impact on HSA.

Climate risk

HSA manages climate change risk in accordance with the Hiscox Group Sustainability (previously ESG) Framework. The Hiscox Group continues to take a strategic, holistic and long-term approach to managing risks associated with climate change which are considered as part of the Sustainability Framework. HSA leverages and utilises this framework in order to manage its sustainability related risks. During 2023, we reviewed our sustainability framework. Our five strategic pillars – people, customers, governance, risk adaptation and impact – each represent important areas of focus for the Group. Activities, progress and oversight of each pillar will continue to be driven through our embedded sustainability governance structures, under Group Executive Committee leadership and ownership in HSA’s European Management Team (with the Chief Risk Officer of Europe appointed as sustainability officer).

HSA closely monitors claims experience and utilises centralised tools and activities such as capital modelling, catastrophe modelling, risk modelling and investment management to monitor and manage climate change risk.

In 2024, we enhanced our sustainable underwriting strategy, with four key areas of focus: how we articulate our underwriting appetite and exclusions; how we understand, manage and seek to mitigate sustainability-related underwriting risks (including physical risk, transition risk and liability risk); the role of innovation and product development in the net-zero transition; and our data capture and measurement capabilities. This builds on the Hiscox ESG Group-wide exclusions policy: we have excluded thermal coal-fired power plants, thermal coal mines, arctic energy exploration, oil sands, and controversial weapons.

Specific advancements include the introduction of a more sophisticated way to model natural catastrophe impact on loss ratios in Europe.

C.6.3. Measures used to assess risk

Strategic risk, regulatory and legal risk and Group risk are not modelled quantitatively at a risk level by HSA. These risk exposures are believed to be covered by other risk types and management actions. Where specific strategic or group initiatives are under consideration, these are subject to individual risk assessment and measurement. As with all other risk types, these are included as part of risk dashboard monitoring and reporting to the risk committee.

C.6.4. Material changes over the reporting period

HSA has been operationally ready since 1 January 2019 and maturity of the legal entity processes, controls, governance, as well as people capabilities are continuously reviewed and uplifted to support the organisation becoming more mature, efficient and robust. While major changes happened in the external environment, HSA has not been exposed to major exposures requiring major shifts of priorities or plans.

C.7. Any other information

C.7.1. Stress and Scenario testing

HSA uses stress and scenario testing to assess the robustness of its business model, business plan and capital to a range of potential threats. This allows HSA to better understand its vulnerabilities and identify potential actions it could take under those scenarios to safeguard the business.

HSA uses a variety of methods to undertake such analysis, as follows:

- Stress tests assess the impact on the business of a change in an individual factor (e.g. standalone/individual basis stresses);
- Scenario tests assess the impact of a change in the overall operating environment resulting from a number of factors or a particular event;
- Reverse stress testing assesses scenarios and circumstances that would render the business model unviable. HSA defines unviability as when the business is no longer willing or able to write premium or at the point when crystallising risks cause the market to lose confidence in the business and, therefore, the projected business plan targets cannot be met. This will not necessarily be the point where the business runs out of capital entirely; and
- High level, forward-looking scenarios consider the impact of events on a multi-year basis (e.g. from 2025 to 2027). These are typically based on less severe scenarios than are used for stress and scenario testing including an ‘expected’ scenario (i.e. in which there are no positive or negative shocks to the market).

HSA has a defined approach to the development of scenarios, with the European Risk Manager and the Group Risk team coordinating the process. They work closely with business risk owners and subject matter experts to identify scenarios and assess their impact and likelihood. Assumptions, controls, potential mitigating actions and potential future management actions that could be taken in response to each scenario are also considered.

The HSA Audit & Risk Committee oversees the stress and scenario testing programme. It approves the aggregate scenarios to be tested and considers the outputs of the stress tests, together with any recommendations and actions. It may also request further stress testing or re-runs.

The scenarios test the key risk exposures faced by HSA and are based on internal and external events. Insurance risk is the most material risk to the business and so is a key area of focus for stress and scenario testing. In the most recent round of testing, the following scenarios were considered:

- Economic downturn;
- Cyber Cloud Outage;
- Multiple European catastrophe events;
- Casualty reserve deterioration & RI Default (reverse stress test)

The reverse stress test is calibrated such that a deterioration in reserves and reinsurance default depletes all of HSA's capital but this is an extreme event beyond a 1 in 200 return period.

In the event of a capital shortfall, HSA has a range of possible future Management Actions to rectify the capital position, which could include a cost-benefit assessment to determine whether continuing to write these lines could be capital efficient, purchasing additional reinsurance against further deteriorations and a policy wordings review. Rate increases are likely to be associated with this sort of event which may offset losses to some extent. There is also the option of requesting capital injections from Group, or finance HSA trough a subordinated loan.

Sensitivity testing is undertaken to assess the impact of changes to model inputs for each risk category on the overall SCR. The inputs for all main risk categories (except operational risk) were stressed to assess the impact of a 10% increase and a 10% decrease in each risk category input on the SCR output. A total of eight tests were performed, the test results are as follows:

Test	Risk category	SCR (€000)	Change in SCR	Change in solvency ratio (%)
Base	Base	86,826		
Overall premium up 10%	Premium Risk	87,755	929	1.1
Overall premium down 10%		85,932	(895)	(1.0)
Overall claims provisions and reinsurance recoverables up 10%	Reserve Risk	87,779	952	1.1
Overall claims provisions and reinsurance recoverables down 10%		85,909	(917)	(1.0)
Intermediary counterparty default up 10%	Default Type 2	87,158	332	0.4
Intermediary counterparty default down 10%		86,499	(327)	(0.4)
Cash + Bonds + Equities up 10%	Market Risk and Default Risk	88,867	2,041	2.4
Cash + Bonds + Equities down 10%		84,863	(1,964)	(2.2)

Table 24

From the table, the stresses of the inputs for all categories resulted in small changes in the SCR. These numbers do not consider changes in own funds and do not assume any future management actions, although there are a wide variety available to HSA that would be considered depending on the wider situational context.

C.7.2. Exposure arising from off-balance sheet positions and/ or special purpose vehicles (SPV)

HSA does not presently make use of SPVs and only has leasing agreement for the offices that are recognised as contingent liabilities and reported on Off-Balance sheet template.

C.7.3. Other material information regarding the risk profile of the business

All material information relating to HSA’s risk profile has been disclosed in sub-sections C.1 to C.6 and sub-sections C.7.1 to C.7.2 of this document.

D. Valuation for solvency purposes

D.1. Assets

D.1.1. Value of assets on a Solvency II basis and details of Solvency II basis of valuation

Table 25 provides an analysis of HSA's total assets on a Solvency II basis compared to the amounts shown in the statutory financial statements as of 31 December 2024.

Balance Sheet €000	Solvency II	LUX GAAP	Difference
Deferred acquisition costs	0	69,023	(69,023)
Intangible assets	0	66,174	(66,174)
Deferred tax assets	12,078	0	12,078
Property, plant & equipment held for own use	22,280	3,573	18,707
Bonds	498,657	492,340	6,317
Government Bonds	117,226	116,652	574
Corporate Bonds	381,431	375,688	5,743
Collective Investment Undertakings	47,230	38,291	8,939
Reinsurance recoverables	73,756	703,588	(629,833)
Insurance & intermediaries receivables	17,447	110,075	(92,628)
Reinsurance receivables	0	381,756	(381,756)
Receivables (trade, not insurance)	29,418	42,134	(12,715)
Cash and cash equivalents	57,608	57,608	0
Total assets	**758,474**	**1,964,561**	**(1,206,088)**

Table 25

Unless otherwise stated, the Solvency II basis of valuation for all assets follows fair value measurement principles. There were no changes to the recognition and valuation bases over the period. Further details of the assets and explanations for material differences between Solvency II and financial statement valuation basis are set out below.

Goodwill

Under Solvency II these assets are valued at zero.

DAC (Deferred Acquisition Costs)

Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date. DAC is not recognised as an asset in the Solvency II balance sheet.

Cash flows relating to acquisition costs, attached to future premiums, are included in the Solvency II technical provisions (further details provided in sub-section D.2). DAC is not included within the Solvency II technical provisions as it is not a future cash flow.

Intangible Assets

Under Lux GAAP, intangible assets are recognised where they can be identified separately, measured reliably and it is probable that they will be recovered by directly related future profits. These assets are held at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the useful economic life which is deemed to be 5 years in accordance with Luxembourg requirements.

For valuation purposes, and according to Solvency II, the Company has to demonstrate that these assets can be sold separately and, moreover, it would be necessary to demonstrate that there is an active market in which similar intangible assets are traded. Given that the Company's assets considered in this class do not meet these requirements, their value for solvency purposes is zero.

Deferred Tax Assets

The valuation of deferred tax is determined on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive, and the values ascribed to assets and liabilities as recognised for tax purposes. Assets and liabilities have been offset to the extent permissible under IAS 12.

All deferred tax balances are calculated on a country by country basis and are subject to a recoverability test to give comfort that there will be sufficient taxable income available in future years to absorb any deferred tax assets recognised.

Following this approach a net deferred tax asset of €12 million has been recognised. The deferred tax asset arises primarily on: timing differences in Germany on claims and equalisation reserves as calculated in accordance with local tax GAAP principles; timing differences in France arising on recognition of technical income and expenses, and on deductibility of accrued employee remuneration; and timing differences on the deductibility of expenditure on intangibles (LEAP project).

Based on current profit projections the net deferred tax asset is expected to be capable of being utilised within the next three years. The asset is being used as basic own funds of Tier 3 and represents 14% of the SCR.

Property Plant and Equipment

The difference results from the application of the IFRS 16 for Solvency II purposes.

Investment in bonds and collective investment undertakings

Adjustments have been made to the valuation of investments for the purposes of Solvency II as they are valued on a market value basis, however under Lux GAAP, the collective investments are valued at lower of historical acquisition cost and market value, and the debt securities are valued at amortised cost or acquisition cost.

Accrued interest on Bonds is classified as receivables (trade, not insurance) under Lux GAAP but is considered a component of the bond valuation under Solvency II.

Reinsurance recoverables

Reinsurance recoverables are a component of the Solvency II technical provisions. Further details and the differences between the Lux GAAP and Solvency II valuation bases are explained in sub-section D.2.

Insurance and intermediaries receivables

Insurance and intermediaries receivables are recognised as assets in the Lux GAAP balance sheet.

Under Solvency II the amount due is considered under technical provisions whilst the amount past due (i.e. when they remain unpaid in the first business day after the payment deadline) should be recognised as an asset in the Solvency II balance sheet.

When assessing the amount of past due receivables at the valuation date, the Company assessed on a look through basis the internal agencies brokers past due amounts of €17.4m (2023: €15.1m). Thus, the difference between the LUX GAAP and the Solvency II balance sheet relates to the past due amounts at the valuation date. Also, the amounts past due were not considered in the calculation of Solvency II technical provisions (as described in sub-section D.2).

There are amounts recognised under Local GAAP as other debtors that classifies as insurance receivables related to insurance activities.

Reinsurance receivables

Receivables related to reinsurance contracts are recognised when they are past due. Reinsurance receivables are considered past due when the amount receivable remains unpaid one business day after the due date. These include amounts past due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Receivables (trade, not insurance)

Receivables (trade, not insurance) include corporate tax and intercompany balances receivable from fellow group companies. The amounts presented are considered to be representative of fair value as these are the amounts which must be received in order to settle the obligation.

Under Lux GAAP, Receivables (trade, not insurance) include accrued interest. Although there are no valuation differences between the two regimes, there is a presentational change and the amount of accrued interest is reported as a component of the bonds value under Solvency II as explained in 'Investment in bonds' above.

Cash and cash equivalents

There are no differences in the valuation bases between Lux GAAP and Solvency II.

D.2. Technical provisions

D.2.1. Value of technical provisions for each material Solvency II line of business and description of bases, methods and main assumptions used

Solvency II requires the technical provisions to be a best estimate of the current liabilities relating to insurance contracts, plus a risk margin.

The best estimate liabilities are calculated as:

i) the discounted best estimate of all future cash flows from gross and reinsurance claims, premium and expenses relating to claim events prior to the valuation date (claims provisions), and

ii) the discounted best estimate of all future cash flows; future gross and reinsurance claims, premium and expenses relating to future exposure arising from policies that the insurer is obligated to at the valuation date including unearned premium and policies that are BBNI (premium provisions). Table 25 shows the value of the discounted technical provisions as of 31 December 2024 for HSA's material Solvency II lines of business.

Solvency II line of business €000	Gross	Outward reinsurance	Net	Risk margin	Technical Provisions 2024	Technical Provisions 2023
General liability insurance	353,170	98,028	255,141	5,103	260,244	240,928
Fire and other damage to property insurance	118,321	(40,666)	158,987	3,180	162,167	144,556
Credit and suretyship insurance	24,158	12,636	11,522	230	11,753	11,358
Other	18,379	3,578	14,621	292	14,914	19,521
Total	**514,028**	**73,756**	**440,272**	**8,805**	**449,078**	**416,362**

Table 26

At 31 December 2024 the discounted net technical provisions were €449.1m. Overall, between 31 December 2023 and 31 December 2024 there has been an increase in the discounted net technical provisions (including risk margin) of €32.7m.

The key drivers of the movement in the best estimate technical provisions are given below:
- €99.8m decrease in net future premium cashflows (increase in net TPs) driven by an increase in reinsurance premiums due related to the internal quota share arrangement.
- €9.1m increase in net claims reserves including reinsurance bad debt, driven by growth in the business over 2024.
- €79.8m decrease in future expenses, with a €92.9m increase in commission due for the internal quota share, offsetting the future premium movements.

Description of bases, methods and main assumptions used

Best estimate liabilities

The best estimate contains no margins for prudence or optimism and is intended to represent the mean of the aggregate distribution of claims reserves. Gross and reinsurance cash flows are estimated separately for premium and claims and these are used to calculate net results.

The most appropriate level of granularity is used when producing the reserve estimates, by categorising risks into homogeneous risk groupings. The risk groupings are determined by the Reserving team after examination of the characteristics of the business being written and after discussions with the Underwriting and Claims teams. These groupings are reviewed when the mix of business within a reserving class has changed significantly over time. The reserving class groupings generally mirror internal reporting classes of business.

Ultimate premium and claim estimates, gross of reinsurance, are then calculated using at least the following actuarial projection techniques:

a) Chain ladder method;
b) Expected loss ratio (ELR) or Initial expected loss ratio (IELR) method; and
c) Bornhuetter-Ferguson (BF) method.

The projection method selected for a particular class of business depends on various factors, including the characteristics of the class and the length of the claims development. The chain ladder method based on the historic claims development of incurred claims has typically been used for the older underwriting years. However, the claims experience on the most recent underwriting years is relatively immature and the chain ladder method produces estimates with a relatively higher level of uncertainty for these years. For this reason, the BF or ELR method has typically been used for the more recent underwriting years. The BF method places weight on initial loss expectations and is less volatile to early claims experience. As the underwriting years become more mature, more weighting is placed on the emerging experience and the projection will move over to a chain ladder projection (or blend of the BF and chain ladder methods). This transition will occur quicker on the shorter-tailed classes than the longer-tailed ones.

Where there is limited history of Company experience, consideration has been given to peer benchmark experience from across the Hiscox Group. The selected benchmarks are felt to be similar and relevant to the business written by the Company. The benchmark experience is judgmentally weighted with the Company experience as is felt appropriate based on the relevance of the benchmark and the volume and stability of the company experience.

In addition to this, information on new or potentially material claims which are not included in the current incurred position is provided by the Claims team. The Reserving team reviews this information, and where appropriate, will incorporate it into the analysis.

For large and complex events that lead to an accumulation of losses, an exposure assessment is made by the Underwriting and Claims teams, with a view to estimating the ultimate claims cost for that event. As losses develop, these assessments are reviewed and updated through a process coordinated by the Claims team, with input from the Underwriting and Reserving teams, known as the ”Large Loss Process”.

Reinsurance recoveries for each reserving class and underwriting year have been estimated by applying expected external and internal recovery rates to the gross IBNR estimates and adding known recoveries to date. These recovery rates are based on a review of the reinsurance programmes purchased, historical recovery rates for non-proportional coverage and for classes with quota share protection, the quota share cessions are directly applied to estimate recoveries.

Events not in data (ENIDs) are potential events that are not adequately contained within HSA’s historical claims experience. HSA is required to include an allowance for these within the technical provision calculations, such that the mean technical provisions represent the probability-weighted average of all future cash flows. The current basis for the estimation of ENIDs adopts an approach known as the Lloyd’s approximation method. In general terms, the calculation of the uplift, or the level of ENIDs, is linked to the level of uncertainty in any particular class of business.

There are no guarantees or options that materially affect the calculation of technical provisions. Any relevant guarantees would be identified through discussions with underwriters and the impact of guarantees would be valued on a best estimate basis.

Risk margin

Risk margin is the amount that insurers and/or reinsurers would require over and above the best estimate liabilities in order to take over and meet the insurance and reinsurance obligations over the lifetime of the policies (i.e. the amount required to transfer liability to a third party)

The HSA risk margin is calculated using a cost of capital approach which involves calculating the cost of holding the regulatory capital requirement implied by the Standard Formula capital assessment model at each future time period based on a run-off approach. The amounts are then discounted back to the current time period. This regulatory capital requirement calculation excludes new business and market risk. The cost of capital for Solvency II firms is currently set at 6%.

Assumptions

Assumptions and parameters are set by members of the Reserving team with the relevant knowledge and understanding, and with adequate experience. Assumptions are set consistently across the Group and where this is not possible, the differences are understood.

Where sufficient, quality data is not available, benchmark information is used overlaid with expert judgement to determine suitable assumptions. The input of expert judgement allows for specific knowledge and experience to be utilised.

All assumptions and parameters are subject to regular review to ensure that they are appropriate for their intended purpose. Sensitivity testing of key assumptions is carried out to identify key areas of uncertainty.

Validation of the different assumptions is carried out at the reserving class level. The frequency of the validation takes account of the materiality of the assumption. Many assumptions are validated quarterly, while other assumptions are validated annually with quarterly monitoring.

The key assumptions are listed below along with some of the key measures considered when setting them.

- Initial Expected Loss Ratio (IELR) – selected IELRs are determined using historical experience, rate change and claims inflation indices, benchmark information, and modelling of the impact due to changes in underwriting approach;
- Premium and claims development patterns;
- Tail development;
- Reinsurance recovery rates – details of reinsurance programme, historical recoveries;
- Reinsurance payment lags – discussions with the Reinsurance team and based on historical claims experience;
- BBNI premium – business written prior to but incepting after the valuation date;
- ENID loadings – uplift factors are applied to the reserves for each reserving class based on the Lloyds approximation for ENIDs methodology. The uplift is linked to the level of uncertainty in the reserves;
- Expense forecast – estimate of the future expenses required to fully run off all the liability cash flows;
- Underwriting year expense allocation;
- Counterparty default percentages; and
- Recovery in default.

D.2.2. Description of the level of uncertainty associated with the value of the technical provisions

The estimates shown in this report reflect all available data and information available at the valuation date. Despite this, the actual cost of settling future claims is uncertain as it depends on events yet to occur. These could be different from the estimates reported above, and possibly materially so.

The most significant drivers of this uncertainty are highlighted below:

a) Inflation and economic uncertainty
The economic environment in Europe, and globally, continues to be a driver of uncertainty in the loss estimates. Changing inflation impacts the settlement cost of existing claims, as well as the expected profitability of unearned and unincepted business. The link between core inflation metrics and the drivers of claims cost is uncertain and will differ depending on the type of claim and duration to settlement, among other factors. Tough economic conditions can also lead to increased instances of claims fraud, including exaggeration of genuine claims as well as wholly fraudulent claims that inflate reported claims frequency.

The technical provisions include an allowance for changing inflation in both these aspects, but changes in the duration or severity of the inflationary impact could affect the ultimate cost of claim settlement.

b) Climate change
Climate risk poses an evolving, persistent and long-term risk which needs to be reflected appropriately in underwriting and reinsurance strategy. The short-term impacts for HSA relate to physical risk, particularly exposure to weather events. In recent years HSA has seen a number of weather-related loss events, from wildfires and flooding in Iberia to freezing conditions in northern Europe. This risk is particularly pronounced in the unearned provisions as there is significant volatility in the range of weather events that could emerge.

c) IELR selection
IELRs for each class of business have been selected by analysing historical performance and expected changes in premium rates and inflation. The nature of the IELR estimates, which incorporate a large degree of expert judgement, means that there is a degree of uncertainty surrounding their values, particularly where significant changes have been made to the underwriting. The IELR is a key driver of HSA's technical provision estimates for the most recent years of account.

d) Growing accounts
Classes which are increasing in size can be subject to increased uncertainty. If growth is driven by a change in the mix of risks written (e.g. different types of risks, new territories, increasing exposure, relaxing terms and conditions) this can increase the uncertainty considerably for a class of business.

e) New classes of business
There are a number of classes of business written within HSA for which there is a limited amount of historical data on which to base the analysis. For these classes, a blend of Hiscox's limited internal data is used together with external benchmark patterns. There is therefore additional uncertainty surrounding the ultimate outcome for these classes of business.

f) Long-tailed classes of business
Longer-tailed classes are subject to uncertainty arising from a number of different factors; for example, claims inflation and changes in litigation such as judicial reforms. In addition, reporting and settlement delays can mean it may take many years before we can be certain of a final outcome, with any significant changes in results possibly having a material impact on assumptions made on the more recent years of account. Weakening terms and conditions also add additional uncertainty.

g) Unearned exposure
The technical provisions include cash flows associated with unearned exposures. As there is a greater degree of uncertainty attached to the unearned exposure, the estimates for these years of account will be subject to additional uncertainty.

h) Unincepted exposure
HSA is also required to include an allowance for unincepted bound exposure within the technical provision calculations. This exposure primarily relates to contracts incepting on 1 January after the valuation date. As these contracts are entirely unearned at the valuation date, there is additional uncertainty attached to this exposure.

i) ENID loadings
ENIDs are potential events which are not adequately contained within HSA's historical claims experience. HSA is required to include an allowance for these within the Technical Provision calculations, such that the mean technical provisions represent the probability-weighted average of all future cash flows. By definition, there is little data available to base the analysis on. Loadings and classifications remain highly subjective with a high level of actuarial judgement employed.

j) Future expenses
Future administration expenses are based on historical levels of expenses and a projected future expense inflation rate to calculate an expense provision estimate to fully run off the entirety of future cash flows within the technical provisions. Actual expenses could be materially different to those estimated within the expense projection.

D.2.3. Explanation of material differences between Solvency II and financial statement basis

The bases, method and assumptions used in the valuation of technical provision under Solvency II are consistent with those under Lux GAAP except for the adjustments listed in Table 27. The comparison in Table 27 is done on a net basis.

Conversion from Lux GAAP to Solvency II basis net of reinsurance €000	Total	General liability	Fire and other damage to property insurance	Credit and suretyship insurance	Other
Lux GAAP Technical Provisions (net of DAC)	93,286	65,860	22,086	2,358	2,982
Elimination of 100% net UPR	(22,339)	(10,759)	(9,825)	(50)	(1,705)
Add back DAC	930	(1,244)	918	(360)	1,616
Future premium incepted net of commission	364,622	206,485	137,949	8,824	11,363
Elimination of margin for prudence	(3,607)	(3,360)	(198)	(4)	(8)
Future premium on unincepted	(44,828)	(33,174)	(9,196)	22	(2,481)
Net future claim cost (unearned + unincepted)	16,145	9,223	5,632	478	811
Additional expenses not included under Lux GAAP	43,600	27,643	13,494	604	1,859
Total ENID	1,960	1,341	451	71	97
RI bad debt adjustment	234	162	55	10	8
Discounting	(9,730)	(7,092)	(2,037)	(203)	(345)
Risk Margin	8,805	5,103	3,180	230	292
SII Technical provisions	449,078	260,244	162,167	11,753	14,914

Table 27

Notes to Table 27:

- *Removal of DAC* – Solvency II basis considers all future cash flows to determine the estimate of future liabilities, therefore DAC is excluded as it is not considered a future cash flow. The Impact of the DAC is negative because of reinsurance commissions that are larger than gross commissions.
- *Unearned premium reserve (UPR)* – Solvency II basis allows for the recognition of profits on unearned incepted business by allowing for the expected claims (captured in Net future claim) cost (unearned + unincepted) on the Lux GAAP unearned premium reserve.
- *Future premium incepted* – Solvency II basis consider all future cash flows, therefore allows for the future premium due from incepted business.
- *Elimination of margin for prudence* – Solvency II technical provisions are calculated on a best- estimate basis and any margin held within the Lux GAAP reserves are removed (e.g. the management margins in the booked reserves).
- *Future premium on unincepted business* – Solvency II basis allows for the future premium on the business that is unincepted but legally bound at the valuation date as well as the corresponding unincepted claims (captured in Net future claim cost (unearned + unincepted) .
- *Net future claim cost (unearned + unincepted)* - Solvency II basis captures the claims on unearned incepted business and unincepted but legally bound business at the valuation date.

- *Additional expenses not included under Lux GAAP* – Solvency II basis makes an allowance for future expenses required to fully run off all future liabilities.
- *Total ENID* – ENIDs are events or circumstances that are not reasonably foreseeable (i.e. with low probability of occurrence) and are not contained in historical data.
- *Reinsurance bad debt adjustment* – this is an allowance made for non-recovery of reinsurance recoverables.
- *Discounting* – Solvency II basis makes an allowance for future investment income (discounting). This is determined by calculating the present value of the future cash flows using a defined yield curve.
- *Risk margin* – this is an allowance for the amount that insurers and/or reinsurers would require over and above the best estimate liabilities in order to take over and meet the insurance obligations over the lifetime of the policies (i.e. the amount required to transfer liability to a third party)
- *Other* – this is a reconciling item between Lux GAAP and Solvency II technical provisions. The need for this is largely a result of the foreign exchange rate impact when calculating the technical provisions.

D.2.4. Recoverables from reinsurance contracts and SPVs (special purpose vehicles)

Best estimate reinsurance recoverables and costs on a Solvency II basis are calculated as part of HSA's best estimate reserving process. Reinsurance recoverables and costs are based on known amounts, plus projections based on gross IBNR and future premium estimates, and take account of expected losses due to counterparty default.

HSA's reinsurance programmes are outlined below:

- HSA's most significant reinsurance protection is the whole account quota share treaty, ceding business intra-group;
- For fire and other damage to property insurance, HSA maintains a risk excess of loss reinsurance programme to limit the impact of large individual losses to agreed risk tolerances;
- A catastrophe reinsurance programme limiting the impact of catastrophes that result in multiple losses to agreed risk tolerances;
- A motor reinsurance programme protects the motor portfolio;
- A liability excess of loss programme protects casualty exposures and pro rata protections are also purchased on select lines (e.g. cyber and employer's liability); and
- In addition, the Group purchases aggregate reinsurance cover for catastrophe and cyber exposures, which supplements HSA's own reinsurance programmes.

There are no special purpose vehicles that protect the HSA portfolio.

D.2.5. Validation of Solvency II technical provisions

The Solvency II technical provisions reconcile back to the Lux GAAP balance sheet, with known adjustments made to the Lux GAAP position. Some of these adjustments tie back entirely to the Lux GAAP balance sheet (e.g. DAC removal), but others require further review. Other than the reconciliation, additional validations include:

- Detailed senior actuarial review of assumptions and movements;
- Documentation and rationalisation of movements with each calculation of technical provisions. This ensures continual back-testing of the technical provisions and refinements to assumptions as necessary;
- Comparison of Solvency II adjustments to alternative methods where subjectivity is involved, e.g. ENID loadings;
- Chief Actuary opinion on the calculation of technical provisions;
- Chief Actuary oversight and high-level review of outputs; and
- Reviews, including CAA review and comparison to the review of the approach on other entities within the Hiscox Group.

D.2.6. Transitional measures

HSA has not requested and therefore does not have in place approvals to use the matching adjustment, volatility adjustment, transitional interest rate term structure or the transitional deduction on technical provisions and therefore no adjustments have been made to technical provisions relating to these transitional measures.

D.3. Other liabilities

D.3.1. Value of liabilities on a Solvency II basis and details of Solvency II basis of valuation

Table 28 provides an analysis of HSA's total liabilities on a Solvency II basis compared to the amounts shown in the Lux GAAP financial statements as of 31 December 2024.

Balance Sheet €000	Solvency II	LUX GAAP	Difference
Liabilities			
Technical provisions - non-life (excluding health)	522,834	797,717	(274,883)
Best estimate	514,028	0	514,028
Risk margin	8,805	0	8,805
Contingent liabilities	18,949	0	18,949
Provisions other than technical provisions	21,178	21,178	0
Pension benefit obligations	185	185	0
Deposits from reinsurers	0	154,123	(154,123)
Derivatives	0	0	0
Insurance & intermediaries payables	0	7,645	(7,645)
Reinsurance payables	0	676,690	(676,690)
Payables (trade, not insurance)	67,091	67,091	0
Any other liabilities, not elsewhere shown	0	68,606	(68,606)
Total liabilities	**630,236**	**1,793,235**	**(1,162,999)**

Table 28

Unless otherwise stated, the Solvency II basis valuation for all liabilities follows fair value measurement principles. There were no changes to the recognition and valuation bases of other liabilities over the period. Further details of the liabilities and explanations for material differences between Solvency II and financial statement valuation basis are set out below.

Technical provisions – non-life (excluding health)

The basis for the valuation of technical provisions for solvency purposes and differences between the LUX GAAP and Solvency II is described in sub-section D.2.

Contingent Liabilities

The leases are recognised in the SII balance sheet as contingent liabilities due to the application of IFRS 16.

Provisions other than technical provisions

The valuation of provisions other than technical provisions under Solvency II follows fair value measurement principles. Lux GAAP recognises commissions to brokers as provisions, and these are reclassified to insurance payables and taking into account in the calculation of SII technical provisions.

Insurance and intermediaries payables

Payables related to insurance contracts are recognised when past due. Payables are considered past due when the amount payable remains unpaid one business day after their due date. These may include amounts past due to agents, brokers and insurance contract holders. At the valuation date there are no amounts past due and all payables have been considered in the calculation of the technical provision in sub-section D.2.

There are no differences in the valuation bases between LUX GAAP and Solvency II.

Reinsurance payables

Payables related to reinsurance contracts are recognised when past due. At the valuation date there are no amounts past and all payables have been considered in the calculation of the technical provision in sub-section D.2.

There are no differences in the valuation bases between LUX GAAP and Solvency II.

Payables (trade, not insurance)

Payables (trade, not insurance) relate to payables to agencies, intercompany payables and insurance premium tax payable. The main difference results from the application of IFRS 16 for Solvency II purposes.

Under LUX GAAP, Payables (trade, not insurance) are carried at their carrying value which approximates fair value. Under Solvency II, they are valued on a present market value basis, to which a discount is applied. Due to the short-term duration of the liabilities, there is no difference between the Solvency II and the LUX GAAP valuation.

Any other liabilities, not elsewhere shown

Under LUX GAAP, “any other liabilities, not elsewhere shown” relate to DAC payable in relation to reinsurance ceded and deferred income. DAC is not recognised in the Solvency II balance sheet, therefore resulting in the difference between LUX GAAP and Solvency II. Deferred income has been considered in the calculation of the technical provision in sub-section D.2.

D.4. Alternative methods of valuation

HSA does not value any assets or liabilities using alternative methods of valuation as outlined in Articles 10(5) – (7) of the Solvency II Delegated Regulation.

D.5. Any other information

Other material information regarding the valuation of assets and liabilities for solvency purposes

All material information relating to HSA’s valuation for solvency purposes has been disclosed in sub- sections D.1 to D.4 of this document.

E. Capital management

E.1. Own funds

E.1.1. Objectives, policies and processes employed by HSA for managing its own funds

Decisions on optimal capital levels are an integral part of HSA's business planning and forward-looking assessment of risk processes which span a three year time horizon.

HSA manages its own funds in order to ensure it holds sufficient capital to meet its regulatory and business requirements.

HSA calculates its regulatory capital assessment using the Solvency II standard formula, which is a high level assessment of required capital using market factors which for HSA's risk profile is appropriate.

HSA regularly reviews the suitability of the standard formula and there are currently no plans to apply to use the HICM for regulatory capital requirements.

The target ratio for available capital in excess of the Solvency II SCR is agreed and signed off by the HSA Board. This represents an agreed percentage above the SCR with agreed tolerance levels above and below the target for available capital.

The value of own funds and the SCR is reported quarterly to the Board and to the CAA as part of Solvency II quarterly reporting. In case of a shortfall in own funds compared to the SCR target ratio, HSA's management team will take action. This can take a number of forms including but not limited to:

a. Reduction in or cancellation of planned dividends;

b. Seeking an injection of new capital from the Hiscox Group; and

c. Actions to reduce HSA's risk profile and therefore its capital requirement.

Where available capital exceeds the upper tolerance limit the HSA CFO may establish, and recommend to the HSA Board, an appropriate dividend payment.

There have been no changes in the policies and processes employed by HSA for managing its own funds over the reporting period.

E.1.2. Structure, amount and quality of own funds at the end of the reporting period and analysis of changes over the reporting period

Table 29 provides an analysis of basic own funds by Tier compared to the prior year:

Basic own funds by tier €000	Total Own Funds 2024	Total Own Funds 2023
Ordinary share capital (gross of own shares)	114,730	91,730
Share premium account related to ordinary share capital	57,986	57,986
Reconciliation reserve	(56,557)	(50,342)
Net deferred tax asset	12,078	7,728
Total excess of assets over liabilities (EAL)	**128,237**	**107,101**
Total basic own funds after deductions	**128,237**	**107,101**
Available and eligible own funds		
Total available and eligible own funds to meet the SCR	128,237	107,101
Total available and eligible own funds to meet the MCR	116,159	99,374

Table 29

The majority of the own funds is ordinary share capital, share premium on ordinary share capital and the reconciliation reserve which comes under the definition of unrestricted Tier 1 capital under Solvency II. The net deferred tax asset forms part of Tier 3 assets under Solvency II.

Table 30 provides the calculation of the reconciliation reserve.

Reconciliation reserve €000	2024	2023
Total Solvency II assets (sub-section D.1.1)	758,474	669,793
Total Solvency II liabilities (sub-section D.3.1)	630,236	562,692
Solvency II Excess of assets over liabilities	**128,237**	**107,101**
Ordinary share capital	114,730	91,730
Share premium	57,986	57,986
Deferred Tax asset	12,078	7,728
Reconciliation reserve	(56,557)	(50,342)

Table 30

E.1.3. The eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

Majority of HSA's Own Funds are unrestricted Tier 1 own funds items and do not have any eligibility restrictions. The net deferred tax asset of €12 million is also eligible to cover the SCR, as shown in Table 31.

€000	2024	2023
Total eligible own funds to meet the SCR	128,237	107,101

Table 31

E.1.4. The eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

HSA holds a deferred tax asset of €12 million which is not eligible to cover the MCR. All other assets are unrestricted Tier 1 own funds and are therefore eligible to cover the MCR, as shown in Table 32.

€000	2024	2023
Total eligible own funds to meet the MCR	116,159	99,374

Table 32

E.1.5. Explanation of any material differences between equity as shown in HSA's financial statements and the EAL as calculated for solvency purposes

Differences between HSA's shareholders' equity per the financial statements and the Solvency II EAL per the Solvency II balance sheet relate to valuation differences as shown in Table 33 and explained in sub-sections D.1 to D.3 this document.

€000	2024	2023
Shareholders' equity as shown in the financial statements	171,326	143,730
Solvency II valuation adjustments to assets	(1,206,088)	(1,008,656)
Solvency II valuation adjustments to technical provisions	274,883	243,801
Solvency II valuation adjustments to other liabilities	888,115	728,226
Solvency II EAL	**128,237**	**107,101**

Table 33

E.1.6. Own fund items included under transitional arrangements under Solvency II

All own funds items are unrestricted Tier 1 own funds and no other items are included in own funds under transitional arrangements under Solvency II.

E.1.7. Ancillary own funds

HSA has not applied for CAA approval of any Ancillary Own Funds items and therefore no such items are included within own funds.

E.1.8. Own funds restrictions

HSA does not have any ring-fenced funds and has not identified any other restrictions which need to be made to own funds as a result of availability or transferability of own funds within HSA.

E.2. Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1. SCR and MCR at the end of the reporting period, accompanied, where applicable, by an indication that the final amount of the SCR is still subject to supervisory assessment

HSA's standard formula SCR and MCR for the year ended 31 December 2024 and 2023 are shown in Table 34.

€000	2024	2023
SCR	86,826	69,285
MCR	39,072	31,178

Table 34

E.2.2. Standard formula SCR split by modules

Table 35 shows HSA's SCR for the year ended 31 December 2024 and 2023, split by risk module.

€000 Risk category	2024	2023
Non-Life Underwriting Risk	47,717	42,858
Counterparty Risk	10,469	11,361
Market Risk	31,413	10,352
Undiversified total SCR	**89,599**	**64,570**
Diversification benefit	(20,413)	(11,274)
Basic SCR	**69,186**	**53,296**
Operational Risk	17,640	15,989
SCR	**86,826**	**69,285**

Table 35

HSA does not use an internal model to calculate any components of its SCR.

E.2.3. Standard formula simplifications

HSA did not use simplified calculations for any risk modules or sub-modules of the standard formula.

E.2.4. Use of undertaking specific parameters

No undertaking-specific parameters were used in the calculation of HSA's SCR.

E.2.5. Capital add-ons

HSA has no capital add-ons imposed on the SCR by the CAA.

E.2.6. Information on the inputs used by HSA to calculate the MCR

As a non-life insurer HSA determines the MCR in accordance with the EIOPA standard formula for calculation of the MCR. This involves calculating a factor charge by line of business on HSA's net written premium over 12 months preceding the valuation date and net technical provisions as of the valuation date. The factor charges are then summed to determine an initial SCR, which is then constrained to be within 25% to 45% of the SCR; and it cannot be less than an absolute minimum of €4 million. [See QRT 28.01.01]

E.2.7. Material change to the SCR and to the MCR over the reporting period, and the reasons for any such change

Table 36 and Table 37 show the movements in the SCR and MCR between 31 December 2024 and 31 December 2023 as well as movements in the constituent components of the SCR.

Movements in SCR and MCR over the reporting period

€000	2024	2023	Movement	Movement %
SCR	86,826	69,285	17,541	25
MCR	39,072	31,178	7,893	25

Table 36

Movements in components of the SCR over the reporting period

€000	2024	2023	Movement	Movement %
Non-Life Underwriting Risk	47,717	42,858	4,859	11
Counterparty Risk	10,469	11,361	(892)	(8)
Market Risk	31,413	10,352	21,061	203
Undiversified total SCR	**89,599**	**64,570**	**25,029**	39
Diversification benefit	(20,413)	(11,274)	(9,139)	81
Basic SCR	**69,186**	**53,296**	**15,890**	30
Operational Risk	17,640	15,989	1,651	10
SCR	**86,826**	**69,285**	**17,541**	25

Table 37

The following sections highlight the main drivers of movement in the SCR since year-end 2023.

Non-life underwriting Risk

- The increase in non-life underwriting risk is primarily driven by an increase in exposure on the liability portfolio, resulting in an increase in the man-made catastrophe liability risk. There has also been an increase in lapse risk since year-end 2023.

Counterparty risk

- There has been a decrease in type 2 counterparty risk due to broker balances due more than 90 days decreasing by 28% over the year.

Market risk

- Market risk has increased from €10.4 million at the end of 2023 to €31.4 million at the end of 2024. This increase is not due to changes in the investment strategy or risk profile. The primary reason is the removal of the allowance for market risk mitigation, provided by the whole account quota share with Hiscox Bermuda, from the calculation.

Operational risk

- Operational risk has seen an increase in line with the growth of HSA.

E.3. The use of the duration-based equity risk sub-module in the calculation of the SCR

HSA does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

HSA does not use a full or partial internal model to calculate the SCR.

E.5. Non-compliance with the MCR and non-compliance with the SCR

There were no instances of non-compliance with the SCR or MCR during the reporting period.

E.6. Any other information

All material information relating to HSA's capital management has been disclosed in sub-sections E.1 to E.5 above.

All amounts in the Solvency and Financial Condition Report, unless otherwise stated, are shown in Euro rounded to the nearest thousand. The rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Appendix A: QRTs

This Appendix contains the following templates which the company is required to disclose as part of the SFCR as set out in Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 (Procedures, Formats and Templates of the Solvency and Financial Condition Report in accordance with Directive 2009/138/EC).

S.02.01.02	Balance sheet
S.04.05.21	Premiums, claims and expenses by country
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Insurance Claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on standard formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	12,078
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	22,280
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	545,887
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	498,657
R0140	*Government Bonds*	117,226
R0150	*Corporate Bonds*	381,431
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	47,230
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	73,756
R0280	*Non-life and health similar to non-life*	73,756
R0290	*Non-life excluding health*	73,756
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	17,447
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	29,418
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	57,608
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	758,474

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	522,834
R0520	*Technical provisions - non-life (excluding health)*	522,834
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	514,028
R0550	*Risk margin*	8,805
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	18,949
R0750	Provisions other than technical provisions	21,178
R0760	Pension benefit obligations	185
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	67,091
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	630,236
R1000	**Excess of assets over liabilities**	128,237

S.04.05.21

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

		Home Country	Top 5 countries (by amount of gross premiums written): non-life				
R0010			DE	FR	IE	ES	NL
	Premiums written (gross)	C0010	C0020	C0021	C0022	C0023	C0024
R0020	Gross Written Premium (direct)	1,687	154,321	137,815	62,498	72,727	67,368
R0021	Gross Written Premium (proportional reinsurance)	0	85	7,635	0	119	0
R0022	Gross Written Premium (non-proportional reinsurance)						
	Premiums earned (gross)						
R0030	Gross Earned Premium (direct)	1,524	150,907	132,575	60,170	68,278	64,212
R0031	Gross Earned Premium (proportional reinsurance)	0	85	7,122	0	6	0
R0032	Gross Earned Premium (non-proportional reinsurance)						
	Claims incurred (gross)						
R0040	Claims incurred (direct)	-141	52,900	42,035	15,853	14,029	20,851
R0041	Claims incurred (proportional reinsurance)	0	0	113	0	0	0
R0042	Claims incurred (non-proportional reinsurance)						
	Expenses incurred (gross)						
R0050	Gross Expenses Incurred (direct)	1,654	94,872	83,075	31,268	36,890	32,356
R0051	Gross Expenses Incurred (proportional reinsurance)	0	43	3,712	0	20	0
R0052	Gross Expenses Incurred (non-proportional reinsurance)						

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Misc. financial loss	
		C0040	C0050	C0070	C0080	C0090	C0120	C0200
	Premiums written							
R0110	Gross - Direct Business	36	18,053	182,722	380,190	8,707	14,954	604,662
R0120	Gross - Proportional reinsurance accepted	0	0	238	9,058	0	85	9,381
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	32	16,315	163,662	348,296	7,829	13,606	549,741
R0200	Net	4	1,738	19,298	40,951	878	1,433	64,301
	Premiums earned							
R0210	Gross - Direct Business	14	17,242	173,428	365,165	10,678	14,732	581,261
R0220	Gross - Proportional reinsurance accepted	0	0	223	8,388	0	85	8,697
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	13	15,564	154,487	333,269	8,985	13,097	525,414
R0300	Net	1	1,678	19,165	40,285	1,694	1,721	64,544
	Claims incurred							
R0310	Gross - Direct Business	2	7,094	53,707	101,921	10,748	2,840	176,313
R0320	Gross - Proportional reinsurance accepted	0	0	67	192	0	0	259
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	2	6,323	48,301	90,864	10,061	2,543	158,094
R0400	Net	0	771	5,473	11,249	687	298	18,478
R0550	**Expenses incurred**	0	917	14,249	26,052	1,316	1,108	43,643
R1210	**Balance - other technical expenses/income**							
R1300	**Total technical expenses**							43,643

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Total Non-Life obligation
		C0050	C0060	C0080	C0090	C0100	C0130	C0180
	Best estimate							
	Premium provisions							
R0060	Gross	-2	881	16,748	-9,956	3,964	1,229	12,865
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-7	-5,349	-41,445	-97,924	1,154	-2,932	-146,502
R0150	**Net Best Estimate of Premium Provisions**	6	6,230	58,193	87,968	2,809	4,161	159,367
	Claims provisions							
R0160	Gross	8	7,894	101,573	363,125	20,194	8,368	501,163
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	6	6,723	779	195,952	11,482	5,317	220,258
R0250	**Net Best Estimate of Claims Provisions**	2	1,171	100,794	167,173	8,713	3,051	280,905
R0260	**Total best estimate - gross**	6	8,776	118,321	353,170	24,158	9,597	514,028
R0270	**Total best estimate - net**	7	7,401	158,987	255,141	11,522	7,213	440,272
R0280	**Risk margin**	0	148	3,180	5,103	230	144	8,805
R0320	**Technical provisions - total**	6	8,924	121,501	358,272	24,389	9,742	522,834
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-1	1,374	-40,666	98,028	12,636	2,385	73,756
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	8	7,549	162,167	260,244	11,753	7,357	449,078

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											3,266	3,266	3,266
R0160	-9	0	0	0	0	-17,282	3,612	2,367	801	944	588		588	-8,969
R0170	-8	0	0	0	-27,420	6,394	3,408	2,725	1,601	1,563			1,563	-11,728
R0180	-7	0	0	-55,766	10,875	3,256	2,615	4,013	2,843				2,843	-32,165
R0190	-6	0	-33,932	16,155	8,341	6,883	7,182	5,093					5,093	9,722
R0200	-5	17,794	48,186	32,072	14,953	5,273	4,423						4,423	122,701
R0210	-4	22,282	77,342	30,063	9,122	10,371							10,371	149,180
R0220	-3	32,042	55,339	35,641	18,109								18,109	141,131
R0230	-2	24,949	61,769	31,891									31,891	118,608
R0240	-1	23,761	57,531										57,531	81,292
R0250	0	26,626											26,626	26,626
R0260												Total	162,304	599,664

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											13,264	11,677
R0160	-9	0	0	0	0	18,262	13,272	8,189	6,882	5,762	4,567		4,349
R0170	-8	0	0	0	26,827	18,127	13,748	9,488	6,574	5,266			5,077
R0180	-7	0	0	45,764	33,156	20,907	16,560	9,628	6,458				6,128
R0190	-6	0	65,794	47,074	39,240	27,942	24,281	23,626					22,390
R0200	-5	84,237	107,960	60,421	40,200	26,891	24,907						23,611
R0210	-4	146,978	130,732	68,877	50,614	33,093							31,269
R0220	-3	119,425	123,660	65,856	41,978								39,820
R0230	-2	132,381	132,653	86,577									82,323
R0240	-1	139,208	141,797										135,484
R0250	0	146,028											139,034
R0260												Total	501,163

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	114,730	114,730		0	
R0030	Share premium account related to ordinary share capital	57,986	57,986		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-56,557	-56,557			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	12,078				12,078
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	128,237	116,159	0	0	12,078
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	128,237	116,159	0	0	12,078
R0510	Total available own funds to meet the MCR	116,159	116,159	0	0	
R0540	Total eligible own funds to meet the SCR	128,237	116,159	0	0	12,078
R0550	Total eligible own funds to meet the MCR	116,159	116,159	0	0	
R0580	**SCR**	86,826				
R0600	**MCR**	39,072				
R0620	**Ratio of Eligible own funds to SCR**	147.69%				
R0640	**Ratio of Eligible own funds to MCR**	297.30%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	128,237
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	184,794
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-56,557
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	49,784
R0790	**Total Expected profits included in future premiums (EPIFP)**	49,784

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	31,413		
R0020	Counterparty default risk	10,469		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	47,717		
R0060	Diversification	-20,413		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	69,186		

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	17,640
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	86,826
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	86,826
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	52,378

		Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	7	4
R0060	Other motor insurance and proportional reinsurance	7,401	1,738
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	158,987	19,298
R0090	General liability insurance and proportional reinsurance	255,141	40,951
R0100	Credit and suretyship insurance and proportional reinsurance	11,522	878
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	7,213	1,433
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	52,378
R0310	SCR	86,826
R0320	MCR cap	39,072
R0330	MCR floor	21,707
R0340	Combined MCR	39,072
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	39,072