SFCR 2023

Solvency and Financial Condition Report

Great Lakes Insurance UK Limited

2023

CONTENTS

Executive Summary

A - BUSINESS AND PERFORMANCE

Great Lakes Insurance UK Limited ("GLLS" or "the Company") hereby submits its Solvency and Financial Condition Report ("SFCR") for the financial year-ending 31 December 2023.

GLLS a is a subsidiary of Great Lakes Insurance, S.E ("GL"). GL is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich ("Munich Re" or "Munich Re Group"), a public limited company incorporated in Germany. GLLS is authorised and regulated by the Prudential Regulatory Authority ("PRA") to transact primary insurance within the UK market from 1 January 2023 onwards. The Company supports GL's business model in offering insurance solutions in niche markets and is an integral part of Munich Global Specialty Insurance ("GSI") strategy. In addition, the Company works with a number of companies in the ERGO Versicherung Aktiengesellschaft Group ("ERGO") (also part of the Munich Re Group) by providing specialised underwriting resources and capacities. The Company was incorporated on 3 June 2021 and received authorisation from the PRA on 28 July 2022 to commence underwriting from 1 January 2023.

For the year-ending 31 December 2023, the Company generated a loss before tax of £22,277k (2022: loss of £2,120k). This was driven by a technical loss of £37,678k (2022: nil). This was offset by net investment income of £15,975k (2022: £745k) and an interest expense of £574k (2022: nil). This loss was offset by tax credit of £5,288k bringing the result after tax to a loss of £16,989k (2022: loss of £1,590k).

In November 2023, the Company received a tier 1 capital injection of £70,000k and tier 2 capital of £90,000k in the form of subordinated loan from its immediate parent company GL which was in line with its business plan.

Great Lakes Insurance UK Limited has the same credit rating as its ultimate parent company, Munich Re, being A+ (Superior) as rated by A.M. Best and AA- (Very strong) by S&P.

B – SYSTEM OF GOVERNANCE

GLLS has a system of governance that takes account of the business it does (type, size and complexity) and the underlying risk profile in an appropriate manner. The system of governance incorporates an appropriate and transparent organisational structure with clearly defined committees, organisational structures and responsibilities. The GLLS Board maintains oversight of the operations of these committees and sets a Terms of Reference for each which are reviewed and updated annually.

The Company received authorisation and license from the PRA to undertake regulated activities concerning the arranging, carrying out and effecting of insurance contracts on 28 July 2022. The Company commenced insurance business from 1 January 2023 once it had established a governance framework suitable for its insurance activities. The GLLS Board has reviewed the Company's organisational structure and the systems of oversight in place and considers them to be appropriate.

C – RISK PROFILE

The level of risk assumed by GLLS is commensurate with its risk bearing capacity. This means that GLLS has (or has access to) sufficient economic capital resources to enable it to meet its current and future capital needs, in line with its strategic objectives and risk profile. GLLS is in a position to withstand (or to take measures to withstand) the impact of foreseeable adverse events within the Company's risk tolerance over the planning period.

The risks are assessed using a standard formula basis and are then projected for future periods as part of the Company's Own Risk and Solvency Assessment ("ORSA"), which is approved by the GLLS Board and submitted to the PRA. The risks are considered as part of the ORSA on the basis of the predefined risk categories and the findings documented in the Company's ORSA report. Non-quantified risks are sufficiently managed through other processes. The stress tests and sensitivity analyses performed for significant risks and events have demonstrated that the Company's capitalisation would be sufficient even in such stress situations.

D – VALUATION FOR SOLVENCY PURPOSES

The Company is compliant with the valuation requirements set out in PRA Rulebook, Rule 2.1 of the *Valuation* and *Technical Provisions* sections of the PRA Rulebook in all material aspects. Section D sets out the valuation approach for each material balance sheet item. There are different rules for the accounting of certain balance sheet items that differ under Solvency II from those applied under United Kingdom Generally Accepted Accounting Practice ("UK GAAP") which is the basis on which the Company prepares its statutory accounts. These differences arise primarily in the accounting for loss and premium reserves that are included within technical provisions.

The total gross technical provision of £415,777k (2022: nil) under the Solvency II valuation is compared to the Company's statutory accounts value of gross technical provisions of £890,723k (2022: nil). The Company had net technical provisions of £331,305k (2022: nil) which compares to the Company's statutory accounts value of £652,005k (2022: nil).

With Solvency II being an economic valuation framework, and the Company statutory valuation being an accounting valuation framework, the differences are primarily in the valuation methods used for loss and premium reserves, the discounting of technical provisions under Solvency II (which is not present in UK GAAP) and the recognition of a risk margin for Solvency II. The subordinated loan liability is carried at amortised cost under UK GAAP but is adjusted to fair value under Solvency II. All other balance sheet items as at 31 December 2023 are valued consistently between Solvency II and UK GAAP.

E – CAPITAL MANAGEMENT

The Company's capital level is considered appropriate. GLLS's overall capital management strategy is to optimise capital usage in line with the business strategy, risk appetite and overall steering philosophy. This is whilst embracing economic steering concepts to the largest extent possible, but being flexible enough to reflect other important constraints, such as fulfilling all applicable regulatory capital requirements.

Capital management decisions must therefore strike a balance between efficient use of capital, economic value creation for the shareholder and shaping the risk profile such that policyholders and other stakeholders, as well as GLLS's reputation, are protected.

For the financial year-ending 31 December 2023, the Solvency Capital Requirement ("SCR") has been calculated using the standard formula as the tool for setting regulatory capital. GLLS's standard formula SCR is £226,542k (2022: £62,064k) and the Minimum Capital Requirement ("MCR") is £100,632k (2022: £15,516k). This represents an SCR coverage ratio of 159% (2022: 359%). The MCR coverage ratio is 285% (2022: 1431%).

In accordance with PRA Rulebook External Audit Rule 2, the Company was not required to have an external audit of the 2022 year-end SFCR. The 2022 comparatives included in this document are therefore unaudited.

DIRECTORS' RESPONSIBILITY STATEMENT

We acknowledge our responsibility for preparing the SFCR in all material aspects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the Company; and

b) It is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in the future

Claire Weston
Chief Executive Officer
28 March 2024

Jessie Shi
Chief Financial Officer
28 March 2024

AUDIT OPINION

Report of the independent external auditor to the Directors of Great Lakes Insurance UK Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms and the Company's voluntary compliance with Rule 2.1 of that Part.

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We are engaged by the Company to perform an audit of the nature prescribed by Rule 4.1(1) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms, in all respects as though that Part applied to the Company notwithstanding its status as a small firm for external audit purposes.

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at **31 December 2023 ('the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Solvency and Financial Condition Report'**.

We were not required to audit, nor have we audited, and as a consequence do not express an opinion on the 2022 comparatives where presented.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S.19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement'**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of **Great Lakes Insurance UK Limited** as at **31 December 2023** is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and 'ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers 12 months from the date of approval of the Solvency and Financial Condition Report;

- Evaluating the assumptions used in management's forecast which forms the basis for management's going concern assessment and determining that the forecast provided an appropriate basis for management to assess the going concern of the Company;

- We evaluated the assumptions used in management's stress testing and assessed the conclusions reached; We performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees; and Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to the 'Valuation for solvency purposes' and the 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations related to elements of the Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included regulatory and supervisory requirements of the PRA and the Financial Conduct Authority ('FCA').

- We understood how Great Lakes Insurance UK Limited is complying with those frameworks by making enquiries with management, and through discussions with the Board. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the board and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Great Lakes Insurance UK Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:
Ernst & Young LLP
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Ernst & Young LLP
London
28 March 2024

The maintenance and integrity of Great Lakes Insurance UK Limited's website, where Great Lakes Insurance UK Limited upload their SFCR, is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

A. BUSINESS AND PERFORMANCE

A.1. Business

General information

Great Lakes Insurance UK Limited (“GLLS” or “the Company”) is authorised to act as an insurance company in the United Kingdom and is regulated by both the Prudential Regulatory Authority (“PRA”) and the Financial Conduct Authority (“FCA”). The Company was incorporated on 3 June 2021. Great Lakes insurance UK Limited commenced insurance business operations from 1 January 2023.

GLLS is a wholly owned subsidiary of Great Lakes Insurance, S.E. ("GL”), a fully licensed and authorised insurance company in Germany. GL is regulated by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, “BaFin”) and subject to the German Insurance Supervisory Act (Versicherungsaufsichtsgesetz, “VAG”). GL is authorised to transact both non-life insurance and reinsurance business throughout the European Union (“EU”) and the European Economic Area (“EEA”), on a Freedom of Establishment and Freedom of Services basis.

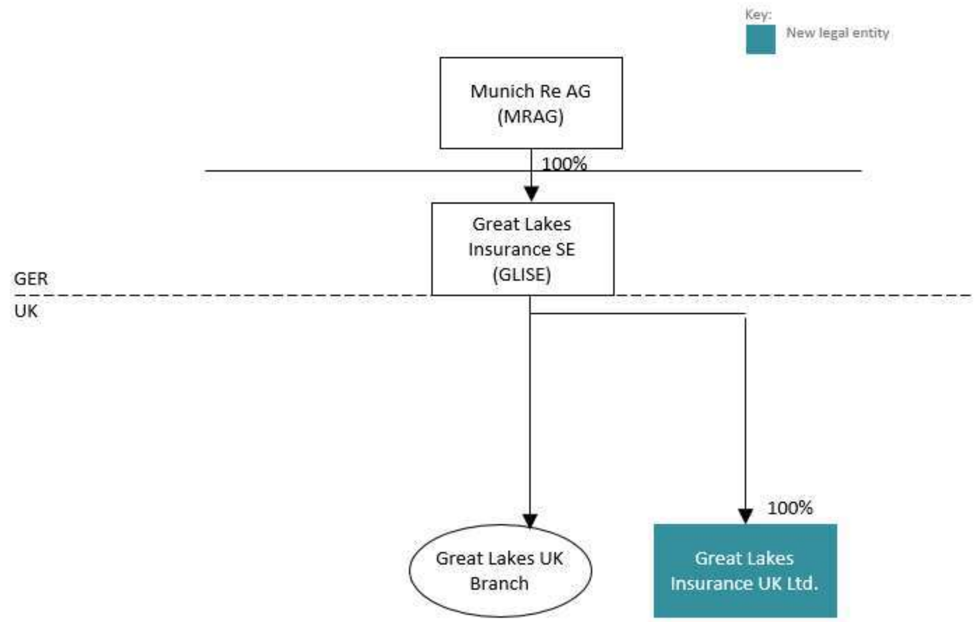
GL is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich (“Munich Re”), a public limited company incorporated in Germany. Munich Re is one of the world’s leading risk carriers providing, via its subsidiary companies, insurance and reinsurance to its customers worldwide. Munich Re and its subsidiaries distribute financial products and services across the entire global insurance and reinsurance value chain.

The primary purpose of GLLS is to complement GL’s business strategy post-Brexit by providing the capability of serving UK agency and co-insurance business aimed at UK domiciled retail and smaller commercial policyholders (small and medium-sized enterprises, “SME”). GLLS focuses on forging strategic partnerships with third parties including the delegation of binding and/or underwriting authority within agreed and monitored parameters rather than selling directly to retail or commercial customers. GLLS enters into and maintains long-term and profitable relationships with Managing General Agents (“MGAs”), targeting business opportunities that lie within its risk appetite and allowing it to meet its pre-defined risk return objectives, while pursuing an appropriate level of diversification. In addition, the Company works with a number of companies in the ERGO Versicherung Aktiengesellschaft Group (“ERGO”) (also part of the Munich Re Group) by providing specialised underwriting resources and capacities.

In order to meet these objectives, GLLS underwrites business only with selected MGAs within an approved framework of product governance, underwriting and outsourcing controls against all material risks.

The below diagram shows GLLS within the Munich Re group structure.

Diagram 1: Great Lakes Insurance UK Limited group structure



The contact details for the Company, its UK regulators and external auditors are included below. The contact details for the Munich Re group regulators are also included:

<u>Company's name and registered address:</u>
Great Lakes Insurance UK Limited ("GLLS")
10 Fenchurch Avenue, London
EC3M 5BN
Tel: 020 3003 7000

<u>UK regulators' name and contact details:</u>

Prudential Regulation Authority ("PRA")
20 Moorgate, London
EC2R 6DA

Contact details:
Tel.: 020 3461 7000
email: enquiries@bankofengland.co.uk

Financial Conduct Authority ("FCA")
12 Endeavour Square, London
E20 1JN

Contact details:
Tel.: 020 7066 1000
web :www.fca.org.uk

<u>Munich Re group regulator's name and contact details:</u>
Federal Financial Supervisory Authority
(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)
Graurheindorfer Str. 108
53117 Bonn

Alternatively:
Postfach 12 53
53002 Bonn

Contact details:
Tel.: 02 28 / 41 08 - 0

Fax: 02 28 / 41 08 - 15 50

email: poststelle@bafin.de or
De-Mail: poststelle@bafin.de-mail.de

External auditor*:
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

*In accordance with PRA Rulebook External Audit Rule 2, the Company was not required to have an external audit of the 2022 year-end SFCR. The 2022 comparatives included in this document are therefore unaudited.

The Company is 100% owned by Great Lakes Insurance, S.E. which holds 100% of the voting rights in the Company.

Classes of Business ("CoB") and regions

Great Lakes Insurance UK Limited commenced insurance business operations from 1 January 2023 and underwrites the following lines of business:

- Medical expense insurance
- Income protection insurance
- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Assistance
- Miscellaneous financial loss

The Company underwrote solely in the UK (including the Channel Islands) during the 2023 financial year.

Significant business events

During 2023, the Company commenced underwriting in line with its business plan. There were no material changes to the business underwritten compared with the Company's business plan. In addition, the Company also received a capital injection of £70,000k and further £90,000k in the form of subordinated loan in November 2023 from GL via the UK Branch of GL ("GLLB"). Both of these capital injections were in line with the Company's business plan.

A.2. Underwriting performance

The information provided in this section provides an overview of the 2023 financial year underwriting performance for GLLS. As this is the first year in which the Company transacted insurance business, there are no comparatives with which to compare.

Table 1: Key financial metrics for the 2023 financial year (UK GAAP):

£'000	2023	2022
Gross written premium	1,149,017	0
Gross earned premium	623,881	0
Gross incurred losses	(433,334)	0
Gross operating expenses	(219,299)	0
Gross technical result	**(28,752)**	**0**
Net written premium	848,627	0
Net earned premium	463,299	0
Net incurred losses	(332,432)	0
Net operating expenses	(172,452)	0
Other technical income, net of reinsurance	3,907	
Net technical result	**(37,678)**	**0**

A net underwriting loss of £37,678k has been generated for the year-ending 31 December 2023. Total gross written premiums for the year were £1,149,017k (2022: nil) and the majority of the Company's premium was generated in the Motor line of business (c54%) which includes the Motor Vehicle liability insurance and Other motor insurance lines of business. The Company generated material premium income in the Medical expense insurance class of business (primarily linked to the travel insurance business offered by the Company) and the Miscellaneous financial loss.

The Company purchases reinsurance from both internal and external reinsurers on both a proportional and non-proportional basis. The Company has material internal reinsurance arrangements which are ceded on a proportional basis to Munich Re and ERGO. Net written premiums were £848,627k for the year (2022: nil). The Company also generated £3,907k (2022: nil) as overriding commission from internal reinsurance arrangements.

The Company had net incurred claims of £332,432k for the year (2022: nil) which were mainly incurred in the Motor vehicle liability insurance/Other Motor Insurance classes of business. Net operating expenses were £172,452k (including investment management charges) the majority of which were related to net acquisition costs (i.e. commissions payable to agents) in addition to administrative expenses incurred in administrating the Company's underwriting portfolio. The Company's combined ratio was 108% (2022: nil). The table below shows a breakdown of the material expenses incurred by the Company during the 2023 financial year.

All contracts were written in the UK and the Channel Islands.

Table 2: Underwriting result by class of business (as per the S.05 QRT):

£'000	Gross Written Premium	Net earned premium	Net claims incurred	Net operating* expenses	Net technical result
Medical expense insurance	144,916	102,942	52,767	51,803	(1,628)
Income protection insurance	602	470	147	235	88
Motor vehicle liability insurance	454,602	184,274	157,640	45,484	(18,850)
Other motor insurance	168,942	77,060	65,544	18,100	(6,584)
Marine, aviation and transport insurance	14,484	10,169	3,751	7,005	(587)
Fire and other damage to property insurance	164,644	16,800	11,410	10,662	(5,272)
General liability insurance	81,117	11,281	7,409	7,788	(3,916)
Credit and suretyship insurance	772	-	1	7	(8)
Assistance	12	11	3	6	2
Miscellaneous financial loss	118,926	60,292	33,760	31,690	(5,158)
Total	1,149,017	463,299	332,432	172,780	(41,913)

*Included in net expenses incurred in the S.05 QRT are £328k of investment management expenses. In accordance with UK GAAP these are reclassified separately from the non-technical account.

A.3. Investment performance

The income and expense figures shown, and hence the investment result, are based on the UK GAAP annual statutory accounts.

Table 3: Investment Result:

£'000	2023	2022
Investment income	17,159	804
Gains on the disposal of investments	1,683	-
Losses on the disposal of investments	(2,435)	(48)
Other income and expenses	(432)	(11)
Total	**15,975**	**745**

The investment result, as seen in the above table is £15,975k (2022: £745k). This is driven from investment income on fixed interest securities of £17,159k (2022: £804k), which also includes amortisation. Investment income (coupon payments from fixed income securities) and interest income on deposits were both significantly higher at year-end 2023 (compared to the prior year), driven by the aforementioned increase in the asset base, but also by significantly higher absolute level of money market rates and bond coupons. To a lesser extent the market value of investments increased in the benign environment of falling bond yields in the second half of the year (resulting in the positive amortization value of £11,001k in the investment result as at Q4 2023).

Trading activity in the actively managed part of the investment portfolio resulted in a net loss on disposals of £752k (2022: net loss of £48k). The Company then also recognised investment management expenses of £328k (2022: £7k). The total invested assets of the Company increased by £582m in terms of market value (from £220m as at 31 December 2022 to £802m at 31 December 2023. This development resulted mainly from significant inflows from the operating business, but also from additional capitalisation measures (as described in Section A.1).

Most of the portfolio is made out of fixed-interest securities issued by entities, with 47% (2022: 82%) being AA-rated and 41% (2022: 16%) being AAA-rated.

Our risk management activities include detailed monitoring of our investments, enabling us to promptly sell assets or take other corrective action where necessary. Our investments fulfil our strict requirements for sustainable investment. We firmly believe that these high standards will have a positive effect on risk and return in the long term. Our asset manager, Munich ERGO Asset Management GmbH ("MEAG"), also a Munich Re group company, processes our investments together with Munich Re's specialist departments in line with the Company's investment strategy and mandate and the legal requirements as part of an outsourcing agreement with the Company.

A.4. Performance of other activities

Other income and expenses

Gains and losses resulting from currency translation are recognised under other income or other expenses. As the majority of the Company's insurance operations and financial investment holdings are transacted in GBP, the currency translation result is not material.

The Company also had an accrued interest expense of £562k (2022: nil) due to GLLB that was payable on the subordinated loan. This amount was not settled by the year-end and therefore it is recognised as a payable in the UK GAAP and Solvency II balance sheets.

B. SYSTEM OF GOVERNANCE

B.1. General information the system of governance

GLLS is wholly owned subsidiary of Great Lakes Insurance SE, a fully licensed and authorized insurance company in Germany, who in turn is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellshaft Aktiengesellschaft in Munich (Munich Re AG), a public limited company incorporated in Germany. Munich Re AG is one of the world's leading risk carriers providing, via its group companies, insurance and reinsurance to its customers worldwide. Munich Re and its subsidiaries distribute financial products and services across the entire global insurance and reinsurance value chain.

The system of governance is considered to be appropriate for the Company taking into account the nature, scale and complexity of the risks inherent to the business. The Company operates a "three lines of defence" governance model with the responsibility for the first line being with business management, the second line with the independent functions, Risk Management, Compliance and Actuarial and the third line being the responsibility of Internal Audit. Further information on this model is included in the section below.

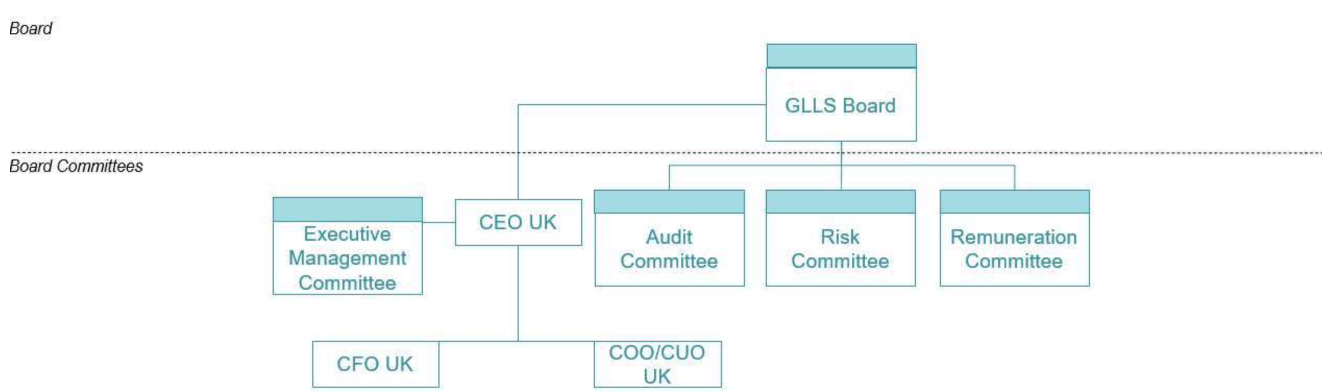
In Q3 2023 the SMF 4 Chief Risk Officer, Paul Jameson, resigned from the role. The responsibilities of the role were temporarily assumed by the Chief Executive Officer. The PRA allows a temporary appointment for a maximum of 12 weeks. GLLS Executive Management Committee elected to appoint Stephen Bishop, who previously held the Chief Actuary position for GLLS, as the interim SMF 4 Chief Risk Officer. Stephen Bishop's SMF application was approved by the PRA on 8 January 2024. This is a temporary arrangement while a permanent replacement is appointed.

Overview of the Board and its Committees

The GLLS Board is ultimately responsible and accountable for the performance and strategy of the Company and for ensuring that the Company complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Company the GLLS Board has delegated certain functions to committees, though by doing this the GLLS Board does not absolve itself of its ultimate responsibility for the Company.

The established corporate governance framework is as follows:

Diagram 2: Corporate governance framework



The Board

The GLLS Board functions as the corporate decision-making body and provides leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The GLLS Board sets the strategic aims of the Company and ensures that the necessary resources, both financial and staff, are in place to allow the Company to meet its objectives. The GLLS Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to its shareholder. The GLLS Board sets the strategy and risk appetite for the Company and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set. Implementation of the strategy set by the Board is delegated to the Executive Management Committee, which is led by the Chief Executive Officer.

The Board meets at least four times a year. As at December 2023, the members of the Board were:

Board member	Board role	Date of appointment
Claire Weston	Chief Executive Officer	20 July 2021
Jessie Shi	Chief Financial Officer	3 June 2021
Tony Ayles	Chief Operating Officer and Chief Underwriting Officer	1 January 2022
Christoph Carus	Non-Executive Director	1 September 2022
Tim Carroll	Chair of the Governing Body/ Independent non-executive director	1 July 2022
Katherine Coates	Independent non-executive director	1 September 2022
Lesley Watkins	Independent non-executive director	1 September 2022
Nicolas Brown	Independent non-executive director	1 September 2022

Audit Committee

The objective of the Audit Committee is to assist the Board in discharging its responsibilities for monitoring the Company's financial reporting process and ensuring its integrity. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control system, makes recommendations to the Board for the approval in relation to the (re)appointment, resignation or removal of the External Auditor, and monitors the effectiveness, performance and objectivity of the Internal and External Auditors. The key areas of responsibilities for the Audit Committee include:

- Financial Reporting
- Narrative Reporting
- Internal Audit
- External Audit
- Internal Control and Risk Framework
- Whistleblowing & Internal Fraud

Board Risk Committee

The Board Risk Committee advises the GLLS Board on the overall Company risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives. The Board Risk Committee advises the GLLS Board on capital management and solvency topics. Additionally, the purpose of the Board Risk Committee is to assist the GLLS Board by overseeing the risk management and compliance system, policies and practices of the Company, and review all risk appetite and risk profile and key risk indicator metrics. The responsibilities of the Board Risk Committee fall under the following key headings:

- Risk Management Framework
- Risk Exposure and Strategy
- Capital Management

- Compliance Management System
- Data Protection
- Delegated Authority
- Other Matters:
  - provide advice to the GLLS Board Audit Committee on key assumptions to be used in regulatory and public disclosures and other issues as requested by the Board Audit Committee.
  - provide advice to the GLLS Board Remuneration Committee on risks related to performance objectives and other issues as requested by the GLLS Board Remuneration Committee.

Remuneration Committee

The primary objective of the Remuneration Committee is to assist the GLLS Board with oversight of the design and operation of the Company remuneration system. The Remuneration Committee is responsible for reviewing and approving the following:

- Remuneration Policy and Practices
- Bonus Arrangements
- Service Contracts
- Pensions
- Remuneration Consultants
- Workforce Remuneration

No director or member of Senior Management shall be involved in any decisions as to their own remuneration outcome.

Executive Management Committee

The purpose of the Executive Management Committee is to direct the day-to-day management, oversight and decision making of the Company. In fulfilling its purpose, the Executive Management Committee gives due consideration to:

- Balancing the interests of various stakeholders (employees, clients and regulators), as well as the shareholder;
- Upholding the integrity, brand, and reputation of the Company; and
- Planning the Company's future development including strategy, making recommendations to the Board and implementing the Board approved Company strategy;
- Instilling the Company’s values and desired culture;
- overseeing the business performance and day-to-day operations within the Board-approved Company strategy, business plans and annual budget;

The appropriateness of GLLS’s organisational structure is subject to regular review. This ensures that the organisational structure satisfies the supervisory and/or legal requirements regarding the organisation of insurance undertakings, supports the sound and prudent management of the undertaking, and contributes to the attainment of the objectives set out in the business and risk strategy.

Remuneration Policy

The Company does not have any employees. MRUKS, another Munich Re Group Company provides staff to the Company. Remuneration policies are designed so as to attract and retain suitable employees to assist the Company in meeting its aims. MRUKS seeks to provide a base salary together with a benefits package that ensures the long-term security and health of its employees. Salaries and benefits are reviewed regularly to take account of the success of the Company, the Munich Re Group and the latest employment trends. The Company is committed to ensuring MRUKS is being a fair and equal employer and the remuneration policy is designed in order to support this objective.

The most important element of remuneration for MRUKS’ employees is base salary. The Company considers that it’s base salaries are competitive in the market and appropriate for attracting and retaining the right staff. All salaries are reviewed in accordance with market practice and with any statutory, regulatory or taxation requirements. The Munich Re Group operates an annual bonus plan based on Munich Re Group performance. The bonus amount payable for each employee depends on the achievement of set financial objectives relative to the Munich Re Group business plan. The variable element of remuneration is capped at a percentage of fixed salary, such as to promote sound and effective risk management and to avoid excessive risk taking.

Material transactions with the shareholder, persons with significant influence and Board members

As set out in Section A.1 of this report, the Company received one capital injection of £70,000k and one strategic loan of £90,000k from GL, its only shareholder (via GLLB). There were no other material transactions with the shareholder for the year-ending 31 December 2023.

There were also no material transactions with persons with significant influence and Board members for the year-ending 31 December 2023.

B.2. Fit and proper requirements

GLLS maintains an "SM&CR Policy" which applies to all persons holding a Senior Manager or Certification Function. It documents the relevant criteria and procedures, which have been designed to guarantee that any persons who effectively run the undertaking or are responsible for other key functions at the Company at all times meet the "fit and proper" requirements. The Company requires that all staff conducting its business have appropriate skills, knowledge and experience to perform their roles and that all fit and proper regulatory requirements are met under the Senior Managers and Certification Regime (SM&CR).

Fitness Assessment

The Company only appoints staff with the skills, knowledge and expertise necessary to perform the tasks assigned to them. The fitness requirements applicable depends on the individuals' responsibilities and the work they do. The assessment of whether an individual is deemed fit includes an assessment of their professional and formal qualifications, knowledge and relevant experience within the (re)insurance sector, other financial sectors or other companies, and takes into account the duties assigned to the individual.

Propriety Assessment

A person is deemed to meet propriety requirements if no facts indicating inadequate propriety are known. The assessment of whether an individual is proper must include an assessment of that person's honesty and financial soundness based on evidence regarding their character and personal and professional conduct, including any criminal, financial or supervisory aspects relevant for the purposes of the assessment.

Fitness and Propriety Assessments are carried out for new starters, internal movers and on annual basis to ensure those in regulatory roles are re-assessed.

B.3. Risk management system including the own risk and solvency assessment ("ORSA")

Risk management system

The objective of risk management at GLLS is to ensure that we are able to meet our policyholders' obligations at all times, while creating sustainable value for our shareholder and protecting the Company's reputation and that of Great Lakes Insurance SE and therefore Munich Re Group. For this purpose, the Risk Management Function ("RMF") employs strategies, methods and processes used to identify, assess, control, monitor and report short and long-term risks to the Company's ability to operate as a going concern, and to enable mitigation actions to be taken in a timely manner.

Own Risk and Solvency Assessment (ORSA process)

GLLS's ORSA process, which is conducted continuously throughout the year, is part of it's overall risk management system and is an interlinked series of processes used to:

- identify, assess, monitor, manage and report both short-term and long-term risks which the Company faces or may face;
- determine the funds necessary and ensure GLLS's solvency needs are met on an ongoing basis.

The results from the various assessments (both quantitative and qualitative) that are conducted throughout the year allow the RMF to form a view regarding the future solvency and risk positions of the Company, commensurate with it's adopted business and risk strategy going forward.

The results of these assessments form the basis of the annual ORSA report. During the year, additional ad-hoc ORSA reporting is also undertaken outside the regular annual timetable if there are fundamental changes in the overall risk profile or solvency and/or eligible own fund positions (subject to the thresholds set out in GLLS's ORSA Policy and approval from the Chief Risk Officer ("CRO").

The ORSA process typically consists of a number of separate processes. These include:

- regular monitoring of the significant risks and of the need for ad-hoc assessment, reporting and ad-hoc countermeasures
- calculation of risk capital requirements and solvency indicators, used to derive input for capital management
- a review of the appropriateness of the Company's risk strategy in the context of its overall business strategy
- stress and scenario testing on significant areas of risk, embedding the capital model into the overall risk management process, including assessment of the Standard Formula appropriateness and governance processes
- risk reporting and risk assessments for important business decisions
- running the internal control system process for managing operational risks

The work that is involved in the regular ORSA process is then also linked to GLLS's annual business planning process. It is expected that during a typical year, the findings and conclusions from the ongoing ORSA processes form the basis for the annual ORSA report, completed at the end of each year to coincide with the approval of GLLS's annual business plan covering future planning periods. A key component of the annual ORSA report covers a risk assessment of GLLS's strategic business plan, including a forward-looking solvency assessment for the Company commensurate with the planned financial figures.

The GLLS Board is responsible for the ORSA and challenges the underlying assumptions critically before approving the report. The GLLS Board also then takes into account the ORSA results when approving the annual business plan, as well as when making any ongoing strategic decisions.

Solvency requirements

GLLS is currently calculating its solvency capital requirement (SCR) based on the Solvency II standard formula method.

Risk strategy

Risk appetite is the expression of the level of acceptable risk as defined by the GLLS Board. It reflects the willingness of GLLS to take on risk because of the potential for a suitable return. The risk appetite is defined within the risk strategy and is reviewed at least annually against the business strategy and planning. It must be used to determine key business decisions.

The risk strategy is owned and approved by the GLLS Board, developed and governed by the operationally independent RMF (2nd line of defence), and executed and embedded by the respective Risk Owners or Business Units (1st line of defence). The RMF reports to the CRO, has a formal communication and referral channel to the Board via the Board Risk Committee (a committee that oversees all risk and capital activities), and is also represented in all other committees (e.g. GLLS Executive Committee, GL Global Operations and Business Committee, Underwriting Committee, and Investment Committee).

The risk strategy defines the maximum risk limits on the basis of the Company's risk-bearing capacity. The limits are monitored using defined risk thresholds and limits and early-warning mechanisms based on a traffic-light system (triggers). The tolerances are based on the capital and liquidity situation and earnings volatility. Having sufficient risk-bearing capacity is a measure of the Company's ability to absorb losses resulting from identified risks, which must not be allowed to jeopardise the Company's existence.

Risk criteria, appetite and tolerances

The risk strategy covers all risks arising out of the Company's strategy and business. Risk areas are divided into risk categories to which they are formally allocated. The Board issues statements on the risk appetite for each risk category and sub-category, which are formalised through corresponding risk tolerances (i.e. key risk indicators). The process also includes clear guidelines specifying responsibilities, escalation procedures and risk mitigation measures.

This is followed by prioritisation of the risk categories and areas to which GLLS considers itself exposed. The risk criteria used by GLLS are given below in order of importance:

- Whole-portfolio risk criteria: These criteria exist to safeguard GLLS's financial strength with regards to the Company's Capital Model as well the target ratings. This is to manage the Company's risk of financial distress within a specified risk tolerance. The whole-portfolio risk criteria focuses on the entire portfolio of risks.
- Supplementary risk criteria: These criteria cover single risk types to which GLLS is materially exposed, i.e. peak scenarios. Were any of these risks to materialise, they could endanger the ongoing viability of GLLS.
- Other risk criteria: These criteria focus on protecting the reputation of GLLS (and thereby also preserving shareholder value).

Implementing the risk management process

The implementation of risk management at the operational level covers identifying, analysing, assessing and managing risks, which includes the risk reporting based on it. The qualitative and quantitative values defined in the risk strategy are used to manage the risks. Our risk management processes ensure that we are able to monitor all risks continuously and to take countermeasures if a trigger or limit is breached or if there is a change in the risk profile. The main components of our risk management system are:

- Risk identification: Risks in processes are identified using appropriate systems (e.g. the operational risk control system), key risk indicators, and participation of the RMF in all GLLS Board Committees and meetings with representatives from various areas of the Company.
- Risk analysis and assessment: Risks are analysed and assessed both in the units concerned and by the RMF, with experts from various areas also being consulted. This enables us to perform a quantitative and qualitative assessment by the unit concerned and an independent risk assessment by the RMF. The assessment also take into account of any interdependencies between the risks
- Definition of maximum risk limits and risk tolerances: The maximum risk limits and risk tolerances are integrated into the risk strategy. If necessary, the RMF decides on suitable risk mitigation measures within the mandate given to it by the GLLS Board and implement them.
- Risk monitoring: All maximum risk limits and risk tolerances defined are monitored on a regular basis. In addition, certain risks are regularly subjected to a qualitative assessment and monitored with reference to defined indicators.
- Risk reporting: GLLS's risk reporting not only meets legal requirements, but also creates transparency within the Company for management and provides information for the public. The internal risk reports provide management with regular information on the risk situation in each risk category, and with GLLS's external reporting, the aim is to provide a clear overview of the Company's risk situation.

Organisational structure of risk management

Risk management at GLLS is organised according to the three-lines-of-defence approach. This ensures an effective separation of duties between the functions that take risks and the functions that operate the risk control framework. The Company's business units act as the first line of defence and are responsible for identifying, assessing and selecting risks within the defined risk appetite and risk tolerances in the executing the Company's overall business strategy and plan. The RMF is the second line of defence. As such, it is responsible for setting up, implementing, reviewing and improving an effective risk management system that is well integrated into the governance system. This ensures that GLLS's operations and risk decisions are undertaken in line with the defined risk strategy, appetite and tolerance levels. The actuarial and compliance functions also form part of the second line of defence. The third line of defence is internal audit, which reviews how the Company assesses and manages its risks and provides annual assurance on the effectiveness of the first and second lines of defence.

The RMF's core tasks are:

- Coordination: The RMF coordinates risk management activity at all levels and in all areas of the business. In this role, it is responsible for the development of strategies, methodologies, processes and procedures for identifying, assessing, monitoring and managing risks and ensuring that risk management guidelines are correctly implemented.
- Risk reporting: The RMF is responsible for presenting the Company's overall risk situation. Its responsibilities include taking appropriate account of interactions between different risk categories, producing an aggregated risk profile and, in particular, identifying risks capable of jeopardising the Company's continued existence as a going concern.
- Early warning: It is also the responsibility of the RMF to have in place a system that guarantees early identification of risks and produce proposals for suitable countermeasures.
- Advice: The RMF advises the GLLS Board on risk management issues and on key strategic decisions that need to be made.

- Monitoring: The RMF monitors the effectiveness of the risk management system and identifies potential weaknesses, reporting its findings to the GLLS Board and proposing improvements.

B.4. Internal control system

Description of the operational risk control system (“ORCS”)

GLLS uses an operational risk control system to manage operational risks. It covers all internal processes, including processes for overseeing the provision of outsourced services by external providers. The ORCS meets both the requirements of the Company’s management and legal and regulatory requirements. Using the Munich Re Group-wide ORCS methodology, it provides GLLS with a standard approach for identifying, analysing, assessing and documenting material operational risks and controls. Clear responsibilities for risks, controls and management also create transparency.

The material operational risks and the associated controls in the Company’s key processes have been identified. These risks and the effectiveness of the mitigating controls (in respect of their structure and performance) are evaluated by the process owner and challenged by the RMF and Compliance at least annually. If the risk amounts are above the defined thresholds or the controls assessed as inadequate, appropriate action is then initiated to reduce, transfer and/or closely monitor the risks. Responsibility for the ORCS lies with the Board, supported by the GLLS RMF. The individual process owners are responsible for the identifying the potential process risks and for implementing effective controls.

The ORCS process culminates in an annual assessment and report to the Board. Ad-hoc assessments and reports are prepared for any significant changes in business activity or strategy or on occurrence of any important event. Internal audit then check the effectiveness of the controls at regular intervals.

Compliance Function

The GLLS Head of Compliance, as the responsible Key Function Holder and Senior Management Function (SMF) 16 Compliance Oversight, assumes the responsibility for Compliance at GLLS reporting to the SMF1, Chief Executive Officer. The Head of Compliance oversees relevant compliance topics and assumes day to day responsibility for communicating with UK regulators.

The compliance function provides a quarterly compliance report including legal and regulatory changes to the GLLS Risk Committee. The annual compliance plan is reviewed and recommended by the GLLS Risk Committee and approved by the GLLS Board. An annual compliance report is then prepared for the GLLS Board.

The GLLS compliance function fulfils its responsibilities arising out of Article 46(2) of Directive 2009/138/EC and PRA Rulebook, Conditions Governing Business, 4 Internal Control, Section 4.2 in normal operations.

GLLS has adopted a Compliance Policy that is tailored to address specific requirements affecting GLLS and stemming from the requirements of Solvency II, the PRA Rulebook, and FCA Handbook. The Compliance Policy sets out the responsibilities, the position of the compliance function in GLLS, including its authorities and reporting obligations, GLLS’s approach to compliance and the structure of the compliance function, including interfaces. The Head of Compliance reviews the Policy annually and makes updates if required. Material updates to the policy are approved by the GLLS Board.

An updated and revised Code of Conduct was implemented across Munich Re Group in 2023, which sets out the minimum compliance standards for culture, ethics and legally compliant standards. Additionally, there are further compliance standards, specifically with regard to conflicts of interest, gifts and invitations, outsourcing, financial sanctions, ethical walls and financial crime.

To further reinforce compliance at GLLS, the Audit Committee Chairperson, SMF11, is appointed as the whistleblowing champion and receives an annual whistleblowing report. Additionally, GLLS benefits from use of the whistleblowing channels within the Munich Re Group. These are an external, independent ombudsman (the Munich Re Group’s ombudsman) and the Munich Re Group-wide compliance whistle-blower portal. All whistleblowing channels are detailed in the GLLS whistleblowing policy.

B.5. Internal audit function

The Internal Audit function of GLLS is responsible for undertaking internal audit assessments of key processes/functions. The responsibilities of the internal audit function are clearly defined with the Head of Internal Audit (SMF 5). The Internal Audit function is outsourced to Munich Re and it is the responsibility of the Chief Executive Officer to oversee the work of Internal Audit for GLLS.

Internal Audit audits the appropriateness and effectiveness of the system of governance and therefore the entire business organisation. A particular focus is the ORCS. Audits must always be conducted objectively and independently. As part of the follow up process following an audit, Internal Audit is responsible for assessing the rectification of any deficiencies identified.

B.6. Actuarial Function

The actuarial function is established within GLLS with responsibilities to co-ordinate the calculation of technical provisions, opine on the underwriting policy and adequacy of reinsurance, and contribute to the effective implementation of the risk management system. The function reports to the Company's Chief Financial Officer. Under the Company's outsourcing model, most of the technical provision calculations are carried out by Munich Re's Central Reserving Department. The GLLS actuarial function maintains oversight of the assumptions, methodology and results, as well as making all necessary adjustments for UK regulatory purposes.

B.7. Outsourcing

GLLS has an Outsourcing Policy in place which has been approved by the GLLS Board. The prescribed responsibility in respect of outsourced operational functions and activities is assigned to the Chief Underwriting and Chief Operations Officer (SMF 23 and SMF24). Material outsourcing must be approved by the GLLS Board (unless delegated to authorised committees) and notified to the PRA.

GLLS's Regulatory Business Plan set out the proposed material arrangements to be put in place relating to both intra-group outsourcings and with external third parties for insurance activities. These proposals have not materially changed since regulatory authorisation in July 2022.

Material outsourcing of important insurance activities to Managing General Agents ("MGAs") and Third Party Administrators ("TPAs")

From 1 January 2023 the Company transacted it's entire premium volume via MGAs (managing general agents), agencies with underwriting authority ("underwriting agents") and through coinsurance with other insurance companies. The MGAs are authorised on behalf of GLLS to assess risks, develop products, calculate premiums, sell policies and handle portfolio management, collections, disbursements, complaint management (where applicable) and claims settlement (where applicable). Claims settlement with settlement authority and the associated complaint management is partly also performed by outside companies ("third-party administrators").

Entities with whom GLLS delegates underwriting, sales, complaints and claims handling are collectively also known as Outsourced Service Providers ("OSPs").

C. RISK PROFILE

The implementation of risk management at the operational level covers identifying, analysing, assessing and managing risks, which includes the risk reporting based on it. The qualitative and quantitative values defined in the risk strategy are used to manage the risks. Our risk management processes ensure that we are able to monitor all risks continuously and to take countermeasures if a trigger or limit is breached or if there is a change in the risk profile.

The internal risk reports provides the GLLS Board with regular information on the Company's risk situation. Any significant change in the risk situation is reported to the GLLS Board immediately. Any special or abnormal losses or events are to be reported immediately.

Exposure in the risk profile

The Company's risk profile is described in this section. It encompasses the following risk categories:

- Underwriting risk (79%) (2022: 89%)
- Market risk (3%) (2022: 10%)
- Credit risk (3%) (2022: 1%)
- Liquidity risk (0%) (2022: 0%)
- Operational risk (15%) (2022: 0%)

The percentage in brackets is the allocation of the solvency capital requirement to various risk categories, calculated using the Solvency II standard formula at 31 December 2023 on a pre-diversified basis. Diversification effects between the risk categories are taken into account in order to calculate the total solvency capital requirement.

The liquidity risk and other significant risks (e.g. strategic risks) are not covered directly by the Solvency II standard formula calculation because they are either inherently difficult to quantify or are by nature such that capital is not the most suitable way of mitigating them. For these risks, qualitative risk assessments and risk mitigation are performed.

GLLS, based on the results of the standard formula in calculating the SCR as a 31 December 2023, remains sufficiently capitalised in order to meet both the regulatory requirements as well as and its own risk appetite.

C.1. Underwriting risk

We define underwriting risk as the risk of insurance profitability being lower than expected. Premium, reserve and accumulation risks are significant components of underwriting risk. Premium risk denotes the risk that premiums collected are insufficient to cover our future contractual obligations. Reserve risk is the risk that the recognised loss reserves will be insufficient to cover all eligible future claims. The risk of accumulation losses stems from an accumulation of individual losses resulting via a single risk event. These can be natural catastrophe or man-made events.

Risk exposure

The GLLS business model is predicated on the delegation of underwriting to MGAs. From 1 January 2023, GLLS delegated the underwriting and acceptance of insurance business via agency or co-insurance agreements, with authority to distribute and underwrite insurance products performed by external MGAs within agreed conditions. GLLS typically outsources sales, policy administration, premium processing/collection and claims handling. GLLS remains responsible, however, for monitoring the legal, regulatory, compliance and outsourcing risks, and the overall gross underwriting exposures.

The use of an MGA allows GLLS to explore a particular class of business, by using an MGA to provide expertise, where the MGA is already more familiar with the risks and the customer base.

GLLS may also consider writing direct business on an opportunistic basis – clearly however the GLLS business model is predicated on the delegation to MGAs. Business is only accepted from brokers which are duly licensed in the UK and with appropriate levels of experience and expertise in the particular line of business.

The insurance risks underwritten and retained by GLLS are and will be accordance with its risk appetite set by the Board. Whilst the portfolio has and will have a large proportion of UK retail and commercial motor business it does and will also benefit from the diversification that GLLS generates by writing all classes of non-life business including travel, property, and general liability business.

For a number of MGAs, there are and will be non-proportional reinsurance programmes with internal and external parties in place. For some MGAs, premiums are and will be fully ceded via proportional reinsurance contracts to internal business units and companies within the Munich Re Group. For these concerned MGAs, GLLS has therefore no net underwriting risk positions.

Risk mitigation techniques

The underwriting risk is controlled by following appropriate underwriting guidelines. Actuarial analyses support the identification of potentially adverse outcomes, which help initiate countermeasures at an early stage. Risk exposure is limited by applying limits and budgets for both loss potential in natural catastrophe risks and possible man-made losses.

An important means of managing underwriting risks is to reduce risks to the strategically defined retention through reinsurance programmes. Non-proportional reinsurance provides protection against the loss incurred from a single or accumulated event. To calculate the reinsurance needs, the actuarial function and the RMF regularly analyse the exposure in the insurance portfolios and the effect of the reinsurance on solvency.

Due to the high credit standing of the most important reinsurers, the Company assumes that the reinsurers will meet their liabilities even in stress situations (e.g. a major insurance market loss).

Reinsurance strategy

GLLS calibrates the reinsurance strategy to effectively align its risk and capital strategy in order to achieve an optimised risk composition between insurance, credit and other risks. The key drivers behind GLLS's reinsurance strategy is to facilitate the GLLS's business model, to ease new business strain, to reduce GLLS's exposure to catastrophe losses and to limit its exposure to adverse loss frequency.

The rules and processes laid down in the underwriting guidelines ensure that gross exposures assumed can be appropriately mitigated by the reinsurance programmes. As reinsurance programs are placed with reinsurers usually rated A- or better, we assume that the reinsurers will meet their liabilities even in stress situations (e.g. a major market loss). Moreover, GLLS has agreed a 'funds withheld' reinsurance basis for cession to companies within the Munich Re Group to mitigate credit risk.

Risk sensitivity

The Company has performed stress and scenario testing in performing its ORSA which is carried out at least annually. The table below shows the percentage impact on the 2024 planned solvency ratio in respect of a number of scenarios that were included as part of this exercise.

Table 4: Underwriting risk sensitivity:

Percentage point (pp) movement in SCR ratio	2024
1. Net earned premium increases by 20%	24pp decrease
2. Net earned premium decreases by 20%	36pp increase
3. Net claims provisions increase by 20%	5pp decrease
4. Net claims provisions decrease by 20%	5pp increase
5. Gross sum insured increase by 20%	1pp decrease
6. Gross sum insured decrease by 20%	1pp increase
7. Increase in retention	24pp decrease
8. Premium and reserve volatility increase by 20% for Motor Vehicle Liability	14pp decrease

C.2. Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. It includes equity risk, general interest-rate risk, specific interest-rate risk (spread risk), property risk, currency risk, asset concentration risk, inflation risk and commodities price risk.

Risk exposure

GLLS's investment strategy is based on the principle of matched assets and liabilities. This means that the currency and terms of the investments must match those for the liabilities and the underlying cash flows of the Company. While in principle the Company's risk appetite is low for investment risk, deviations from the strict asset liability management-driven allocation within the limits and regulations stipulated in GLLS's Investment Mandate are permitted.

GLLS's investment portfolio takes account of the general investment principles of prudence, profitability, liquidity, and diversification. GLLS has defined a conservative investment strategy – with the majority of investment assets held in high quality and liquid fixed income securities such as government and supranational bonds. The investment matching strategy takes into account the durations of the insurance contract liabilities. GLLS is not exposed exchange rate risk as the majority of the Company's assets and liabilities are denominated in Pound Sterling (GBP).

Risk concentration

Of the Company's total investments and cash held as at 31 December 2023, 42% (2022: 85%) were held in government bonds and 48% (2022: 12%) in corporate bonds. Term deposits at banks accounted for 4% (2022: 3%) of total cash and investments. 90% of the total cash and investments held at 31 December 2023 (2022: 98%) related to fixed-interest securities. As at 31 December 2023, GLLS had no investments in equities, participations, property or derivatives.

Risk mitigation techniques

The risk mitigation techniques for market risks are aimed at reducing the occurrence probability and size of losses. Asset-liability management principles are applied consistently to provide sustainable protection. GLLS quantifies market risk by measuring the mismatch between assets and liabilities. The objective is not to suffer from unexpected market events that could erode the value of the assets relative to the liabilities such that the latter are not fully covered more often than once in 200 years. GLLS has some appetite to generate investment returns. However, this should not be at the expense of GLLS's main business focus of generating value mainly from insurance and credit risks under its business model. GLLS further has no desire to concentrate or accumulate investment in a single asset without adequate risk mitigation. Concentration or accumulation of market risks, e.g. in order to generate investment returns, should not impact GLLS's ability to meet policyholders' claims.

The following key risk indicator, as per the Risk Strategy, is and will be used to express and monitor the risk:

Mismatch between assets and liabilities expressed as a % VaR of the investment volume (ideally ≤ 6.5% with the limit set at < 9%) at the Company level.

C.3. Credit risk

We define credit risk as the financial loss that GLLS could incur as a result of a change in the financial situation of a counterparty, such as an issuer of securities or other debtor with liabilities. It therefore includes both the risk of downgrading of a counterparty and the resulting default risk. In addition to credit risks arising out of investments in securities and payments to and from clients, GLLS notably assumes credit risk through its internal and external reinsurance programmes. Further credit risks arise from debts owed by policyholders and business partners.

Risk exposure

Credit Risk for GLLS arises from:

- Reinsurance programs. The reinsurance programs have different forms (proportional reinsurance and non-proportional reinsurance), depending on the concerned MGAs.
- Investments
- Receivables from MGA Agreements.

The main exposure to credit risk as at the balance sheet date is in respect of the Company's financial investments.

Risk concentration

GLLS is prepared to accept a reasonable level of reinsurance credit risk in exchange of generating value through its business model. There are controls and strategy in place that manage the amount of losses to which the Company is exposed. This would therefore not compromise the Company's ability to meet policyholder claims.

Other concentrations, notably in investments, are monitored with reference to the type of counterparty and credit rating.

Risk mitigation techniques

We monitor and manage credit risks on investments using the counterparty and sector limits defined in the Company's Investment Mandate and risk strategy. We manage the credit risk in our fixed-interest investments by selecting issuers of suitable quality and observing limits defined in our risk strategy.

We use both internal and external issuer ratings. Our quality requirements for issuers are very high. The majority of our investments are in paper issued by issuers with a very high credit standing. At the end of the financial year, 87% (2022: 98%) of the investments in interest carriers had a category rating of very high ("strong"). This corresponds to a Standard & Poor's "AA" rating or higher.

Receivables from insurance business comprises mainly premium receivables not yet settled by intermediaries. We manage this default risk by carefully selecting and performing checks on our intermediaries, applying rules for payments and ongoing monitoring of the financial strength of our most important business partners. Due care in the wording of contracts or product information/description of the insurance transaction are then taken in order to limit credit exposure at the source. MGA-related cash flows are also channelled through cash trust accounts to mitigate any risk of not receiving premiums.

To mitigate credit risk arising from reinsurance cession, reinsurance programs are and will be placed with reinsurers usually rated A- or higher. Moreover, GLLS has agreed a 'funds withheld' reinsurance basis for cession to companies within the Munich Re Group in order to further mitigate credit risks.

As at 31 December 2023, the Company had insurance/reinsurance receivables of £16,210k (2022: nil). The Company does not consider there to be any material credit risk arising from these balances held.

C.4. Liquidity risk

Risk exposure

Liquidity risk is defined as the risk of incurring financial losses resulting from the inability to meet payment obligations when they fall due, due to holding insufficient liquid assets. It can arise in particular in correlation with underwriting risks (especially when large claims payments must be made) and is adequately managed through our liquidity-risk management processes. The liquidity risk is not included within the standard formula SCR calculation.

Material risk concentration

Due to the high volume of liquid investments, there are no concentrations of liquidity risk.

The total amount of expected profits in future premiums as at 31 December 2023 £1,068k (2022: nil).

Risk-mitigation techniques

As noted above, the Company places a substantial portion of its investments in liquid and highly marketable instruments in order to be able to meet additional payment obligations at all times. Moreover, the relatively low attachment points in the non-proportional reinsurance programmes provide an extra liquidity protection for GLLS against large unexpected Natural Catastrophes and Large Single Risk losses.

C.5. Operational risk

We define operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This risk covers ORCS, Information Security, Business Continuity, Data Protection and Project Risks.

Risk assessment measures

We use the ORCS to identify, analyse, assess and manage the operational risks directly linked to our business activity. The qualitative assessment is performed by assessing both the quality of controls and the residual net risk. This is undertaken at least once a year jointly by the responsible process owner and the RMF.

As at 31 December 2023, the solvency capital requirement for operational risk before diversification effects was £37,433k (2022: nil) .

Risk-mitigation techniques

We manage operational risks using the operational risk control system, which is standard throughout the Munich Re Group. Using this approach, significant risks and the related key controls across all processes can be identified, analysed and assessed via the Risk and Control Assessment ("RCA") process, where improvements and control procedures are also defined. The internal control system systematically provides a link between all risks and procedures. The result is a "risk map" on which the most important operational risks and associated control points are highlighted.

In terms of information security, we are observing a continuously changing risk environment for GLLS. Growing regulatory security requirements and dynamic risks relating to new technologies, new cyber aggressors, and new attack scenarios pose major challenges for GLLS as a global Group of companies. Information security risks have become a significant threat to our business.

In the area of business interruption, we see not only risks from information security but also increasing threats to the continuation of our business activities from global trends such as climate change, political unrest, interrupted supply chains or geopolitical conflicts. GLLS is countering these trends and threats by continuously expanding its business continuity management ("BCM"). This enables GLLS to maintain business functions through predefined processes after a business interruption. To this end, appropriate measures are being improved and corresponding monitoring processes implemented.

C.6. Other material risk

Outsourcing risk

We define outsourcing risk as the risk of economic loss or other adverse impacts to GLLS resulting from the failure to adequately implement, monitor and control the performance of outsourced service providers who are delegated to perform one of more of GLLS's functions. From 2023 onwards, GLLS's business portfolio relies on a significant number of outsourcing relationships to other entities within the Munich Re (Group), as well as to external third party service providers, primarily managing general agents ("MGAs") and claims and policy related third party administrators ("TPAs").

The Company uses stringent due diligence processes in selecting external service providers. The outsourcing lifecycle is managed through ongoing regular reviews, on-site visits and independent audits to manage this risk and careful planning with regard to the offboarding of a third party. All stages of the third party lifecycle are accompanied by high interaction between first and second line of defence.

The risk exposure is mitigated by requirements and processes outlined in the Outsourcing Policy, valid for both group internal and external outsourcing arrangements. The Outsourcing Policy ensures proper oversight over third parties within all stages in the lifecycle of the third party, from onboarding to offboarding. Therefore, the risk is mitigated with stringent due diligence processes and strong rights and obligations contained in the contractual agreement.

Even though the financial impact of an unexpected failure of a mid- to large-sized established MGA or TPA is limited (with limited underwriting risk exposure), the non-financial risk for GLLS and its business model as well as the insureds could be material.

Additionally, GLLS identifies legal and regulatory developments with regard to the enhancement of outsourcing requirements by the PRA and FCA on an ongoing basis. GLLS has implemented, as part of the entity's set-up, the PRA requirements concerning outsourcing and third party risk management.

Strategic risks

GLLS defines strategic risk as the risk of economic loss or other adverse impacts arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the business operating environment. Pursuing (or deciding not to pursue) existing and new opportunities creates strategic risks, which we manage by carrying out risk analyses for significant strategic issues and regularly monitoring the implementation of measures deemed necessary. The Company's strategy is regularly reviewed and assessed as part of the ORSA process.

GLLS manages a wide range of outsourcing partners and, to a greater or lesser extent, our strategy is partially dependent on these firms' continued operational effectiveness. Challenges associated with outsourced functions may have consequences for GLLS both financially and from a regulatory perspective.

Reputational risk

Reputational risk is the risk of adverse publicity or perception regarding GLLS business practices and associations, whether accurate or not, causing a loss of confidence in the integrity of the institution. Reputational risks can arise directly as a result of an action taken (or lack thereof) by GLLS or as a consequence of actions by third parties and other risk events.

GLLS is integrated into Munich Re's governance system that strengthens the awareness of employees regarding (potential) reputational risk and defines appropriate rules and procedures that govern structure, operational activities and documentation to create efficient conditions for early identification.

Emerging risks

Emerging risks are either new or changing risks. Emerging risk is defined as the risk of economic losses or adverse impacts due to failure to identity new and emerging risks beyond the strategic planning period. Emerging risks are generally external risks areas that are perceived to be significant but are highly uncertain in terms of occurrence probability and loss amounts. On the one hand, emerging risks can have a substantial negative impact on an organisation's insurance business, it's assets and it's balance sheet. On the other hand, they might also offer new business opportunities. GLLS has therefore created a sophisticated framework in which emerging risks are examined from different angles and draw upon different sources. Due to the highly uncertain nature of emerging risks, our approach for assessing them is based on expert judgement (also referred to as a "think tank" approach).

The risk management associated with these emerging risks is by nature dominated by information-sharing and close monitoring activities in cooperation with Munich Re group. Sufficient understanding of the risk aspects of underlying environmental, technological, social, economic, and legal changes is critical as emerging risks are difficult to quantify in terms of frequency and severity. The following aspects, for example, were analysed as emerging risks in 2023: increase in legal and regulatory uncertainty following the continued adoption of new regulations, new insurance competition as non-traditional companies are entering insurance markets, cyber risks due to increasingly sophisticated attacks and widening of the attack surface. These risks are documented annually in the ORSA report.

Sustainability risk

Sustainability risk is defined as all events or conditions relating to the environment, social issues or corporate governance ("ESG"), the occurrence of which may have actual or potential significant negative impacts on the net assets, financial position and results of operations, as well as on the reputation of the Company. We do not consider sustainability risks as a separate type of risk, but rather as factors that impact on known types of risk.

In this context, we are seeing increasing regulatory requirements worldwide and also growing interest on the part of insurance clients and consumers. This is increasingly resulting in new tasks for all lines of business, and in risk management and reporting.

Cyber risk

The threat of cyber risk continues to evolve and therefore remains a significant risk to GLLS. GLLS is exposed to an indirect cyber risk in its non-cyber business. GLLS is further exposed to Data Protection and Information Security Risks, relating to data required for all products.

Other risks

We also take into consideration legal, compliance (including regulatory), and tax risks. Regulation has been growing in scale and complexity which requires the Company to continuously respond to changes in requirements as and when these occur. There are no specific other risks identified.

D. VALUATION FOR SOLVENCY PURPOSES

Differences between figures in accordance with Solvency II and the UK Generally Accepted Accounting Practice ("UK GAAP")

There are fundamental differences between the structure of a solvency balance sheet and a balance sheet prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). There are also differences in individual balance sheet line items with regards to their recognition and measurement. As a result of this, direct comparison between line items in the table below is not possible in all cases. The table below shows the solvency balance sheet compared to the UK GAAP balance sheet for the year-ending 31 December 2023.

Table 5: Solvency II and UK GAAP balance sheets as at 31 December 2023:

£'000	Solvency II value	UK GAAP
Deferred acquisition costs	-	145,187
Deferred tax assets	2,702	727
Investments (other than assets held for index-linked and unit-linked contracts)	800,933	800,933
Bonds	770,922	770,922
Government bonds	355,278	355,278
Corporate bonds	410,330	410,330
Structured notes	5,314	5,314
Deposits other than cash equivalents	30,011	30,011
Reinsurance recoverables from:	84,472	238,718
Non-life (excluding health)	84,472	238,718
Health (similar to non-life)	-	-
Insurance and intermediaries receivables	16,210	377,147
Reinsurance receivables	-	3,752
Receivables (trade, not insurance)	17,444	17,445
Cash and cash equivalents	46,055	46,055
Total assets	**967,816**	**1,629,964**
Technical Provisions – non-life	415,777	890,723
Technical provisions – non-life (excluding health)	379,655	807,441
Best estimate	365,908	-
Risk margin	13,747	-
Technical provisions – health (similar to non-life)	36,122	83,282
Best estimate	34,335	-
Risk margin	1,787	-
Deposits from reinsurers	83,302	83,302
Deferred tax liabilities	-	1,622
Financial liabilities other than debts owed to credit institutions	1,806	37,824
Insurance and intermediaries payable	1,458	45,654
Reinsurance payables	62,569	154,724
Payables (trade, not insurance)	42,002	44,257
Subordinated liabilities	91,197	90,562
Total liabilities	**698,111**	**1,348,668**
Total excess of assets over liabilities	**269,705**	**281,296**

The recognition and valuation of assets, technical provisions and other liabilities are based on the assumption of a going concern and the principle of individual valuation.

Valuation for the solvency balance sheet is consistent with the economic value, which is defined as the market price. Provided that the Solvency II regulations do not prescribe any other method, the valuation is performed in accordance with the International Financial Reporting Standards (“IFRS”).

Application of Solvency II valuation approach

In accordance with PRA Rulebook *Valuation*, Section 2.1, the Company is required to value its assets at the amount they could be exchanged between knowledgeable willing parties in an arm’s length transaction. The Company is also required to value its liabilities at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm’s length transaction. Both of these approaches therefore require the Company to determine the fair value of its assets and liabilities in preparing the solvency balance sheet.

GLLS prepares and publishes its annual financial statements in accordance with UK GAAP. The majority of the Company’s assets and liabilities are either carried at fair value or are short term in nature (and therefore their carrying amount equates to the fair value). The Company has therefore used such UK GAAP values in preparing the solvency balance sheet.

Where appropriate, we use basic risk-free interest-rate curves for discounting (where relevant). The basic risk-free interest rate curve is calculated separately for each maturity based on all relevant data and information relating to the maturity concerned. They are determined in a transparent, prudent, reliable and objective manner that is consistent over time.

We have used the closing exchange rate as at the balance sheet date for the conversion of all assets and liabilities not denominated in GBP. The exchange rates used in the solvency balance sheet are the same as those used under UK GAAP. The majority of the Company’s assets and liabilities are denominated in GBP and therefore there is minimal impact from currency exchange rates.

D.1. Assets

We describe below the principles, methods and main assumptions on which valuation for solvency purposes is based for each class of asset. We also explain the main differences from valuation between Solvency II and UK GAAP.

In the sections below, we provide a separate description of the bases, methods and main assumptions used for the recognition, measurement and reporting of each material class of assets in the solvency balance sheet (also with reference to UK GAAP accounting policies)

Table 6: UK GAAP compared to Solvency II assets:

£'000	Solvency II value	UK GAAP
Deferred acquisition costs	-	145,187
Deferred tax	2,702	727
Investments (other than assets held for index-linked and unit-linked contracts)	800,933	800,933
Reinsurance recoverables	84,472	238,718
Insurance and intermediaries receivables	16,210	377,147
Reinsurance receivables	-	3,752
Receivables (trade, not insurance)	17,444	17,445
Cash and cash equivalents	46,055	46,055
Total assets	**967,816**	**1,629,964**

Deferred acquisition costs

Deferred acquisition costs are not shown as an asset in the solvency balance sheet. They represent payments made in the past that are only recognised as an expense in future accounting periods.

Deferred tax assets

The basis for the calculation of deferred taxes under Solvency II is Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

The recognition and valuation of assets and liabilities are, according to Article 9 (1) and (2) of the Delegated Regulation, governed by the IFRS rules provided they conform to Rule 2 of the valuation chapter of the PRA Rulebook. Therefore, under Solvency II, deferred tax assets are recognised and valued in accordance with IAS 12.

The calculation of the deferred tax assets is based on the difference between the recognition and valuation of the assets pursuant to PRA Rulebook, Rule 2.1 and the recognition and valuation of the assets for tax purposes. Deferred taxes are determined on the basis of the current UK statutory rate. Changes in tax rates and tax legislation that have already been substantively enacted at the balance sheet date are taken into account.

Deferred tax assets are recognised in cases where asset items have to be valued lower, or liability items higher, in GLLS's solvency balance sheet than in its tax accounts and these differences will be eliminated at a later date with a corresponding effect on taxable income (therefore representing temporary differences). Also recognised are deferred tax assets derived from tax losses carried forward.

Deferred tax assets are recognised only to the extent that it is probable that future profits are available. This is based on the planned financial result for the Company.

GLLS had a deferred tax asset on the Solvency II balance sheet as at 31 December 2023 of £2,702k (2022: £708k). The deferred tax asset on the statutory balance sheet was £727k. The difference is in respect of the valuation differences between the Company's tax balance sheet and Solvency II balance sheet, taxed at the deferred tax rate of 25%.

Investments (other than assets held for index-linked and unit-linked contracts)

The Company holds primarily government and corporate bonds on its balance sheet. We value bonds listed on stock exchanges at the price quoted on the stock exchange on the balance-sheet date if we classify the market as active. If no price is quoted in an active market, the valuation is based on valuation models, in which observable market parameters are used as far as possible. For these valuations we use parameters for the financial instrument to be valued that can be observed in the market – directly or indirectly, but are not yet quoted market prices. Prices quoted in active markets for similar assets or liabilities and prices quoted in non-active markets for identical or similar assets are also classified on the same basis. If the financial instrument concerned has a fixed contract period, the parameters used for valuation must be observable for the whole of this period. We essentially allocate bearer bonds, bond funds, loans and covered bonds on this basis.

For investments where there is no active market or observable inputs, we use other valuation techniques based on parameters not observable in the market. This is only permissible insofar as no observable market data is available. The parameters used reflect our assumptions regarding the factors that market players would consider in their pricing. We use the best available information for this, including internal company data. There were no investments that were measured using other valuation techniques.

Deposits excluding cash equivalents

In the solvency balance sheet, we value deposits with a residual term of under one year that are not shown as cash or cash equivalents (available at any time) at face value. Under UK GAAP, they are also valued at their nominal amount and reported under investments. We take account of the default risk by performing regular reviews of impairment, undertaking any write-downs necessary.

Impairment

As all assets in the solvency balance sheet are shown at fair value and therefore no impairment rules are required. Financial investments under UK GAAP are carried at fair value. The remaining assets on the UK GAAP balance sheet are carried at amortised cost. There are no indicators of impairment on the UK GAAP balance sheet positions and therefore no adjustment has been made in preparing the 2023 year-end UK GAAP balance sheet.

Reinsurance recoverables

The treatment of reinsurance receivables under Solvency II and UK GAAP is described in section D.2 Technical provisions.

Insurance and intermediaries receivables

In the solvency balance sheet, this item includes receivables from policyholders (via intermediaries in the form of the Company’s MGA and co-insurance partners) from direct insurance operations. For materiality reasons, we do not discount these very short-term receivables. To the extent the default risk is not borne by third parties, we take it into account via a negative default adjustment. We derive the default probability applied from the external ratings of recognised agencies if available.

Under UK GAAP, we recognise insurance and intermediaries receivables at their principal amount, less valuation allowances for impairment where necessary. We perform regular impairment tests to check whether their value has fallen. We take account of the default risk on receivables from policyholders and intermediaries by raising specific provisions for debtors in the UK GAAP balance sheet where appropriate. There are no specific provisions included against insurance and intermediaries receivable in the UK GAAP balance sheet for the year-ending 31 December 2023 (2022: nil).

Insurance and intermediaries receivables not due as at the balance sheet date are included in the solvency balance sheet in the technical provisions. The corresponding UK GAAP amounts are included within insurance and intermediaries receivable. Therefore the amounts in the solvency balance sheet are lower than under UK GAAP.

Reinsurance receivables

In the solvency balance sheet, we include accounts receivable for business ceded to reinsurers in this item. For materiality reasons, we do not discount these very short-term receivables. We take account of the default risk on accounts receivable through a negative adjustment where appropriate. We derive the default probability applied from the external ratings of recognised agencies.

In the UK GAAP balance sheet, the receivables are recognised at their principal amount less any specific impairment provision if this is deemed appropriate. There are no specific provisions included against reinsurance receivables in the UK GAAP balance sheet (2022: nil).

Reinsurance receivables not due as at the balance sheet date are included in the solvency balance sheet in the technical provisions. The corresponding UK GAAP amounts are included within reinsurance receivables. Therefore the amounts in the solvency balance sheet are lower than under UK GAAP.

Receivables (trade, not insurance)

We show all other receivables under this item in the solvency balance sheet. As at the balance sheet date, this primarily includes tax and other receivables. Receivables (trade, not insurance) are not discounted in the solvency balance sheet on the basis that these are short-term.

In the UK GAAP balance sheet, we value receivables at face value less any provisions raised against them which is deemed a close approximation of fair value. There is no difference between the solvency balance sheet value and the UK GAAP carrying amount.

Cash and cash equivalents

In the solvency balance sheet, we value these items (which primarily comprise bank balances) at nominal value. For UK GAAP, we value all deposits at nominal value. Cash and cash equivalents consist of cash at bank and in hand as at the balance sheet date and is deemed to be readily available. There is therefore no difference between the solvency balance sheet value and the UK GAAP carrying amount.

Supplementary information

As at the balance sheet date, we had not issued any unlimited guarantees. There were no material off-balance-sheet assets as at the balance sheet date.

Other items not included in the solvency balance sheet

The following balance sheet asset line items are not applicable for either the solvency or UK GAAP balance sheets and therefore have not been considered further in this section:

- Goodwill
- Intangible assets
- Pension benefit surplus
- Property, plant and equipment held for own use
- Property (other than for own use)
- Holdings in related undertakings, including participations
- Collective investment undertakings
- Derivatives
- Other investments
- Assets held for index-linked and unit linked contracts
- Loans and mortgages
- Deposits to cedants
- Own shares (held directly)
- Amounts due in respect of own fund items or initial fund called up but not yet paid in

D.2. Technical provisions

In the solvency balance sheet, technical provisions are created for all insurance and reinsurance obligations to policyholders, cedants and rightful claimants. The amount of the technical provisions corresponds to the amount that GLLS would currently have to pay if insurance and reinsurance obligations were immediately transferred to another insurance or reinsurance company. The calculation of technical provisions must make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks.

The amount of the technical provisions is the sum of the best estimate and a risk margin calculated as set out in the Delegated Regulation. For the calculation of the technical provisions, insurance and reinsurance obligations are segmented into homogeneous risk groups. These are then aggregated and allocated to the lines of business required for Solvency II reporting.

The Company has not applied the matching adjustment, transitional deduction or volatility adjustment in calculating the technical provisions.

The table below shows a breakdown of the gross and reinsurers' share of technical provisions by Solvency II line of business.

Table 7: Gross and Reinsurance Technical Provisions:

£'000	Gross Best Estimate	Risk Margin	Total Gross Technical Provisions	Reinsurance Recoverables	Total Net Technical Provisions
Medical expense insurance	34,203	1,783	35,986	-	35,986
Income protection insurance	132	4	136	-	136
Motor vehicle liability insurance	196,070	8,101	204,171	28,426	175,745
Other motor insurance	75,871	3,057	78,928	5,747	73,181
Marine, aviation and transport insurance	(2,008)	92	(1,916)	-	(1,916)
Fire and other damage to property insurance	55,896	867	56,763	38,635	18,128
General liability insurance	22,869	478	23,347	10,899	12,448
Credit and suretyship insurance	(155)	-	(155)	(157)	2
Assistance	(3)	-	(3)	-	(3)
Miscellaneous financial loss	17,368	1,152	18,520	922	17,598
Total	**400,243**	**15,534**	**415,777**	**84,472**	**331,305**

Table 8: Statutory accounts technical reserves compared with Solvency II technical provisions:

£'000	Solvency II	UK GAAP	Difference
Technical provisions	415,777	890,723	(474,946)
Technical provisions – non-life (excluding health)	379,655	807,441	(427,786)
Best estimate	365,908	-	-
Risk margin	13,747	-	-
Technical provisions – health (similar to non-life)	36,122	83,282	(47,160)
Best estimate	34,335	-	-
Risk margin	1,787	-	-

Best estimate

Technical provisions are calculated using established principles for actuarial valuation. The best estimate equates to the probability-weighted average future cash flows taking into account future developments and uncertainties. It also allows for discounting effects using the relevant risk-free interest rate curve.

The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions, and is performed using adequate, applicable and relevant actuarial and statistical methods. Expenses are assessed on a going-concern basis. The cash-flow projection used in the calculation of the best estimate takes account of all the cash inflows and outflows required to settle the insurance and reinsurance obligations over their lifetime. The best estimate is calculated gross, i.e. without deduction of reinsurance recoverables. Those amounts are calculated and reported separately.

The best estimates for claims provisions and premium provisions are calculated separately. Claims provisions are for cash flows relating to cover that has expired at the valuation date and claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Premium provisions are for cash flows relating to unexpired periods of cover.

Risk margin

The risk margin is set at such a level as to ensure that the value of the technical provisions as a whole (best estimate plus risk margin) is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The risk margin covers the underwriting risk, parts of the credit risk and the operational risk. It is calculated by projecting the solvency capital requirement (SCR), covering the above risk categories and using appropriate risk drivers. The cash flows for the above-mentioned risks are allocated to the Solvency II lines of business proportionally on the basis of the best estimate for each development year. The present value of the total solvency capital requirements is then multiplied by the cost-of-capital rate of 4% prescribed by the UK Government, amended from 6% by the Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023.

Valuation of financial guarantees and contractual options

The were no financial guarantees or contract options as at the balance-sheet date.

Simplifications used in the calculation of technical provisions

For the calculation of best estimates, GLLS does not make use of simplifications as described in the Delegated Regulation, Title I, Chapter III, Section 6.

Uncertainty associated with the amount of technical provisions

The following uncertainties apply for all classes of business:

- Inflation of claims and associated expenses. This has been persistently high and the levels of future inflation are difficult to predict. For injury claims in particular, there has been little emergence of inflation in payments to date. Projections contain a mixture of explicit and implicit loadings for inflation.

- Covid-19. This has disrupted development patterns and in some cases resulted in a large temporary change in mix of business (particularly travel insurance). For motor and home insurance there is likely to be more lasting effects from changes in people's work/home/travel practices but it is not known how long these will persist.

For motor liability exposures in particular:

- Ogden discount rate. This is due for review in 2024, so many of the large claims currently in the reserves may settle on a different discount rate from -0.25%. Whilst an increase (more positive/favourable) is generally considered likely, there is still the possibility of a more negative rate or a dual rate. Projections currently assume no change from the current rate.

- Whiplash reforms. These were effective from 31 May 2021 so there is now over two years of post-reform claims experience, but there is still uncertainty about the ultimate outcome because the experience so far is skewed to smaller claims that settle quickly, and mixed injury claims remain subject to a legal review. Projections currently use the experience that has emerged on the smaller claims but does not anticipate a favourable outcome from the more complex cases.

For property exposures in particular, there was a change in the threshold used to segregate claims related to "outlier" events in 2023. This creates uncertainty about the amount of additional claims experience between the old and new limits that will move from outliers to basic losses. Projections consider this effect for each affected segment separately.

Regarding the risk margin, the key area of uncertainty is the run-off pattern used for the estimate of future capital requirements, which is derived from the technical provisions, so is subject to similar uncertainties.

Valuation differences between UK GAAP and Solvency II for technical provisions

The key valuation differences between the UK GAAP and Solvency II technical provisions are as follows:

- Under Solvency II, the gross unearned premium reserve recorded on the UK GAAP is removed and replaced by the premium provision. This resulted in a £120,880k decrease (2022: nil) in the technical provisions for the 2023 year-end. In addition, a further £6,456k relating to additional claim provision expenses (2022: nil) are booked which increase technical provisions.

- Under Solvency II, the insurance contract boundary is different from that under UK GAAP as it requires the Company to recognise a premium provision in respect of business that is bound but not incepted ("BBNI") as at the balance sheet date. The Company recognised an additional technical provision of £1,527k (2022: nil) as at the year-ending 31 December 2023.

- Solvency II provides for explicit consideration of the cost of capital for risk assumption in the form of the risk margin. It is calculated using a cost-of-capital approach. The total risk margin for the 2023 financial year was £15,534k (2022: nil).

- The Company has reclassified amounts from insurance receivables and payables that are not due as at the balance sheet date to gross technical provisions. These amounted to £316,931k (2022: nil) as at the balance sheet date which results in a decrease to total technical provisions.

- Solvency II requires the discounting of technical provisions using a prescribed yield curve. The total discounting effect as at the balance sheet date was £60,652k (2022: nil). This results in a decrease to technical provisions.

Reinsurance recoverables under Solvency II

Table 9: Statutory accounts reinsurance assets compared to Solvency II reinsurance recoverables:

£'000	Solvency II	UK GAAP	Difference
Reinsurance recoverables	**84,472**	**238,718**	**(154,246)**
Non-life excluding health	84,472	238,718	(154,246)
Health similar to non-life	-	-	-

The recoverables from reinsurance contracts are calculated according to the same principles as technical provisions. Specifically, recoverables include claims on the counterparty less payments due to the counterparty (e.g. reinsurance premiums). Contract boundaries and insurance obligations are taken into account in accordance with the Solvency II rules.

The result from the calculation of the best estimate is adjusted to take account of expected losses due to default of the counterparty. That adjustment is based on an assessment of the probability of default of the counterparty and the expected loss resulting therefrom. The calculation is performed separately for each counterparty. With proportional contracts, the reinsurance recoverables are derived from the reinsurance quota share. In the case of non-proportional contracts, reserves for individual cases plus IBNR reserves are used as a basis.

Valuation differences between UK GAAP and Solvency II for reinsurance recoverables

The key valuation differences between UK GAAP and Solvency II reinsurance recoverables are as follows:

- Under Solvency II the reinsurers' share of unearned premium reserve recorded on the UK GAAP balance sheet are removed and replaced by the ceded premium provision. This adjustment has resulted in a £42,138k decrease in the reinsurance recoverables (2022: nil) for the 2023 year-end. In addition, a further £3,752k relating to additional ceded claim provision expenses (2022: nil) increase in reinsurance recoverables.

- Under Solvency II, the insurance contract boundary is different from that under UK GAAP as it requires the Company to recognise a premium provision in respect of business that is bound but not incepted ("BBNI") as at the balance sheet date. This resulted in a £629k decrease in the reinsurance recoverable (2022: nil) as at the year-ending 31 December 2023.

- The Company has reclassified amounts from reinsurance receivables and payables that are not due as at the balance sheet date to reinsurance recoverables. These amounted to £92,745k (2022: nil) as at the balance sheet date.

- Under Solvency II, the Company is required to include a provision for the risk of default by a reinsurance counterparty. A provision of £174k has been included in the reinsurance recoverables as at the balance sheet date.

- Solvency II requires the discounting of reinsurance recoverables using the legally prescribed yield curve. The total discounting effect on the reinsurance recoverables as at the balance sheet date was £22,312k (2022: nil).

Changes in relevant assumptions since the previous reporting period

Technical provisions as at the previous reporting period were nil, so changes in assumptions are not applicable.

D.3. Other liabilities

Valuation of other liabilities

In accordance with PRA Rulebook, Rule 2.1, all other liabilities are valued in the solvency balance sheet at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, i.e. at fair value. When valuing liabilities, no adjustment is made to take account of the own credit standing of the insurance or reinsurance undertaking. Under UK GAAP, other liabilities are recognised at their settlement amount.

Table 10: Statutory accounts other liabilities compared to Solvency II other liabilities:

£'000	Solvency II	UK GAAP
Deposits from reinsurers	83,302	83,302
Deferred tax liabilities	-	1,622
Financial liabilities other than debts owed to credit institutions	1,806	37,824
Insurance and intermediaries payables	1,458	45,654
Reinsurance payables	62,569	154,724
Payables (trade, not insurance)	42,002	44,257
Subordinated liabilities	91,197	90,562
Subordinated liabilities in basic own funds	91,197	90,562
Total liabilities (excluding gross technical provisions)	**282,334**	**457,945**

Deposits from reinsurers

Under Solvency II, deposits from reinsurers are to be valued at fair value. Under UK GAAP, deposits from reinsurers are recognised at the amount payable. The Company incurs an interest expense on the deposits held from reinsurers at a floating rate of interest. This offsets the impact of the discounted value of the future interest payable and therefore the carrying amount is the same between UK GAAP and the solvency balance sheet.

Deferred tax liabilities

The basis for the calculation of deferred taxes under Solvency II is Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

The recognition and valuation of assets and liabilities are, according to Article 9 (1) and (2) of the Delegated Regulation, governed by the IFRS rules provided they conform to Article 75 of Directive 2009/138/EC. As deferred tax liabilities are a liability, deferred tax liabilities are also recognised and valued under Solvency II, in accordance with IAS 12.

The calculation of the deferred taxes is based on the difference between the recognition and valuation of the liabilities pursuant to Article 75 of Directive 2009/138/EC and the recognition and valuation of liabilities for tax purposes. A deferred tax asset has been recognised under Solvency II. Please refer to Section D.1 for further information.

Financial liabilities other than debts owed to credit institutions

As at the balance sheet date the Company had other liabilities not owed to credit institutions which primarily relate to other insurance related creditors. Financial liabilities other than debts owed to credit institutions are valued at their fair value as at the reporting date without taking into account any improvements or deteriorations in the Company's own credit standing. For materiality reasons, we do not discount liabilities with a residual term of up to one year. Under UK GAAP, these items are included in other creditors. There are no valuation difference between the solvency balance sheet and the UK GAAP balance sheet positions.

Under UK GAAP, reinsurers' share of deferred acquisition costs are included in financial liabilities other than debts owed to credit institutions. These are not included as a liability on the solvency balance sheet and are therefore removed.

Insurance and intermediaries payables

In the solvency balance sheet, insurance and intermediaries payables must be recognised at fair value. For materiality reasons, we do not discount liabilities with a residual term of up to one year. Under UK GAAP, these obligations must be recognised as an actual liability at their full settlement value.

Insurance and intermediaries payables not due as at the balance sheet date are included in the solvency balance sheet in the technical provisions. The corresponding UK GAAP amounts are included in insurance and intermediaries payables. Therefore the amounts in the solvency balance sheet are lower than under UK GAAP.

Reinsurance payables

In the solvency balance sheet, reinsurance payables must be recognised at fair value. For materiality reasons, we do not discount liabilities with a residual term of up to one year. Under UK GAAP, the total payables are carried as a liability at their settlement amount in the amount of the actual obligation.

Reinsurance payables not due as at the balance sheet date are included in the solvency balance sheet in the technical provisions. The corresponding UK GAAP amounts are included in reinsurance payables. Therefore the amounts in the solvency balance sheet are lower than under UK GAAP.

Payables (trade, not insurance)

In the solvency balance sheet, this item primarily includes insurance premium taxes owed to tax authorities. Payables (trade, not insurance) are valued at their fair value as at the reporting date without taking into account any improvements or deteriorations in the Company's own credit standing. For materiality reasons, we do not discount liabilities with a residual term of up to one year. Under UK GAAP, these obligations must be recognised as an actual liability at their full settlement value. Under Solvency II, some items are reclassified to financial liabilities other than debts owed to credit institutions. There is no valuation differences between UK GAAP.

Subordinated liabilities

Subordinated liabilities are liabilities which, in the event of liquidation or insolvency, are only satisfied after the claims of other creditors. Subordinated liabilities are measured at fair value in the solvency balance sheet. We determine the fair values using net present-value methods with observable market inputs. Under UK GAAP, subordinated liabilities are held at amortised cost. The Company received a loan of £90,000k from GL (via GLLB) in November 2023 and this has been revalued to £90,635k as the fair value as at the balance sheet date. Both the UK GAAP and solvency balance sheet values have an additional £562k of accrued interest included.

Other items not included in the solvency balance sheet

The following balance sheet liability line items are not applicable for either the solvency or UK GAAP balance sheets and therefore have not been considered further in this section:

- Contingent liabilities
- Provisions other than technical provisions
- Pension benefit obligations
- Derivatives
- Debts owed to credit institutions
- Any other liabilities, not elsewhere shown

D.4. Alternative methods for valuation

In preparing the 2023 solvency balance sheet, we did not make use of any alternative valuation methods.

D.5. Any other information

All material information related to Section D “Valuation for solvency purposes” can be found in the above sections. The Company has no further significant information to provide for the reporting year.

E. CAPITAL MANAGEMENT

E.1. Own funds

Aims, policies and processes to manage own funds

GLLS actively manages its capital to ensure that its capital level is appropriate at all times. The available own funds thus always cover the capital required by the supervisory authorities. Our intention is for our financial strength to open up profitable growth opportunities, but also for it to be maintained even after major loss events or substantial fluctuations in our assets. For GLLS, appropriate capitalisation also means that capital should not exceed the level required over a long period.

The Company's overall capital management strategy is to optimise the usage of capital in line with its business strategy, economic risk profile, appetite and management philosophy, subject to fulfilling all applicable regulatory capital requirements. Capital management decisions must thus achieve a balance between efficient use of capital and policyholder protection.

At company level, day-to-day capital management decisions are affected by risk and capital issues (e.g. changes in risk profile, regulatory changes), financial factors (e.g. cash flow, accounting results or costs, investment transactions) and by strategic direction (e.g. new business opportunities).

The Company's approach to measuring capital for the purpose of assessing capital management decisions is governed by risk criteria defined by the GLLS Board on the basis of the overall portfolio. The purpose of these risk criteria for the overall portfolio is as follows:

- Avoiding unplanned capital injections - relates to the monitoring of a risk indicator designed to prevent the need for capital injections, except in cases of material changes in the Company's business strategy, economic risk profile or management philosophy.
- Financial strength – designed to reflect the Company's solvency and hence the level of financial confidence that policyholders expect in order to do business with GLLS.

These criteria provides the GLLS Board with a regular risk-based overview for capital management decisions.

On the basis of the above measures, any capital management actions and decisions must not cause any of the whole portfolio risk criteria to breach the tolerance levels. Regulatory capital and capital requirements are also an important component of our annual planning cycle, in which we project available own funds and the capital requirements over a planning horizon of four years. All significant factors are used as a basis for the projections, but in particular premium growth before and after reinsurance and the development of our investments.

The Company's overall capital management strategy is owned by the GLLS Board. The Company's Capital Management Policy sets out the strategy, responsibility, processes and reporting procedures applicable to all capital management activities and decisions made in GLLS.

Structure, amount and quality of own funds

The tables below show the composition of capital as at 31 December 2023. The Company does not have any securitisations or off-balance sheet items.

Table 11: Composition of own funds:

£'000	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sectors within the meaning of Article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital	295,000	295,000	0	0	0
Reconciliation reserve	(27,997)	(27,997)	0	0	0
Subordinated liabilities	91,197			91,197	
An amount equal to the value of net deferred tax assets	2,702				2,702
Total basic own funds after deductions	360,902	267,003	0	91,197	2,702
Available and eligible own funds					
Total available own funds to meet the SCR	360,902	267,003		91,197	2,702
Total available own funds to meet the MCR	358,200	267,003		91,197	
Total eligible own funds to meet the SCR	360,902	267,003		91,197	2,702
Total eligible own funds to meet the MCR	287,129	267,003		20,126	
SCR	226,542				
MCR	100,632				
Ratio of eligible own funds to SCR	159%				
Ratio of eligible own funds to MCR	285%				

Tier 1:

GLLS had the following Tier 1 capital as at the balance sheet date:

- Ordinary share capital of £295,000k (2022: £225,000k)
- Reconciliation reserve of (£27,997)k (2022: £2,833k)

As disclosed in Section A.1 of this report, the Company received a share capital injection of £70,000k in the year from GL in addition to two share capital injections totalling £225m in 2022. All share capital injections have been classified as Tier 1 capital.

The reconciliation reserve arises out of the excess of assets over liabilities less the paid-up ordinary share capital and the net deferred tax assets.

Table 12: Reconciliation reserve:

£'000	2023	2022
Excess of assets over liabilities	269,705	222,875
Other basic own fund items	297,702	225,708
Reconciliation reserve	**(27,997)**	**(2,833)**

Tier 2:

GLLS had the following Tier 2 capital as at the balance sheet date:

- Subordinated loan £91,197k (2022: nil)

On 23 November 2023, the Company received £90,000k from GL in the form of a subordinated loan. The loan had a disbursement date on 23 November 2023 and has a fixed interest rate of 6%. Interest is payable annually in arrears on 23 November of each year and the loan is repayable in full 10 years from the disbursement date. The loan is an unsecured, subordinated obligation of the Company. In the event of a winding-up or of bankruptcy, this is to be repaid only after the claims of all other senior creditors have been met. The subordinated loan has a maturity date of 23 November 2033. The Company has considered the requirements of Article 73 of the Delegated Regulation and has concluded that the subordinated loan meets the requirements to be classified as Tier 2 capital.

The template S.23.01.01 for own funds provides an overview of the individual components of own funds as at 31 December 2023. No percentages other than those used in the QRT mentioned are used.

Tier 3:

GLLS had the following Tier 3 capital as at the balance sheet date:

- Deferred tax asset £2,702k

The Company has recognised a net deferred tax asset of £2,702k (2022: £708k) which relates to valuation differences between the Company's tax balance sheet and the solvency balance sheet as at the 31 December 2023 year-end. The Company expects to be able to offset the net deferred tax asset against future taxable profits. In accordance with Article 76(a) (iii) of the Delegated Regulation, the net deferred tax asset meets the requirements to be classified as Tier 3 basic own funds. In accordance with Article 82 of the Delegated Regulation, the net deferred tax asset is eligible to meet the SCR. However, the net deferred tax asset is not eligible to meet the MCR.

On the basis of our current business strategy, we do not see any necessity for returning capital.

Differences between UK GAAP equity and Solvency II excess of assets over liabilities

The table below outlines the differences between UK GAAP equity and Solvency II excess of assets over liabilities.

Table 13: Differences between UK GAAP equity and Solvency II excess of assets over liabilities

£'000	
UK GAAP equity	**281,296**
Valuation differences in net technical provisions (see section D.2)	320,700
Valuation differences in assets (see section D.1)	(507,902)
Valuation differences in liabilities (see section D.3)	175,611
Solvency II excess of assets over liabilities	**269,705**

E.2. Solvency capital requirement and minimum capital requirement

Overview of the Company's solvency capital requirement and minimum capital requirement as at the end of the reporting period and material changes in the reporting period

The solvency capital requirement (SCR) is the level of capital the Company is required to hold. The minimum captial requirement (MCR) is defined as the threshold below which would trigger intervention by the PRA and withdrawal of the Company's authorisation. GLLS uses the standard formula to calculate the solvency capital requirement. This section provides a breakdown of the solvency capital requirement by risk category.

The table below gives the breakdown of the solvency capital requirement by risk category as at the end of the reporting period:

Table 14: The SCR by risk category:

£'000 Solvency capital requirement for undertakings on standard formula	2023	2022
Non-life underwriting risk	180,626	58,890
Health underwriting risk	23,468	7,347
Market risk	8,874	7,532
Counterparty default risk	7,827	355
Diversification credit	(31,686)	(12,060)
Basic SCR	**189,109**	**62,064**
Operational risk	37,433	0
SCR	**226,542**	**62,064**

Appended to this report, Template S.25.01 "Solvency capital requirement – for undertakings on standard formula" presents the breakdown of the SCR by risk category. GLLS's total SCR amounted to £226,542k (2022:£62,064k).

The SCR has increased from £62,064k in 2022 to £226,542 in 2023. There have been material increases in the non-life underwriting and health underwriting risk modules of the SCR. The increases in these risk modules are driven by significant increases in the premium volumes (i.e. net earned premium) that the Company is expecting to generate in the next 12 months, followed by increases in reserve volumes (i.e. best estimate claims provisions). This is as a result of the Company not underwriting in 2022 and therefore there has been a year on year increase in the earned premium volumes and claims provisions as underwriting activity increased. In addition, there are smaller increases in the risk charge associated with these risk modules arising out of exposure to catastrophe risk which is largely mitigated by having reinsurance programmes in place.

The increase in the counterparty default risk can be explained by the increase in receivables and reinsurance recoverables (associated with the increase in insurance related activities as the Company has started to underwrite) compared to the prior year. In addition, there has been an increase in the total value of the investment portfolio as well as a change in the overall credit quality composition both of which have contributed to the increase in market risk. The increase in the diversification credit is in line with the overall increase in the key risk modules.

Finally, there has been a material increase in the operational risk charge. The operation risk charge is calculated with reference to the previous 12 months of gross earned premium income. As the Company did not underwrite in 2022 the operational risk module charge was nil. The increase therefore is driven by increase in underwriting activity.

The Minimum Capital Requirement ("MCR") as at 31 December 2023 is £100,632k (2022: £15,516k). The MCR is calculated in accordance with Articles 248-253 and Annex XIX of the Delegated Regulation and has been set at 44% of the SCR.

E.3. Use of the duration-based equity risk sub-model in the calculation of the solvency capital requirement

GLLS does not use the duration-based equity sub-model in calculating the SCR.

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

GLLS does not use an internal model to calculate the SCR.

E.5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

GLLS met both the minimum capital requirement and the solvency capital requirement during the reporting period.

E.6. Any other information

All material information on Section E "Capital management" can be found in the above sections.

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Appendix

General information

Undertaking name	Great Lakes Insurance UK Limited
Undertaking identification code	9845004EJ8AF38986E07
Type of code of undertaking	LEI
Type of undertaking	Non-Life undertakings
Country of authorisation	GB
Language of reporting	EN
Reporting reference date	2023-12-31
Regular/Ad-hoc submission	Regular reporting
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

S.02.01.02 - Balance sheet	Reported
S.05.01.02 - Premiums, claims and expenses by line of business	Reported
S.05.02.01 - Premiums, claims and expenses by country	Not reported as all is home country
S.12.01.02 - Life and Health SLT Technical Provisions	Not reported as no life and health SLT business
S.17.01.02 - Non-Life Technical Provisions	Reported
S.19.01.21 - Non-Life insurance claims	Reported
S.22.01.21 - Impact of long term guarantees measures and transitionals	Not reported as no LTG measures or transitionals are applied
S.23.01.01 - Own Funds	Reported
S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula	Reported
S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model	Not reported as use of standard formula
S.25.03.21 Solvency Capital Requirement - for undertakings on Full Internal Models	Not reported as use of standard formula
S.28.01.01 - Minimum Capital Requirement - Only life or non-life insurance or reinsurance activity	Reported
S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity	Not reported as only life or only non-life insurance or reinsurance activity or only reinsurance activity

The below QRTs are presented in £'000.

S.02.01.02 - Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	2,702
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**800,933**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*770,922*
Government Bonds	R0140	355,278
Corporate Bonds	R0150	410,330
Structured notes	R0160	5,314
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	30,011
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**84,472**
Non-life and health similar to non-life	R0280	84,472
Non-life excluding health	R0290	84,472
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	16,210
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	17,444
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	46,055
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**967,816**
Liabilities		
Technical provisions - non-life	**R0510**	**415,777**
Technical provisions - non-life (excluding health)	**R0520**	**379,655**
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	365,908
Risk margin	R0550	13,747
Technical provisions - health (similar to non-life)	**R0560**	**36,122**
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	34,335
Risk margin	R0590	1,787
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	83,302
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	1,806
Insurance & intermediaries payables	R0820	1,458
Reinsurance payables	R0830	62,569
Payables (trade, not insurance)	R0840	42,002
Subordinated liabilities	**R0850**	**91,197**
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	91,197
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**698,111**
Excess of assets over liabilities	**R1000**	**269,705**

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Premiums written														
Gross - Direct Business	R0110	144,916	602		454,602	168,942	14,484	164,644	81,117	772		12	118,926	**1,149,017**
Gross - Proportional reinsurance accepted	R0120													**0**
Gross - Non-proportional reinsurance accepted	R0130													**0**
Reinsurers' share	R0140	746	0		80,754	14,092	29	124,123	50,430	772		0	29,444	**300,390**
Net	**R0200**	**144,170**	**602**		**373,848**	**154,850**	**14,455**	**40,521**	**30,687**	**0**		**12**	**89,482**	**848,627**
Premiums earned														
Gross - Direct Business	R0210	103,688	470		221,269	83,503	10,198	79,670	36,345	386		11	88,341	**623,881**
Gross - Proportional reinsurance accepted	R0220													**0**
Gross - Non-proportional reinsurance accepted	R0230													**0**
Reinsurers' share	R0240	746	0		36,995	6,443	29	62,870	25,064	386		0	28,049	**160,582**
Net	**R0300**	**102,942**	**470**		**184,274**	**77,060**	**10,169**	**16,800**	**11,281**	**0**		**11**	**60,292**	**463,299**
Claims incurred														
Gross - Direct Business	R0310	52,767	147		186,791	70,622	3,751	50,223	21,136	190		3	47,704	**433,334**
Gross - Proportional reinsurance accepted	R0320													**0**
Gross - Non-proportional reinsurance accepted	R0330													**0**
Reinsurers' share	R0340	0	0		29,151	5,078	0	38,813	13,727	189		0	13,944	**100,902**
Net	**R0400**	**52,767**	**147**		**157,640**	**65,544**	**3,751**	**11,410**	**7,409**	**1**		**3**	**33,760**	**332,432**
Changes in other technical provisions														
Gross - Direct Business	R0410	0	0		0	0	0	0	0	0		0	0	**0**
Gross - Proportional reinsurance accepted	R0420	0	0		0	0	0	0	0	0		0	0	**0**
Gross - Non-proportional reinsurance accepted	R0430													**0**
Reinsurers' share	R0440	0	0		0	0	0	0	0	0		0	0	**0**
Net	**R0500**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Expenses incurred	**R0550**	**51,803**	**235**		**45,484**	**18,100**	**7,005**	**10,662**	**7,788**	**7**		**6**	**31,690**	**172,780**
Other expenses	R1200													**574**
Total expenses	**R1300**													**173,354**

S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:□				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	
Technical Provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	**11,395**	**0**	**0**	**130,019**	**49,912**	**-2,248**	**35,289**	**14,758**	**-150**	**0**	**-4**	**6,116**					**245,087**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	18,667	728	0	20,700	5,930	-153	0	0	-4,779					**41,093**
Net Best Estimate of Premium Provisions	R0150	**11,395**	**0**	**0**	**111,352**	**49,184**	**-2,248**	**14,589**	**8,828**	**3**	**0**	**-4**	**10,895**	**0**	**0**	**0**	**0**	**203,994**
Claims provisions																		
Gross	R0160	**22,808**	**132**	**0**	**66,051**	**25,959**	**240**	**20,607**	**8,111**	**-5**	**0**	**1**	**11,252**					**155,156**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	9,759	5,019	0	17,935	4,969	-4	0	0	5,701					**43,379**
Net Best Estimate of Claims Provisions	R0250	**22,808**	**132**	**0**	**56,292**	**20,940**	**240**	**2,672**	**3,142**	**-1**	**0**	**1**	**5,551**	**0**	**0**	**0**	**0**	**111,777**
Total Best estimate - gross	**R0260**	**34,203**	**132**	**0**	**196,070**	**75,871**	**-2,008**	**55,896**	**22,869**	**-155**	**0**	**-3**	**17,368**	**0**	**0**	**0**	**0**	**400,243**
Total Best estimate - net	**R0270**	**34,203**	**132**	**0**	**167,644**	**70,124**	**-2,008**	**17,261**	**11,970**	**2**	**0**	**-3**	**16,446**	**0**	**0**	**0**	**0**	**315,771**
Risk margin	**R0280**	1,783	4	0	8,101	3,057	92	867	478	0	0	0	1,152					**15,534**
Amount of the transitional on Technical Provisions																		0
Technical Provisions calculated as a whole	R0290																	**0**
Best estimate	R0300																	**0**
Risk margin	R0310																	**0**
Technical provisions - total																		0
Technical provisions - total	**R0320**	**35,986**	**136**	**0**	**204,171**	**78,928**	**-1,916**	**56,763**	**23,347**	**-155**	**0**	**-3**	**18,520**	**0**	**0**	**0**	**0**	**415,777**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**0**	**0**	**0**	**28,426**	**5,747**	**0**	**38,635**	**10,899**	**-157**	**0**	**0**	**922**	**0**	**0**	**0**	**0**	**84,472**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**35,986**	**136**	**0**	**175,745**	**73,181**	**-1,916**	**18,128**	**12,448**	**2**	**0**	**-3**	**17,598**	**0**	**0**	**0**	**0**	**331,305**

S.19.01.21 - Non-Life insurance claims

Gross Claims Paid (non-cumulative)

		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
2014	R0160											
2015	R0170											
2016	R0180											
2017	R0190											
2018	R0200											
2019	R0210											
2020	R0220											
2021	R0230											
2022	R0240											
2023	R0250	67,158										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100		
	R0160		
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220		
	R0230		
	R0240		
	R0250	67,158	67,158
Total	R0260	**67,158**	**67,158**

Gross undiscounted Best Estimate Claims Provisions

		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
2014	R0160											
2015	R0170											
2016	R0180											
2017	R0190											
2018	R0200											
2019	R0210											
2020	R0220											
2021	R0230											
2022	R0240											
2023	R0250	176,286										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	
	R0250	155,155
Total	R0260	**155,155**

S.23.01.01 - Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	295,000	295,000	0		0
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-27,997	-27,997	0	0	0
Subordinated liabilities	R0140	91,197	0		91,197	0
An amount equal to the value of net deferred tax assets	R0160	2,702	0	0	0	2,702
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**360,902**	**267,003**		**91,197**	**2,702**
Ancillary own funds		0	0	0	0	0
Unpaid and uncalled ordinary share capital callable on demand	R0300		0	0		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310		0	0		
Unpaid and uncalled preference shares callable on demand	R0320		0	0		
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330		0	0		
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340		0	0		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350		0	0		
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360		0	0		
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370		0	0		
Other ancillary own funds	R0390		0	0		
Total ancillary own funds	**R0400**		0	0		
			0	0		
Available and eligible own funds		0	0	0	0	0
Total available own funds to meet the SCR	**R0500**	360,902	267,003	0	91,197	2,702
Total available own funds to meet the MCR	**R0510**	358,200	267,003	0	91,197	0
Total eligible own funds to meet the SCR	**R0540**	360,902	267,003	0	91,197	2,702
Total eligible own funds to meet the MCR	**R0550**	287,129	267,003	0	20,126	0
SCR	**R0580**	226,542	0	0	0	0
MCR	**R0600**	100,632	0	0	0	0
Ratio of Eligible own funds to SCR	**R0620**	159.31%	0	0	0	0
Ratio of Eligible own funds to MCR	**R0640**	285.33%	0	0	0	0

		C0060
Reconciliation reserve		0
Excess of assets over liabilities	R0700	269,705
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	297,702
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	-27,997
Expected profits		0
Expected profits included in future premiums (EPIFP) - Life Business	R0770	0
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,068
Total Expected profits included in future premiums (EPIFP)	**R0790**	1,068

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	8,874		
Counterparty default risk	R0020	7,827		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	23,468		
Non-life underwriting risk	R0050	180,626		
Diversification	R0060	-31,686		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**189,109**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	37,433
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/E(	R0160	0
Solvency capital requirement excluding capital add-on	R0200	226,542
Capital add-on already set	**R0210**	**0**
Solvency capital requirement	R0220	226,542
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

Calculation of loss absorbing capacity of deferred taxes

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

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

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	34,203	144,170
Income protection insurance and proportional reinsurance	R0030	132	602
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	167,644	373,849
Other motor insurance and proportional reinsurance	R0060	70,124	154,850
Marine, aviation and transport insurance and proportional reinsurance	R0070		14,455
Fire and other damage to property insurance and proportional reinsurance	R0080	17,261	40,521
General liability insurance and proportional reinsurance	R0090	11,970	30,687
Credit and suretyship insurance and proportional reinsurance	R0100	2	
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		12
Miscellaneous financial loss insurance and proportional reinsurance	R0130	16,446	89,481
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

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

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	100,632	
MCRL Result	R0200		

Overall MCR calculation		C0070
Linear MCR	R0300	100,632
SCR	R0310	226,542
MCR cap	R0320	101,944
MCR floor	R0330	56,635
Combined MCR	R0340	100,632
Absolute floor of the MCR	R0350	3,495
		C0070
Minimum Capital Requirement	**R0400**	**100,632**