Solvency and Financial Condition Report 2022

QIC EUROPE LIMITED

Solvency and Financial Condition Report (SFCR)
For the financial year ended 31 December 2022

Contents

1 EXECUTIVE SUMMARY

The Solvency and Financial Condition Report presents the business performance, governance, risk profile, and financial and solvency position of QIC Europe Limited ("QEL" or "the Company") covering the financial year ending 31 December 2022.

This report is prepared in accordance with the supervisory reporting and disclosure requirements under Solvency II, including the Malta Financial Services Authority's ("MFSA") Insurance Rules Chapter 8 'Financial Statements and Supervisory Reporting Requirements' and its Annex 1 'Guidelines on reporting and public disclosure'.

Section 2: Business and Performance

QIC Europe Limited (QEL) is a wholly owned subsidiary of Antares Reinsurance Company Limited (previously Qatar Reinsurance Company Limited). Qatar Insurance Company Q.S.P.C., the ultimate parent of the QIC Group of companies and a leading Qatari publicly-listed insurer with an underwriting footprint across the Middle East, Africa and Asia. QEL is backed by a full guarantee from QIC Group, rated "A-" by Standard and Poor's and A.M. Best and benefits from the QIC Group's capital base.

QEL's business model is based on writing insurance business through selected Managing General Agents (MGAs) and coinsurance partners across the European Economic Area ("EEA").

The Gross Written Premium (GWP) of the company decreased by 57%, from USD $582.5m in 2021 to USD $250.5m in 2022. The decrease is primarily attributable to non-renewal/cancellation of major contracts which is a result of the re-underwriting exercise undertaken on the existing book of business during 2022. On a gross basis, the portfolio delivered a combined ratio of 100% in the 2022 financial year, compared to 96% in 2021; and the Company continued with the 90% variable quota share arrangement with its parent AntaresRe.

The Company reported a net loss after tax of USD $12.3m in 2022, compared to the net profit of USD $1.7m in 2021. The decrease in net profit is mainly attributable to the decrease in underwriting income coupled with losses reported during the period (namely Covid-related). Other contributing loss factors include reduced investment income. QEL's investment income is driven by investments in fixed income bonds. The net investment income (net of investment management expenses) was USD $1.2m at the end of 2022, compared to USD $2.1m in 2021.

This section of the report provides an overview of the Group's structure, an analysis of the classes of business and geographical spread, and investment performance.

Section 3: System of governance

QEL has established a sound and effective corporate governance framework, which is appropriate to the size, nature, complexity and risk profile of the Company. QEL has adopted a "Three Lines of Defence" model to ensure appropriate segregation of roles and responsibilities across the Company.

The Board retains the ultimate responsibility for the design and effective operation of the system of governance and it has an established Risk and Capital Committee and Audit Committee in addition to a range of other management committees which focus on specific areas. The Board also receives support and advice from various Antares Global committees namely the Finance, Investment, Security, Reserving and Remuneration committees that provide services, advice and recommendations to the Antares Global companies.

The key functions at QEL are the Compliance function, Risk Management function, Actuarial function and Internal Audit function with defined responsibilities, which are documented in QEL policies and procedures.

This section of the report provides details on governance roles and responsibilities, internal control framework, operation of the key functions, policies and procedures and the risk management processes including Own Risk and Solvency Assessment (ORSA).

Section 4: Risk Profile

QEL targets a multi-class balanced portfolio which is composed of principally low severity/high frequency business. QEL manages the insurance risk through implementation of the underwriting strategy and guidelines, reinsurance arrangements, exposure management and appropriate reserving and claims management processes.

The total SCR has fallen by around $11m compared to last year. However, the percentage risk ranking by risk category has remained relatively stable. The most material risk categories based on their capital impact are counterparty default risk and non-life underwriting risk.

Counterparty credit risk is the largest contributor to capital requirements. At the end of the reporting period, the Company's largest exposure to credit risk came from the underwriting risk ceded to reinsurance counterparties. The majority of this cession is intra-Group: currently it is mainly driven by business ceded to AntaresRe; for the reserves, the historical cessions to QIC are also meaningful. QIC is rated A- by S&P Global Ratings and A- by A.M. Best. AntaresRe benefits from the same ratings.

The Company has detailed policies and procedures on the management of all risk categories and the risk appetite and tolerance statements, approved by the Board, govern the concentration limits in relation to counterparties, credit quality and peril-regions to avoid material risk concentration.

Sustained above average inflation rates have been observed throughout 2022 across the UK and EU, and these have been factored into the underwriting, claims, reserving, investment, and expense management activities for QEL.

The majority of covered COVID claims have been settled by QEL and for those that remain open, QEL continues to work with its policyholders to resolve all COVID-related claims. Post the 2021 Supreme Court judgement in the FCA test case, there remain certain unresolved coverage and quantification issues that QEL is addressing. QEL is working to have any disputes that affect its policyholders resolved in the appropriate fora. QEL's COVID reserves are set on a best estimate reserving methodology. The legal evolution on continuing cases is routinely monitored by QEL and a framework is in place to review our reserves in response to legal developments. During Q4 2022, COVID related reserving updates resulted in a Net Ultimate loss increase of $19.1m.

This section of the report provides details of the QEL risk profile, risk management and mitigation processes for different risk categories and their consideration in the capital calculation.

Section 5: Valuation for Solvency Purposes

The assessment of the available and required regulatory capital is made by taking an economic view of the Company's assets and liabilities, in accordance with the Solvency II ("SII") valuation principles.

On an International Financial Reporting Standards ("IFRS") basis the asset base supporting the business decreased to USD $951.3m in 2022 from USD $1.37b in 2021, which is largely aligned to QEL's decrease in Gross Written Premium for the 2022 underwriting year. The main difference on a SII basis relates to Deferred Acquisition Costs, which are valued at nil in the SII balance sheet as the company does not expect future cash flows to arise from this asset.

On a net basis, the Solvency II Technical Provision have reduced in 2022 from 2021. This is associated with the downsizing of the underwriting portfolio. The gross technical provisions reduced by 30% whilst the reinsurance recoverables decreased by 29% between 2021 and 2022. The similarity in reduction proportions reflect the consistent structure of reinsurance over the years. The Risk Margin also reduced between 2022 and 2021 reflecting a reduced risk profile.

This section of the report provides the valuation of the assets and liabilities and a quantitative and qualitative assessment of the differences in the IFRS and SII basis.

Section 6: Capital Management

The Solvency Capital Requirement ("SCR") is calculated using the SII standard formula. The SCR as at 31 December 2022 is $42.4m (2021: USD $53.7m).

QEL - Eligible Capital to cover SCR (USD'000)	2022 YE	2021 YE	Diff
Eligible Capital for SCR	69,530	8,404	(8,874)
Solvency Capital Requirement (SCR)	42,425	53,710	(11,285)
SCR ratio	**164%**	**146%**	**18%**

*All numbers relate to the assessed Year End position

The Board has an approved risk appetite of maintaining 140-160% solvency coverage ratio and the solvency ratio stood at 164% as at 31 December 2022 compared to 146% at 31 December 2021. This represents a 18% increase in the Solvency Capital Requirement coverage.

This section of the report provides structure of the basic own funds, tiers of the eligible own funds and the solvency capital calculation.

Section 7: Subsequent Events

Approximately 48% of QEL's portfolio in 2023 is written in the UK through UK coverholders as QEL continues to write UK business uninterruptedly under the UK's Temporary Permissions Regime, which expires 31st December 2023. Antares Global has created a comprehensive Brexit plan and as part of this, a newly established UK risk carrier is in the process of being authorised as an insurer in the UK by the Prudential Regulation Authority and the Financial Conduct Authority. We anticipate obtaining approval by 1st July 2023. Once authorised, QEL's UK business will be renewed into the newly established UK risk carrier, whilst the prior years' UK business will continue to run off to expiry in QEL.

2 BUSINESS AND PERFORMANCE

2.1 Business

2.1.1 The Company

QIC Europe Limited (QEL) is a wholly owned subsidiary of Antares Reinsurance Company Limited (AntaresRe, previously Qatar Reinsurance Company Limited), a Class 4 Bermuda-based (re)insurer. AntaresRe is a wholly-owned subsidiary of QIC Capital LLC, which in turn is a wholly-owned subsidiary of Qatar Insurance Company Q.S.P.C., the ultimate parent of the QIC Group of companies and a leading Qatari publicly-listed insurer with an underwriting footprint across the Middle East, Africa and Asia. QEL is backed by a full guarantee from QIC Group, rated "A-/Strong' by Standard and Poor's and "A-/Excellent" by A.M. Best and benefits from the QIC Group's capital base.

Established in 2014, QEL is a Malta domiciled insurer with a branch in the UK authorised to underwrite all non-life classes of insurance and reinsurance throughout the European Economic Area ("EEA") and UK. QEL's business model is based on writing insurance business through selected Managing General Agents (MGAs) and coinsurance partners across the EEA and UK. QEL's Italy Branch was closed on the 13th January 2022.

QEL is authorised and regulated by the Malta Financial Services Authority.

Supervisory Authority

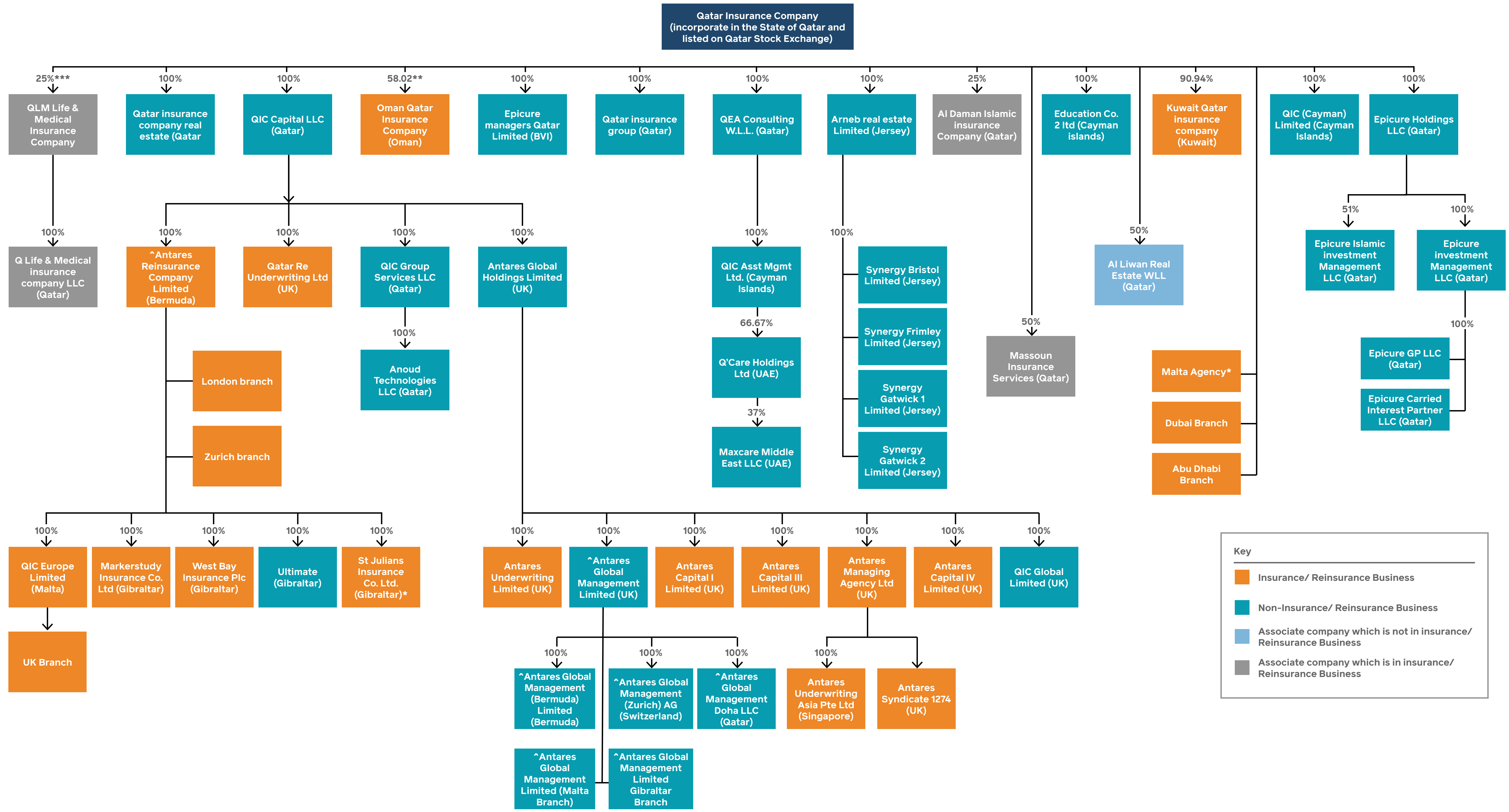
Malta Financial Services Authority
Triq l-Imdina, Zone 1, Central Business District, Birkirkara, CBD 1010, Malta

External Auditor:

KPMG Malta
Portico Building, Marina Street, Pieta 2563 1000

2.1.2 Ownership Structure

The QIC Group legal structure is presented below. Qatar Re owns 22,500,000 ordinary shares that have a nominal value of USD 1.00 in QEL.



^ Name chsnge on 2022

* In run-off

** OQIC is listed on Muscat Securities Market. QIC's direct ownership is 51.7%, remaining shares are held through group entities

*** QLM is listed on Qatar Stock Exchange

2.1.3 Insurance and Reinsurance Business written

QIC Europe Limited holds licences to write the following classes of general business insurance and reinsurance business:

- Class 1 – Accident
- Class 2 – Sickness
- Class 3 – Land vehicles
- Class 4 – Railway rolling stock
- Class 5 – Aircraft
- Class 6 – Ships
- Class 7 – Goods in transit
- Class 8 – Fire and natural forces
- Class 9 – Other damage to property
- Class 10 – Motor vehicle liability (in some countries)
- Class 11 – Aircraft liability
- Class 12 – Liability for ships
- Class 13 – General liability
- Class 14 – Credit
- Class 15 – Suretyship
- Class 16 – Miscellaneous financial loss
- Class 17 – Legal expenses
- Class 18 – Assistance

2.2 Business Performance

The Company reported a net loss after tax of USD $12.3m in FY 2022 compared to a net profit after tax of USD $1.7m in FY 2021. The decrease in profit is mainly attributable to the decrease in UW income coupled with losses reported during the period (namely Covid-related). Other factors contributing to the loss were an increase in administrative expenses and reduced investment income.

2.3 Underwriting Performance

Premiums written by the Company in 2022 were USD $250.5m (2021: USD $582.5m), representing a 57% decrease on prior year. The decrease is primarily attributable to non-renewal/cancellation of major contracts which is a result of re-underwriting exercise undertaken on the existing book of business during 2022.

The technical result for general business in current calendar year stands at a profit of USD $2.3m compared to USD $11.9m in 2021. The deterioration in technical result, as clarified above, is a result of significant reduction in premium income and adverse claims experience seen during the year, especially in the Property class of business.

On a gross basis (prior to reinsurance), the portfolio delivered a combined ratio of 100% in 2022 financial year, compared to 96% in 2021.

The gross written premiums for 2022 compared to the 2021 gross written premiums by SII line of business are as follows:

Line of Business	Actual 2022 GWP ($m)	Actual 2021 GWP ($m)	2022 Actual Vs 2021 Actual ($m)
Fire & Other Damage to Property	134.2	204.5	(70.3)
Motor Vehicle Liability	80.6	261.9	(181.3)
Other Motor	25.8	75.7	(49.9)
General Liability	8.5	38.8	(30.3)
Credit & Suretyship	1.3	-	1.3
Miscellaneous Financial Loss	0.1	0.4	(0.4)
Marine, Aviation & Transport	0.0	1.1	(1.1)
Total GWP	**250.5**	**582.5**	**(332.0)**

The gross written premiums by geographical territory are as follows:

Line of Business	Actual 2022 GWP ($m)	Actual 2021 GWP ($m)	2022 Actual Vs 2021 Actual ($m)
UK	206.4	536.7	(330.4)
Greece	21.2	20.9	0.4
Ireland	14.4	16.3	(1.9)
Gibraltar	3.2	2.5	0.6
Spain	3.1	1.8	1.3
Portugal	1.6	2.0	(0.5)
France	0.6	0.5	0.0
Other	0.2	1.7	(1.5)
Total GWP	**250.5**	**582.5**	**(332.0)**

The 2022 portfolio continues to be focussed on Motor and Property business predominately in the UK, however, both saw GWP reductions in 2022 on account of the non-renewal/cancellation of major contracts. The reduction on the Liability income is related to the reduction in Property income (related to Small and Medium Enterprise package policies).

The following table compares the actual GWP of underwriting year 2022 (on a Solvency II Lines of Business) to the 2022 business plan.

Line of Business	Actual 2022 GWP ($m)	Plan 2022 GWP ($m)	2022 Actual Vs 2022 Plan ($m)
Fire & Other Damage to Property	134.2	177.4	(43.2)
Motor Vehicle Liability	80.6	105.7	(25.1)
Other Motor	25.8	44.0	(18.2)
General Liability	8.5	41.1	(32.6)
Credit & Suretyship	1.3	0.0	1.3
Miscellaneous Financial Loss	0.1	2.0	(1.9)
Marine, Aviation & Transport	0.0	0.4	(0.4)
Total GWP	**250.5**	**370.6**	**(120.1)**

The plan for 2022 anticipated USD $370.6m of written premium income but actual income was USD $250.5m, an adverse variance of 32%, which is mainly attributable to non-renewal/cancellation of major contracts because of re-underwriting exercise undertaken during 2022 on the existing book of business.

Line of Business	Actual 2022 GWP ($m)	Plan 2023 GWP ($m)	2022 Actual Vs 2023 Plan ($m)
Fire & Other Damage to Property	134.2	46.1	(88.1)
Motor Vehicle Liability	80.6	31.1	(49.5)
Other Motor	25.8	9.0	(16.8)
General Liability	8.5	4.9	(3.6)
Credit & Suretyship	1.3	3.5	2.2
Miscellaneous Financial Loss	0.1	0.0	(0.1)
Marine, Aviation & Transport	0.0	0.0	0.0
Total GWP	**250.5**	**94.6**	**(155.9)**

2.4 Investment Performance

QEL's investment strategy is tailored to meet the Company's business needs and objectives. The asset mix is closely managed to meet liquidity needs and investment return targets. QEL's investment income is driven by investments in fixed income bonds.

Income Allocation	2022 (USD '000)	2021 (USD '000)
Net Interest Income	**1,293**	**2,109**
-on Cash and Deposits	(255)	307
- On Fixed Income	1,569	1,839
- Facility & Repo Interest Expenses	(21)	(38)
Realized Gain / (Loss)	**(114)**	**217**
Gross Investment Income	**1,179**	**2,325**
Less: Advisory Fee	(167)	(240)
Net Investment Income	**1,012**	**2,086**

2.5 Other Material Income and Expense

The main expenses beyond underwriting and investment relate to employee compensation:

	2022 (USD '000)	2021 (USD '000)
Employee Related Costs	6.8	5.4

The increase in the employee related costs vs prior year is mainly attributable to the higher recharge from group service entity Antares Global Management Limited.

2.6 Any other material information

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

3 SYSTEM OF GOVERNANCE

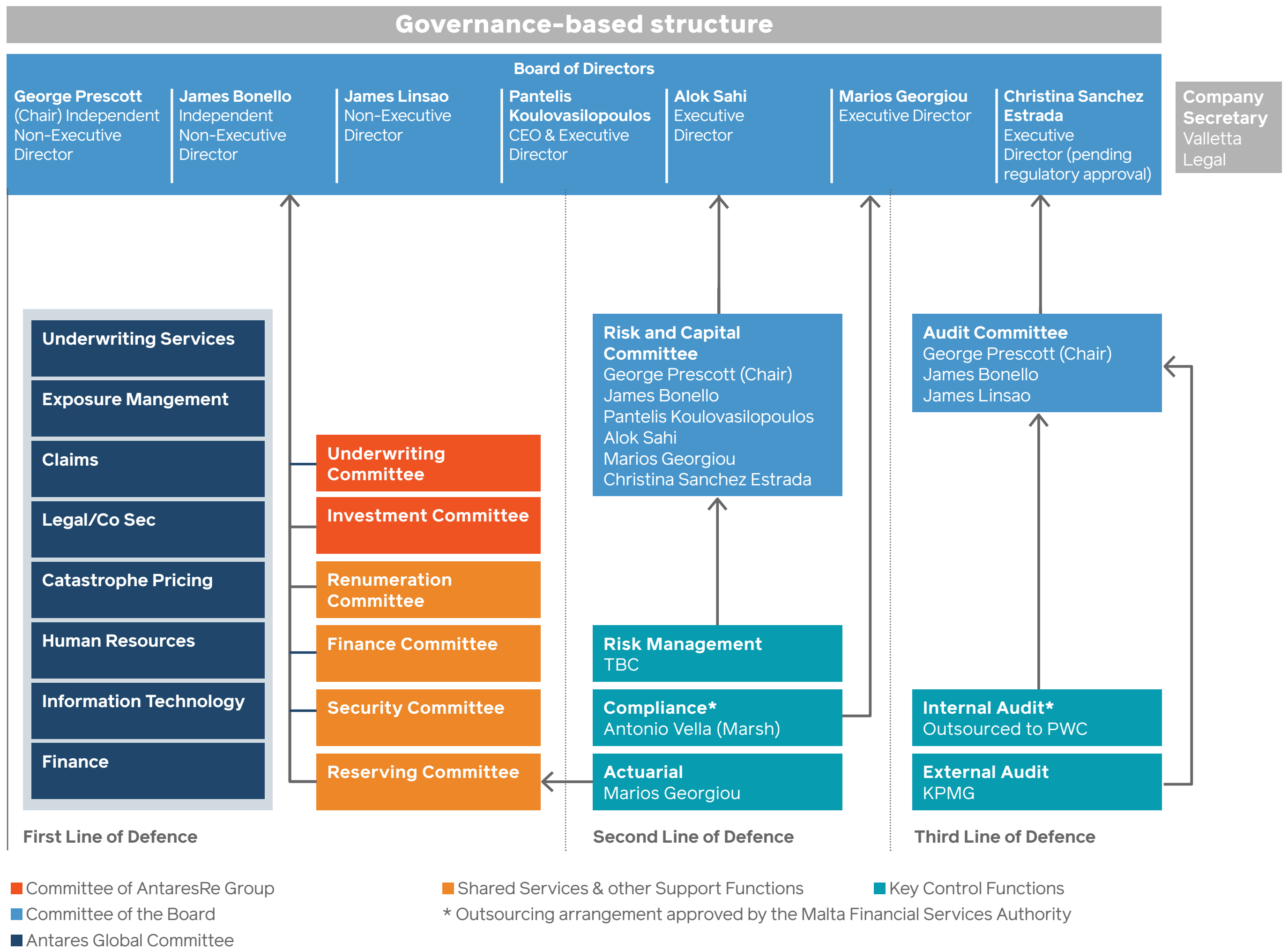
3.1 Introduction

QEL has established a sound and effective corporate governance framework, which is appropriate to the size, nature, complexity and risk profile of the Company. This enables sound and prudent management of the Company's activities so that the interests of policyholders and other stakeholders are appropriately protected.

The governance framework is administered by the Board and its Committees to provide robust oversight and clear accountability with specific focus on the delegated underwriting and claims management arrangements.

QEL has adopted a "Three Lines of Defence" model to ensure appropriate segregation of roles and responsibilities across the Company. The segregation of responsibilities applies across all business functions and various layers of review exist within each business function and between committees and the Board. These controls are audited on a regular basis by the Company's internal and external auditors.

The current governance structure for QEL at the time of writing this report is presented below.



3.2 Responsibilities of the Board and Committees

The Board meets at least quarterly and, ad-hoc, when required, and carries out its duties within established terms of reference.

The Board has appointed a Risk and Capital Committee, and an Audit Committee to assist in the effective discharge of its duties, although the Board retains ultimate responsibility.

A brief description of the responsibilities of the Board and Board Committees are provided in the table below.

Board Committee	Responsibilities

Board of Directors	• Approve strategy, annual business plan and any individual large or complex transactions and financial statements .
	• Oversee operating performance against the approved plan.
	• Ensure sufficient capital is held to maintain the Company's ongoing solvency.
	• Oversee the risk management system, including setting the Company's risk appetite and tolerances.
	• Set and oversee the effectiveness of the Company's Governance Structure and Internal Control System as detailed within this policy.
	• Set and oversee adherence to corporate policies.
	• Ensure QEL meets minimum regulatory requirements.
	• Have on-going regard as to whether any outsourced functions to third parties or affiliates:
	  ◦ adversely affect QEL's governance and risk management structures;
	  ◦ have an increased operational risk;
	  ◦ affect the MFSA's ability to effectively supervise QEL; and
	  ◦ be detrimental to policyholder interests

Risk and Capital Committee (RCC)	• Review and approve for recommendation to the Board the Risk Management Policy and ORSA Policy. Ensure the enterprise risk management system remains adequate and effective given the Company's risk profile. • Identify current and future potential risk exposures and monitor actual exposures against risk appetite and tolerances, including emerging risks. • Ensure maintenance of sufficient economic and regulatory capital. • Promote a risk aware culture and encourage risk-based decision making.

Audit Committee (AC)	• Review and approve for recommendation to the Board the Company's annual and interim financial statements.
	• Review all significant changes concerning the principles and practice of auditing and accounting used by the external auditor or the Company's
	• Finance department in preparing financial statements.
	• Review any internal audit or financial reports issued to management and any associated responses provided by management.
	• Annually review and report on the quality and effectiveness of the audit process, including assessing the external auditor's independence.
	• Evaluate the effectiveness of the Internal Audit function, including its purpose, activities, scope, adequacy and costs, and approve the three-year Internal Audit Plan and any subsequent material changes.
	• Provide assurance as to the integrity of:
	  ◦ Risk Management and Internal Control System
	  ◦ Compliance function
	  ◦ Internal Audit Function

The Board also receives support and advice from the following Antares Global committees that provide services, advice and recommendations to the QIC Global companies, including:

- Reserving Committee;
- Remuneration Committee;
- Security Committee;
- Finance Committee;
- Investment Committee

This support is part of the successful initiative of integrating services through the intra-group Outsourcing Agreement to Antares Global Management Limited (previously QIC Global Services Limited) and by detailing the Service Level Agreement ("SLA") in respect of all functions, which is monitored by the Board and its Committees.

Additionally, the AntaresRe Group also has an in place a Group Underwriting Committee.

QEL is also supported by a Product Oversight Group (POG), which was set up for the governance and oversight of insurance products which it manufactures - or co-manufactures - and distributes, including where it outsources the manufacture and/ or distribution of insurance products.

3.3 Key functions/Responsibilities

The key functions at QEL are the Compliance function, Risk Management function, Actuarial function and Internal Audit function.

Each of the key functions is independent from the Company's operational functions, thereby ensuring they can undertake their activities in an unbiased and objective manner. The main responsibilities of the key functions are as follows:

3.3.1 Risk Management function

- Develop, implement and maintain the Risk Management Framework and associated Risk Management policies.
- Assist the Board in developing the Risk Appetite Statements, facilitate the ongoing monitoring of the risk appetite and tolerances and escalate any breaches to the CEO, committees and the Board.
- Coordinate the ORSA processes and prepare the ORSA report.
- Support the business functions in identifying, assessing and managing their risks. Facilitate the identification, documentation and assessment of the key controls. Communicate regularly with the business functions to understand, challenge and monitor their risks and controls.
- Investigate reported incidents of control failings or weaknesses, and document them.
- Update and maintain the Risk Register.
- Identify, document and assess the impact of emerging risks.
- Facilitate the stress, scenario and reverse stress testing.
- Provide advice, consultation and training to business functions on risk and control-related matters.
- Coordinate assurance activities with the Actuarial, Compliance and Internal Audit functions.
- Provide quarterly risk reports to the Risk and Compliance Committee and the Board.
- Liaise with external parties, including regulators, as appropriate.

3.3.2. Compliance Function

The Compliance function is outsourced to Marsh, with support services provided by a wider team at

Antares Global (Intra-Group Shared Services Outsourcing Agreement).

The Compliance function is responsible for directing and overseeing the management and monitoring of the Company's adherence to applicable regulatory and legislative requirements, and to the Company's internal policies, procedures and controls to ensure the effective mitigation of compliance risk. The Compliance function also acts in an advisory capacity to the Board and wider Company regarding the impact of a range of regulatory and legislative requirements.

The Compliance function fulfils its obligations by carrying out the following key activities:

- Act in an advisory, oversight and assurance capacity to ensure that the Company has the necessary systems and controls to enable it to adhere, on an ongoing basis, to regulatory and legislative requirements.
- Develop and monitor the Company-wide compliance policies and procedures, as well as undertake regular and ad-hoc compliance activities.
- Develop an annual compliance plan setting out the key objectives and activities of the Compliance function in the year ahead and ensure adequate resources are in place.
- Provide guidance and support on regulatory and legislative requirements. Ensure that staff receive adequate training on various compliance matters.
- Ensure that business is written in accordance with applicable licensing requirements in those jurisdictions in which the Company writes business.
- Liaise with the regulator(s) to develop and maintain open and cooperative relationships and ensure that appropriate disclosures are made to the regulator(s) of anything relating to QEL that the regulator(s) would reasonably expect notice of. Ensure that all regulatory returns are submitted to the regulator(s) within the prescribed timescales.
- Promote and embed a strong compliance culture throughout the Company.

3.3.3. Internal Audit Function

The Internal Audit function is segregated from all operational functions and provides independent assurance on the effectiveness of the risk management, internal controls and governance frameworks.

Internal Audit has unrestricted access to all areas of the organisation so as to effectively conduct internal audit reviews. The Internal Audit function is outsourced to PricewaterhouseCoopers ("PwC").

The main responsibilities of the function are to:

- Provide independent assurance on the effectiveness of the risk management, internal control and governance frameworks.
- Conduct internal audit reviews, discuss the findings and agree action points with the relevant business areas, prior to reporting to the Audit Committee.
- Develop a rolling three-year Internal Audit Plan and provide the Audit Committee with quarterly updates against the plan.
- Review and evaluate the annual coverholder audit schedule and the completed coverholder audit reports.

Further assurance is being obtained through the use of a panel of coverholder auditors who examine in detail the controls and transactions of all coverholder partners. This is a management control under the oversight of the Delegated Authority Manager and all audit reports are also provided to the Internal Audit function to assist it in its work.

In each audit location, Internal Audit fulfils its responsibilities in compliance with local legal and regulatory requirements (such as the MFSA Insurance Code of Conduct), and in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA") as well as further guidelines of the IIA.

3.3.4. Actuarial Function

QEL's Actuarial function support was provided via outsourcing agreements with an external consultant and through an intra-group Outsourcing Agreement with Antares Global Management Limited company (AGML), enabling segregation of duties within the actuarial team. The services provided to QEL, as they relate to actuarial work are overseen by the key Actuarial function Holder.

The Actuarial function's responsibilities are as follows:

- Ongoing development of reserving systems for QEL; performing quarterly reserve reviews and preparing the necessary reserving reports for QEL's financial statements and external reporting including regulatory filings.
- Oversight of the calculation of the technical provisions which are calculated externally
- Communication of reserve calculations to management within QEL.
- Preparing financial projections for the purposes of assessing potential future SCRs and QEL's ability to meet these.
- Ongoing review of QEL's recording of contract data that is used for the preparation of financial statements with the goal of improving accuracy.
- Supporting the Risk Management function in the calculation of the SCR.
- Providing support to ensure the achievement and maintenance of Solvency II compliance.
- Providing actuarial opinion on the UW policy and reinsurance strategy.
- Close communication with pricing function to discuss the ongoing monitoring of performance of key MGAs.
- Preparation of risk appetite statements to ensure any risks and uncertainties are well communicated.

AGML provides the following actuarial and modelling services to QEL:

- Advising QEL underwriters on technical price, profitability, product design, portfolio impact, data quality, applicability of modelling, uncertainties and third-party reliance.
- Assisting with business planning, researching new classes and territories of business, assisting with portfolio optimisation and improving return on capital.

3.4. Material Changes in the System of Governance

The material changes in the system of governance are noted as follows:

Some further changes were made in 2022/2023 pending regulatory approval:

- Approval of Cristina Sanchez-Estrada as CUO of QIC Europe Limited.
- Proposed appointment of Cristina Sanchez-Estrada as Executive Director, Member of the RCC and director overseeing distribution activities.
- Proposed appointment of Nilesh Tank as Executive Director, Risk Manager and Member of the RCC (this application has been withdrawn owing to a resignation).

Cristina Sanchez-Estrada was appointed as the registered representative for QIC Europe Limited with the Malta Insurance Association and Motor Section representative.

Charlie Hopkins was appointed as the registered representative for QIC Europe Limited with the Motor Insurers' Bureau and Malta Green Card Bureau.

3.5. Remuneration Policy

Antares Global's remuneration policy sets out the principles and practice for the development, implementation and application of the employee remuneration framework for QIC Capital and all its subsidiaries referred to as Antares Global Companies, including QEL.

Antares Global's remuneration philosophy is to have a remuneration framework that supports the business strategy, the risk management strategy and the long-term interests and performance of Antares Global. In particular, the philosophy is to provide total compensation that is in line with market rate and structured and calibrated so as to attract, retain, motivate and reward its employees to deliver enhanced performance in the eyes of customers and shareholders. The remuneration framework based upon this philosophy is an integral part of the offering to employees.

The remuneration framework is underpinned by a set of guiding principles:

- The remuneration framework should provide employees with total compensation that is competitive within Insurance Market.
- The remuneration framework should promote a high-performance culture by differentiating total compensation based on the performance of the business and the performance of individuals.
- The remuneration framework should take into account the respective tasks and performance of the executives, senior management, holders of key functions and other categories of employees whose professional activities have a material impact on QEL risk profile and/or results.
- Variable compensation awards should be linked to relevant performance metrics, which can include the performance of Antares Global, specific business areas, and individual achievements.
- Expected individual performance should be clearly defined through a structured system of performance management, and performance against expectations should be factored into compensation decisions.
- The remuneration framework should promote sound and prudent management and not encourage risk-taking that exceeds the risk tolerance limits of the business.
- The remuneration framework should incorporate measures aimed at avoiding conflicts of interest.

QEL provides some employees with a pension, however the Company does not operate any early retirement schemes or defined benefit pension schemes.

During 2022, the remuneration policy has been updated to include a departmental element for all employees, including members of the Board and senior management. The current incentive plan takes account of company, individual and additionally departmental performance, with all factors considered when assessing employee renumeration.

Details on Board and employee remuneration over the reporting period can be found in section 2.5 Other Material Income and Expense.

3.6. Fit and Proper requirements

The Company ensures that the Board members and key function holders are fit and proper to discharge their responsibilities in accordance with the following definitions:

- An assessment of whether an individual is 'fit' involves an evaluation of the person's professional qualifications, knowledge and experience to ensure they are appropriate to their role. It also demonstrates whether the person has exercised due skill, care, diligence, integrity and compliance with relevant standards that apply to the area or sector in which the individual has worked.
- An assessment of whether a person is 'proper' includes an evaluation of a person's honesty, reputation and financial soundness. This includes, if relevant, criminal convictions or disciplinary offences.

The Fit and Proper Policy applies to the following positions of responsibility:

- Board and committee members;
- Key Function Holders - Compliance, Risk Management, Actuarial and Internal Audit;
- Officers and managers of the company;
- Third-party service providers, including insurance managers, auditors, actuaries and country representatives; and
- Any other approved roles (as required by the local regulator)

The following procedures are followed in assessing the Fit and Proper requirements:

- Ensure that a PQ (Personal Questionnaire) and the relevant forms are filed with the regulator.
- The directors are requested to report any changes in their status in relation to Fit and Proper requirements or any potential conflict of interest.
- An internal questionnaire is completed by all roles within the company and reassessed on at least an annual basis.

When assessing the fitness of the Board of Directors, the Company ensures that collectively the Board possesses the appropriate qualifications, experience and knowledge in the following areas:

- Insurance and financial markets knowledge;
- Business strategy and business model knowledge;
- System of governance knowledge;
- Financial and actuarial analysis knowledge and;
- Regulatory framework and requirements knowledge.

3.7. Risk Management System including Own Risk and Solvency Assessment

3.7.1. Risk Management System

The Risk Management Framework defines the process of identification, assessment and reporting on the material risks and the mitigating controls. The process is documented in the Risk Management policy.

QEL's overall risk strategy is designed to ensure:

- Alignment of the Risk Management System with the business objectives;
- Clear ownership and accountability for risk management;
- Complete coverage of all material risks;
- Risk and control assessment, implementation of actions to reduce risks to acceptable level;
- Risk and control monitoring and reporting, including escalation of material issues to committees and the Board;
- Link to the capital assessment to demonstrate that the company is adequately capitalised for the risks assumed
- Compliance with all relevant regulatory requirements; and
- Risk Management outputs inform the ORSA process.

The Risk Management Framework comprises a set of key policies and procedures and is implemented and integrated through the various committees, processes and procedures. These processes contribute towards QEL's solvency self-assessment, and identify and measure all material risks to which the Company is exposed, informing the decision-making process.

Risk governance is a major component of the overall risk framework and provides for clear roles and responsibilities in the oversight and management of risks. It also provides a framework for the reporting and escalation of risk and control issues across the Company.

QEL's governance framework is built using a 'three lines of defence' model. The current governance structure at the time of writing this report is presented in section 3.1.

The key functions have defined responsibilities, which are documented in various policies and procedures. The Board and Committees have approved terms of reference.

The key responsibilities of the Board, committees and functions are summarised in sections 3.2 and 3.3.

This section provides an overview of key aspects in the overall risk management framework.

Risk Appetite & Risk Tolerance

QEL has a defined a set of Risk Appetite and Risk Tolerance statements that lay down the parameters within which the Company will manage risk. These statements are reviewed at least annually, and, if necessary, updated.

The Risk Appetite is monitored on an ongoing basis. Quarterly monitoring reports are prepared by the Risk Management function and provided to the committees and the Board.

Risk Register

The Risk Register summarises the overall risk profile of QEL. The business functions are responsible for identifying material risks associated with their activity. The risk identification and assessment process are facilitated by the Risk Management function.

Risk owners are required to assess the inherent and residual risk position using standardised assessment ratings. As part of the control self-assessment, the control owners have the responsibility to assess the design and performance of the risk register controls. The material risks and key controls are discussed with the business functions quarterly and documented in the Risk Register by the Risk Management function, which challenges the risks and controls ratings.

Output from the Risk Register and key changes to the risk profile are reported to the RCC with escalation to the Board as appropriate.

Exposure management

Exposure management at QEL is supported by the Antares Global Exposure Management team. Their responsibilities include producing exposure management reports, recommendations or remedial actions (as applicable) and contribution to the ORSA report. The Company's largest exposures are monitored quarterly, ensuring that QEL's exposure remains within its approved risk appetite.

Emerging risks

Emerging risks are risks that have not yet been fully understood or classified. The Risk Management function, with input from the wider management team, identifies and prioritises emerging risks for assessment. Emerging Risks are documented and reviewed by the RCC, and also reported to the Board.

Risk reporting

The Risk Management function provides quarterly written reports to the RCC and the Board that cover the following core risk information:

- Exposures against risk appetite and tolerances;
- Results of quarterly self-assessment on risk register control activities;
- Material operational risk events (and near misses); and
- Any proposed changes to the risk management framework.

The Risk Management function also ensures that the results from the SCR calculations are reported to the RCC and the Board.

Capital assessment

QEL's SCR is calculated using the Solvency II standard formula on a quarterly basis. The Board is responsible for ensuring that the Company continuously holds sufficient eligible own funds to cover the SCR and MCR.

QEL has a target to maintain eligible capital above the SCR as defined in the Risk Appetite Statements of maintaining an internally targeted 140% – 160% solvency coverage ratio.

Material changes to the risk profile over the course of the year could trigger ad-hoc recalculation of the SCR and potentially an update of the ORSA.

A Capital Management plan is in place which provides formal guidance on how QEL maintains the required regulatory and economic capital to support its business plan over a three-year period.

Stress testing and scenario testing

Stress testing and scenario testing include consideration of single stresses and multi-faceted scenarios across all material risk categories to assess QEL's ability to meet the capital requirements under stressed conditions.

3.7.2. Own Risk and Solvency Assessment

Own Risk and Solvency Assessment is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the current and long term risks an insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times.

ORSA process

The risk management framework is implemented and integrated through the various committees, processes and procedures described in section 3.1, 3.2 and 3.7.1. These processes contribute towards QEL's solvency self- assessment, which seeks to identify and measure all material risks to which the Company is exposed, informing the decision-making process. QEL's ORSA covers all material risk, including the quantifiable risks which are within the scope of the SCR, the material risks outside the scope of the SCR and the emerging risks.

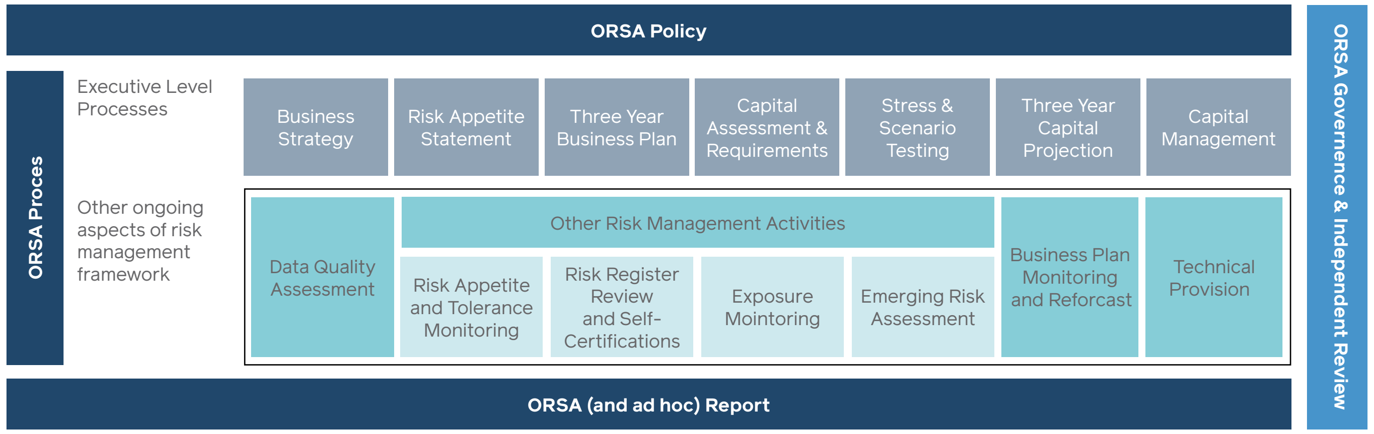
The purpose of the ORSA report is to:

- Inform the Board annually of the capital requirements in line with the business plan and strategy;
- Summarise the current and future/emerging material risks (quantifiable and non-quantifiable);
- Present the current regulatory Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and own view of capital;
- Project the future capital requirements, including a comparison with the expected own funds over the planning horizon;
- Summarise the capital management plan; and
- Present the results of the stress and scenario testing, as well as reverse stress testing.

The ORSA report is addressed to QEL's Board. It will also be submitted to MFSA as part of the Company's annual filing requirements.

The processes which comprise the ORSA operate throughout the year, and the ORSA report summarises the outcome of these processes for the Board on an annual basis.

The ORSA processes are summarised in the following figure:



The responsibilities and frequency of the ORSA processes/reports are documented in the ORSA Policy.

The ORSA report is prepared by the Risk Management function with contributions from the relevant business functions throughout the Company.

Should there be significant changes to the business strategy or the risk profile, an ad-hoc ORSA update will be produced and submitted to the Board and shared with the MFSA. The trigger events for such ad-hoc ORSA are documented in the ORSA Policy.

ORSA Risk Coverage

The ORSA includes all identified risks that QEL is exposed to as a result of its activities.

Solvency II regulation requires QEL to quantify the SCR relating to the following risks:

- Insurance Risk - Underwriting Risk (including Catastrophe Risk)
- Insurance Risk - Reserving Risk
- Market Risk (including foreign exchange risk)
- Credit risk
- Operational Risk

The Standard Formula SCR computation excludes the risk categories listed below and they are assessed and managed as part of the wider Risk Management System and qualitatively assessed as part of the ORSA:

- Group Risk
- Strategic Risk
- Reputational Risk (including Conduct Risk)
- Liquidity Risk
- Regulatory Risk
- Emerging Risk

Use of the ORSA report

The ORSA report summarises the outcome from the ORSA processes for the Board and management on an annual basis. The ORSA report is used by the Board to assess the solvency capital needed to execute the business plan.

The ORSA outputs are also used for:

- Business planning process and strategy. The ORSA Report notifies the Board of any strategic changes, emerging risks and the stressed conditions that may impact on the business plan.
- Risk appetite and tolerance setting, including using the ORSA results to explore strategies for mitigating risks that exceed the risk appetite.
- Risk Management Framework improvements, including Risk Register updates, risk policy updates and internal control improvements.
- The results from the capital projections are used for capital planning, including alternatives to ensure the continued solvency is maintained under normal and adverse conditions.
- Reinsurance and investment strategies may be changed as a result of the ORSA.
- The ORSA supports senior management in defining future management actions to transfer or accept the risk position taken by the QEL. These potential risks and the related courses of action inform the stress tests, reverse stress tests and emerging risks of the ORSA process.

3.8. Internal Control System

3.8.1. Internal Control Framework

QEL has established a sound and effective corporate governance framework that is appropriate to the size, nature, complexity and risk profile of the Company and that allows for the sound and prudent management of its activities.

The internal control framework seeks to mitigate risks and limit the probability of losses (or other adverse outcomes) as well as providing a framework for the overall management and oversight of the business.

QEL's internal control framework is based on the following elements:

- A Three Lines of Defence model that ensures appropriate segregation of risk ownership (as documented in section 3.1 and 3.3).
- Adequate and transparent organisational structure with clear allocation and segregation of responsibilities, ensuring decisions are made and information is transmitted appropriately at the right levels.
- Corporate policies defining key principles and rules for operation; operating procedures detailing the activities and controls individuals are expected to perform. The policies and procedures are documented for all significant operations across the Company and are reviewed at least once a year.
- Specific focus on outsourcing procedures and controls.
- Appropriate management information framework that allows for the monitoring of key areas (i.e. achievement of strategic objectives, business performance, investment performance and liquidity, concentration exposures, reserving adequacy, capital requirements, material risks faced by the business, risk appetite and tolerance, effectiveness of the control environment, material outsourced functions, compliance with laws and regulations).
- Promoting a risk responsible culture and training staff to ensure that they understand their responsibilities relating to internal controls, ensuring that their actions are in compliance with QEL's policies, procedures and relevant laws and regulations.

The key controls mitigating material risks are documented in the risk register and assessed as part of the quarterly risk and control assessment process.

Internal and external auditors play a key role in the oversight and assessment of the overall control environment. Findings from audit reviews are shared with and discussed by the Audit Committee, and also feed into the risk and solvency assessment processes.

3.9. Outsourcing

3.9.1. Outsourcing Policy

Antares Global's outsourcing policy applies to all internal and external outsourcing arrangements and describes how all outsourcing agreements are arranged, overseen, monitored and managed.

Outsourcing is used to complement QEL's overall business strategy, objectives and risk appetite. Arrangements are only considered and entered into where they offer improved business performance, both operationally and financially. QEL does not seek to enter into any outsourcing arrangements that will result in reduced standards or an increased level of risk exposure that breaches the risk appetite.

QEL understands that, in accordance with regulatory requirements, where it outsources any of its activities either to external third-party service providers or intra-group entities, it will continue to be responsible and held accountable for the performance and output of those activities.

Each outsourcing arrangement is subject to robust processes:

- The business function owner is responsible for demonstrating the rationale for selecting and shortlisting the potential provider.
- Each service provider is subject to due diligence.
- A formal approval process is in place (including review of contracts by legal experts).
- The MFSA is notified of any new outsourcing arrangements or changes to existing outsourcing arrangements.
- Service provider assessments are performed.
- Validation may be sought through an independent audit.

The business function owners are responsible for identifying and assessing the risks associated with an outsourcing arrangement and ensuring that the service providers have adequate internal control systems in place.

The Company's outsourcing policy requires QEL to notify the competent authority of its intention to outsource any critical or important outsourcing functions and activities sixty (60) days prior to the outsourcing of critical or important functions.

In line with the new paragraph 6.8.4 of Chapter 6 of the Insurance Rules, the MFSA will be required to review the information submitted by the authorised undertaking and within sixty (60) days.

The table below outlines the outsourced functions that are considered critical or important:

Function / Work performed as at 31 December 2022	Jurisdiction of the Function	Name of Provider
Insurance Management	Malta	Marsh Management Services Malta Limited
Internal Audit (Critical Function)	Zurich	PWC
Company Secretarial	Malta	Valletta Legal
Compliance (Critical Function)	Malta	Marsh Management Services Malta Limited
Compliance (Critical Function)	London	Antares Global Management Limited
Payroll	Malta	RSM Malta
Investment Advisors	Doha	Epicure Investment Management LLC
Finance	London / Malta	Antares Global Management Limited
HR Support	Zurich	Antares Global Management Limited
IT Services	London	Antares Global Management Limited
Reinsurance services	Bermuda/London	Antares Global Management Limited
Risk Management	Bermuda/London	Antares Global Management Limited
Actuarial	Bermuda/London	Antares Global Management Limited

The Board maintains oversight and control of all outsourced functions.

3.9.2. Delegated Underwriting and Claims Management

QEL focuses on coverholder or coinsurance partners across the UK and Europe. QEL's business model was designed to provide access to niche and traditional insurance business either by line of business, or geography, or both, for both existing portfolios and entrepreneurial start-up ventures. The coverholder or an appointed third-party administrator is responsible for claims management with QEL's Claims team providing oversight of performance in accordance with service level agreements.

An appropriate governance structure is in place and is administered by the CEO, Delegated Underwriting Authority ("DUA") Manager and the Board to provide robust oversight and clear accountability of delegated underwriting and claims management arrangements. QEL has a robust process for selecting and managing coverholders and third-party administrators.

Pre-bind due diligence includes business rationale in respect of new or renewal delegated authority and provides detail of market assessment, rates, loss ratio and alignment with the QEL strategy.

Each arrangement is governed by a delegated authority agreement (whether for delegation of underwriting or claims) and provide detailed guidance, limits, scope, terms and conditions. Delegated arrangements are reviewed by the compliance team.

Post bind the arrangements are monitored through regular coverholder performance monitoring including monitoring actual premium income against estimated premium, exposures, compliance with limits and the conditions of the agreement, service standards and business written in classes and territories as specified in the agreement. This is augmented by audits, typically carried out by specialist auditors.

QEL maintains an approved panel of coverholder auditors and uses a market standard for the scope of audit work, with a specific focus on certain areas depending on the nature of the transaction and the performance of the coverholder. A log is maintained for tracking the completion of audit recommendations.

3.10. Any other Material Information

There is no other material information regarding the system of governance.

4

RISK PROFILE

The view of material risks at QEL is a combination of the top risks from the Risk Register (based on their residual rating) and the SCR risk ranking (based on the capital impact).

The most material risk categories based on their capital impact are outlined below. The counterparty default risk and non-life underwriting risk continue to be the key drivers of the SCR.

The ranking by risk category based on standard formula SCR is set out below.

QEL - Capital Requiremenet (USD'000)	2022 YE	% of undiv SCR	Rank	2021 YE	% of undiv SCR	Rank
Counterparty Default	23,465	59%	1	27,945	56%	1
Non-Life Underwriting	11,889	30%	2	17,459	35%	2
Market Risk	4,283	11%	3	4,826	10%	3
Underwriting Risk Health	6	0%		29	0%	
Underwriting Risk Life	-	0%		-	0%	
Undiversified SCR	39,642			50,259		
Diversification	(7,007)			(8,943)		
Basic SCR	32,635			41,315		
Operational Risk Charge	9,790	30% of BSCR		12,395	30% of BSCR	
Adjustment for Deferred Tax*	0			0		
Solvency Capital Requirement (SCR)	**42,425**			**53,710**		

*All numbers relate to the assessed Year End position

The total SCR has fallen by around $11m compared to last year. However, the percentage risk ranking by risk category has remained relatively stable. Counterparty default risk is the largest risk given the small QEL retention overall, see Section 5.2 for a comparison of gross and net technical provisions. The counterparty default risk also drives the relatively large operational risk charge.

The key risk drivers, the rationale for the ranking of each type of risk, and the approach to managing the risks are documented in this chapter.

4.1. Insurance Risk

4.1.1. Insurance Risk Management

Insurance risk includes underwriting and reserve risk.

QEL manages the insurance risk through:

- Selection and implementation of the underwriting strategy and guidelines;
- Adequate reinsurance arrangements;
- Exposure management;
- Adequate reserves and claims management processes.

Underwriting risk is defined as the risk that the frequency and/or severity of insured events exceeds the expectations of QEL at the time of underwriting.

QEL manages underwriting risk through the use of defined limits, pricing models, peer review processes and oversight from the Underwriting Management Committee and the Board. QEL's underwriters ensure that:

- Inward business written, or authority delegated to cover holders is matched by suitable reinsurance;
- The net retained position of QEL remains within the risk appetite; and
- QEL has appropriate licenses and regulatory approval for any business written.

The pricing adequacy of the underlying business is assessed as part of the evaluation of cover holder business propositions at inception and renewal through the use of various pricing models and analyses, rating tools and related monitoring reports. QEL benefits from underwriting advice and assistance from affiliated companies.

Reserve risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

Reserve risk arises from the inherent uncertainty (fluctuations in the timing and amount of claim settlements) surrounding the adequacy of the reserves or technical provisions set aside to cover insurance liabilities. QEL's reserve risk profile is primarily short-tail, where claims are reported and settled quickly. However, some classes include an element of long-tail run-off (notably UK motor that includes third-party liability) and they expose QEL to reserve variations in the longer term.

Robust controls are in place to ensure that reserving processes are adequate and that reserving data is complete and appropriate.

Reserve risk exposure is managed within the Actuarial function and through defined reserving practices, which are overseen by the Reserving Committee and the Board.

4.1.2. Insurance Risk Measurement and Exposure

QEL targets a multi-class balanced portfolio. The portfolio is composed of principally low severity/high frequency business. The risk of an accumulation relating to a natural catastrophe is low relative to the size of the portfolio and excess of loss reinsurance protection is in place.

The Company's largest exposure to natural catastrophe risk is driven by the risk of a windstorm in the UK, albeit this has reduced compared to previous years. This risk is continually monitored within the exposure management framework, ensuring that QEL's exposure remains within its approved risk appetite.

The majority of QEL's insurance risk exposure is short-tailed with claims reported and settled quickly. The Company's highest exposure to reserve risk comes from longer-tail lines of business, notably motor liability, which is more exposed to reserve variations in the longer term. The long-tail portion of the UK motor portfolio contributes to around 10% of incurred losses within this line of business each year.

Solvency Capital Requirement

The SCR using the standard formula provides an appropriate method for QEL to quantify its exposure to insurance risk, given its risk profile, size and complexity. Material changes to the underwriting risk profile would trigger a recalculation of the SCR and a reassessment of the suitability of the standard formula for quantifying the risks to which the Company is exposed.

The diversified SCR for insurance risk at the end of the reporting period and at the end of last year is composed as follows:

QEL - Capital Requirement (USD'000)	2022 YE	2021 YE	Diff
Underwriting Risk Non-Life	**11,889**	**17,459**	**(5,571)**
Diversification within UW Risk NL	(2,766)	(4,527)	1,761
Premium and Reserve Risk	10,264	15,754	(5,490)
Lapse Risk	447	1,890	(1,443)
CAT Risk	3,944	4,342	(398)

*All numbers relate to the assessed Year End position

The SCR for non-life underwriting risk has fallen by around $6m compared to last year. The reduction is mainly driven by a fall in premium and reserve risk, combined with a fall in lapse risk.

The changes in sub-risks are explained as follows:

- Premium and Reserve risk has fallen by $5.5m due to:
  - Premium volumes falling as a result of a reduction in premium. There is a reduction in past and future premiums following non-renewal of material business contracts during 2022. See section 2.3.
- Catastrophe risk has remained relatively stable.
- Lapse risk: The reduction in lapse risk is a function of the reduction in premium volumes.

4.2. Market Risk

4.2.1. Market Risk Management

Market risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Investment Strategy

The QEL Investment Strategy is to return an acceptable yield, whilst safeguarding the principal and meeting liquidity requirements. QEL has identified three key objectives for the investment of assets, consistent with its Risk Appetite. QEL recognises that the objectives can, at times, be conflicting, and therefore prioritises the achievement of each objective in the order listed below. These objectives are set out below:

Objective 1 – Preservation of capital

QEL recognises that losses can arise from the movement in market price of financial assets. QEL has some appetite for loss from this risk, however this is not significant. Accordingly, the investment portfolio should be comprised of well diversified, predominantly high quality (investment grade) assets with a duration not exceeding that of its liabilities.

The desire for capital preservation is the main objective of the investment strategy and should take priority over the other objectives. Importantly, this does not mean that capital preservation must be achieved to the exclusion of the other objectives, but rather, that when taking investment decisions, capital preservation is priority.

Objective 2 – Appropriate return relative to risk

The second objective is to ensure, that the return achieved from the financial assets is appropriate for the risk taken. To achieve this objective, QEL may set benchmark returns for the portfolio of financial assets that it holds and monitors performance against that benchmark. QEL recognises that actual performance may deviate from benchmark for any individual monitoring period. However, it does not expect the actual performance to be consistently worse or better than the benchmark as this implies that return is not appropriate for the risk. Achievement of appropriate return is subordinate to preservation of capital.

Objective 3 – Liquidity requirements met

The third objective is to ensure that QEL has financial assets of sufficient liquidity to meet its cash-flow requirements, for the reasonably foreseeable future.

This objective does not mean simply, that assets must be readily realisable, but rather that assets should be capable of being liquidated swiftly and without significant loss of value.

Achievement of the liquidity objective beyond the minimum requirement is subordinate to the preservation of capital and appropriate return.

Portfolio Execution

Epicure Investment Management LLC, the wholly owned investment advisory services subsidiary of QIC Group, is appointed as Investment Advisors for QEL. Epicure provides a range of investment advisory and investment management services to the Company under an Investment Management Agreement. Epicure is responsible for managing day-to-day portfolio activities under their management and providing a quarterly investment report to the investment committee. Investment Mandates are approved by the Investment Committee and the Board and include details of permitted investments (including limits), minimum credit ratings, maximum concentrations and duration limits (with due regard to liability duration).

Investment of assets in accordance with the Prudent Person Principle

The investment strategy is heavily weighted towards fixed income and cash deposits and ensures that the Company only invests in instruments that any reasonable individual aiming for capital preservation and return on investment would own, in the best interests of its policyholders. Investment mandates include details of permitted investments (including limits), minimum credit ratings and maximum concentrations. The guidelines only allow the assumption of investment risks that can be properly identified, measured, responded to, monitored, controlled, and reported. The guidelines are set to ensure appropriate and adequate capital, liquidity and ability to meet policyholder obligations. QEL's investment guidelines are approved by the Board which provides oversight of QEL's investment policy, strategy and performance.

Political, economic and social environment

QEL continuously monitors the wider external risk environment, which includes emerging risks identified through the emerging risk process, as outlined in section 4.7.3.

4.2.2. Market Risk Measurement and Exposure

Market risk is measured against the Company's risk appetite and tolerance statements, which define the investment allocation limits by investment type, geographical region, credit rating etc.

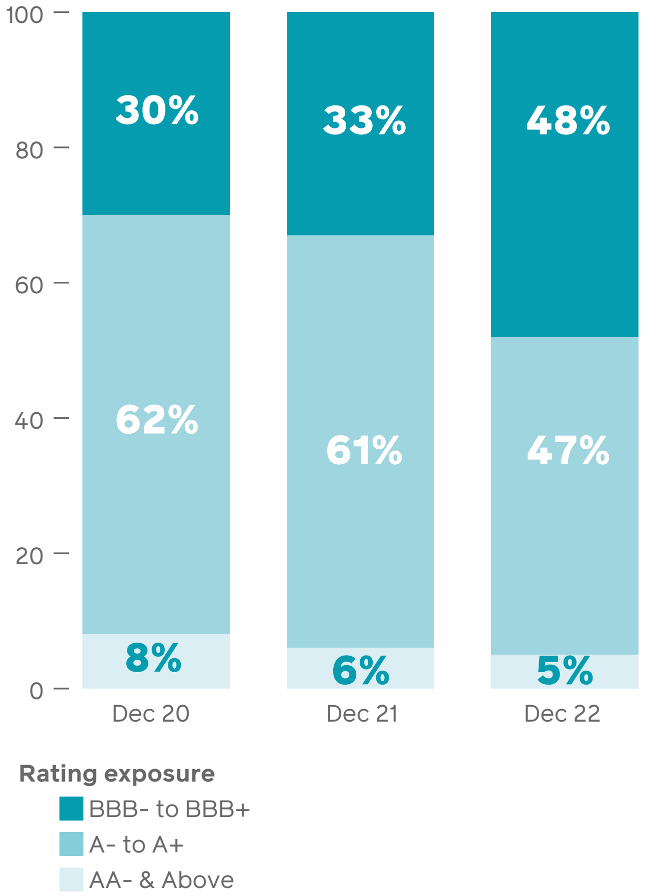
The investment portfolio is comprised of cash, bonds and highly liquid money market funds (classified as collective investment undertakings) at the end of the reporting period.

The Fixed Income portfolio has an average rating of BBB+ and the breakdown by rating can be seen in section 2.4 and below:

QEL - Investments (USD)	YE 2022	YE 2021	2022 %	2021 %
AAA	338,344	2,515,634	1%	3%
AA	0	1,824,286	0%	2%
A	14,744,744	36,874,494	24%	45%
BBB	19,756,515	19,765,026	32%	24%
Not rated	1,745,867	1,983,467	3%	2%
Total Bonds	**36,585,469**	**62,962,907**	**60%**	**77%**

QEL - Investments (USD)	YE 2022	YE 2021	2022 %	2021 %
Total Bonds	36,585,469	62,962,907	60%	77%
Total Cash+MMF	24,286,444	19,324,858	40%	23%
Total	**60,871,913**	**82,287,765**	**100%**	**100%**

The breakdown of the fixed income portfolio by rating is as follows:



In addition, QEL's exposure is further split amongst different sectors, with the greatest reliance being around investments in the financial sector. The remainder of the portfolio is spread across Government, Industrial & Basic Materials, Diversified, Utilities, Communications & Technology & Consumer Disc & Staples.

The highest contributor to market risk is spread risk, which relates to the risks that arise from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This is driven by QEL's fixed income portfolio.

Foreign exchange risk arises due to mismatches in the currencies of the assets held to match liabilities. The Company monitors this risk on an ongoing basis, QEL invests predominantly in USD-denominated investments to optimise the returns achieved. Given that liabilities are mostly GBP and EUR denominated, QEL is exposed to a weakening of the USD. However, the main reinsurance contracts (which are with AntaresRe and the QIC Group) are USD denominated, but written so as to follow the fortunes of the ceded portion of risk so there is no mismatch between the foreign exchange rate at which the gross claim is paid and the rate at which the ceded portion is recovered.

Concentration risk can arise when the investment portfolio is not appropriately diversified across counterparties, geographical regions and industries. Concentration risk is measured with reference to the Company's risk appetite and tolerance statements, which limit the concentration of asset holdings.

Liquidity risk arises when the Company is unable to meet its payment obligations as and when they fall due. Liquidity risk management is discussed in section 4.4.

Solvency Capital Requirement

The diversified SCR for market risk as follows:

QEL - Capital Requirement (USD'000)	2022 YE	2021 YE	Diff
Market Risk	4,283	4,826	(542)
Diversification within Market Risk	(2,979)	(2,817)	(162)
Spread Risk	2,855	3,845	(990)
Interest Rate Risk	1,423	1,171	252
Currency Risk	1,697	1,452	245
Concentration Risk	1,286	1,174	112

*All numbers relate to the assessed Year End position

The reduction in market risk is driven by a reduction Spread Risk. The portfolio remains well matched by currency:

- The reduction in Spread Risk is explained by a decrease in bonds susceptible to spread risk of $33m ($74m to $41m).

4.3. Credit Risk

4.3.1. Credit Risk Management

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. It arises from both underwriting and investment activities.

Failure of a reinsurer to settle claims in full, failure of a cover holder or a bank are the most material credit risks for QEL.

The Board is ultimately responsible for ensuring that credit risk exposures are appropriately managed and monitored. The Finance Director is responsible for the identification and management of credit risk with the support of the finance function, business functions and the Investment Managers.

The key mitigating controls for credit risk include:

- Approval procedures for accepting new counterparties;
- Monitoring of the security rating of all banking and reinsurance counterparties;
- Aged debt monitoring and reporting;
- Investment Guidelines that include details of permitted securities, minimum credit ratings and maximum concentrations;
- Monitoring of the concentrations of credit risk arising from similar geographic regions and activities
- Assessing the financial stability of the coverholders and third-party administrators during the due-diligence process and before renewal.

Consistent with a Group-wide capital management strategy and the group restructuring involving AntaresRe, QEL takes advantage of risk mitigation techniques contemplated in Article 189 paragraph 2(d) of Commission Delegated Regulation (EU) 2015/35. This allows for the reclassification of certain counterparty exposures where certain tests criteria, set out in Articles 209-215 of the Delegated Regulation can be satisfied. AntaresRe has provided a facility to the Company that meets the requirements and thus causes a reduction in the required capital of the Company.

4.3.2. Credit Risk Measurement and Exposure

Credit risk is measured through monitoring exposure in accordance with the risk appetite and tolerance statements.

Credit risk is the largest contributor to QEL's capital requirement. At the end of the reporting period, the Company's largest exposure to credit risk came from the large proportion of risk ceded to reinsurance counterparties. The majority of the exposure is intra-Group due to the large proportion of business ceded to AntaresRe (and historical business which was ceded to QIC). Both AntaresRe and QIC are rated A- by S&P Global Ratings and A- by A.M. Best. This exposure is classified as type 1 in the SCR standard formula. There is no exposure against reinsurers with a rating below A- unless via a collateral, or similar, arrangement.

In addition, QEL is exposed to premium counterparty default risk as it transacts with a number of coverholders. Exposure to coverholders is captured and actively monitored by the Finance function. Exposures to receivables from intermediaries and policyholder debtors are classified as type 2 exposures in the SCR standard formula. There are no balances overdue by more than three months.

The security rating of all banking and custodian counterparties is considered an appropriate metric for measuring credit risk arising as a result of QEL's need to hold cash at bank. These ratings are monitored on a daily basis. Deposits with banks and custodians are classified as type 1 exposures in the SCR standard formula.

Solvency Capital Requirement

Credit risk is the largest contributor to the Company's capital requirements (59% of the undiversified SCR). It is mostly generated by Type 1 exposure due to its extensive reinsurance programme. This can be seen in the gross vs net TP numbers as shown in Section 5.2.

QEL - Capital Requirement (USD'000)	2022 YE	2021 YE	Diff
Credit Risk	23,465	27,945	(4,480)
Diversification within Credit Risk	(389)	(45)	(344)
Type 1	22,196	27,810	(5,614)
Type 2	1,657	179	1,478

All numbers relate to the assessed Year End position

The reduction in Credit risk is explained by:

- A decrease in type 1 counterparty default risk due to a reduction in reinsurance recoverables (falling from $677m to $478m) and less exposure against the unrated HSBC branch in Malta.
- An increase in type 2 counterparty default risk. The increase is in type 2 exposures with less than 3 months overdue debt.

4.4. Liquidity Risk

4.4.1. Liquidity Risk Management

Liquidity risk is the risk of loss or inability to realise investments and other assets in order to settle financial obligations when they fall due.

QEL ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash-flow requirements.

The Board has ultimate responsibility for the management of liquidity risk and it has delegated oversight and ownership of liquidity management to the Key Function Holder for Finance. Day-to-day management of liquidity is the responsibility of the Finance function. Both short-term and long-term liquidity risks are considered, with actions taken to ensure QEL has a long-term view of its liquidity requirements, arising from liabilities based on an actuarial assessment of risk, and to ensure access to liquid funds to meet these liabilities.

The approach to Liquidity Risk Management is set out in the Investment & Liquidity Policy. Liquidity risk limits are defined in the risk appetite and in the Investment Guidelines.

Liquidity risk monitoring is largely undertaken through internally built models and there are currently no plans to acquire any sophisticated liquidity management tools and/or software, as current processes are deemed to be sufficient for providing the required level of risk mitigation.

Other liquidity monitoring controls include:

- Cash balance monitoring through production of daily fund positions showing funds across all bank accounts of the Company.
- Cashflow forecasting & projections on a short-term basis to manage immediate liquidity requirements and on a long term basis as part of the business planning process.
- Regular liquidity reporting to the Risk & Capital/ Investment Committees of key liquidity risk metrics such as asset/liability duration mismatch, short to medium term liquidity positions, extreme event liquidity etc.

4.4.2. Liquidity Risk Measurement and Exposure

The company continues monitoring its liquidity via a range of metrics including through a series of risk appetites. Based upon the liquid nature of QEL's investment portfolio there is no significant concern from a liquidity risk perspective.

4.4.3. Expected Profit Included in Future Premiums

The amount of expected profit included in future premiums (EPIFP) was calculated in accordance with Article 260 of the Solvency II Delegated Acts.

The EPIFP net of reinsurance (QEL's profits are driven by net results) is USD $4.0m at the end of the 2022 reporting period. This is a reduction from USD $9.4m reported in 2021. This is a result of the decreasing size of the QEL portfolio.

4.5. Operational Risk

4.5.1. Operational Risk Management

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the organisation's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

The heads of functions at QEL have responsibility for the oversight of operational risks in their respective areas.

Operational risk is managed through a broad range of controls including:

- A strong internal control culture
- Effective corporate governance, including segregation of duties, avoidance of conflicts of interest, clear lines of management responsibility, adequate management information reporting.
- Staff training/awareness of the control responsibilities relating to their roles.
- IT systems, Business Continuity and Disaster Recovery plans.
- Compliance with laws and regulations.
- Recruiting/retaining adequately skilled staff, adequate performance assessment system.
- Procedures to minimise internal/external fraud.
- Ensuring accurate and timely financial (and other external) reporting.
- Assessment of the impact of outsourcing material functions on operational risks and procedures for due diligence, monitoring and reporting of outsourced service providers.
- Operational loss monitoring process.

QEL monitors operational risk exposures through its Risk Register and the operational loss monitoring (risk event reporting) process, which are overseen by the Risk and Compliance Committee.

4.5.2. Operational Risk Measurement and Exposure

Solvency Capital Requirement

The operational risk capital charge calculations within the SCR standard formula are based on the volume of business, and do not take into account the quality of the operational risk management system or the internal control framework. The calculation considers the Company's gross earned premiums and gross technical provisions. The premium-based operational risk charge, calculated based on earned gross premiums, exceeds the maximum capped capital charge set at 30% of the basic SCR, meaning that the charge is determined as 30% of the basic SCR.

The SCR for operational risk as follows:

QEL - Capital Requirement (USD'000)	2022 YE	2021 YE	Diff
Operational Risk	9,790	12,395	(2,604)

All numbers relate to the assessed Year End position

The operational risk capital requirement has fallen in line with the movement in total SCR.

4.6. Other material risks

4.6.1. Strategic and reputational risk

Strategic risk is defined as a function of the incompatibility between two or more of the following components: the strategic goals, the business strategies, the resources deployed to achieve these goals, the quality of implementation and the economic situation of the markets in which the insurer operates.

QEL recognises reputational risk as a by-product of inappropriate/inadequate management and mitigation of all other risk categories. As such, the identification of the reputational risk is the combined responsibility of all Risk Owners. The internal controls framework, effective compliance and risk management functions, monitoring of operations by the Board and the committees and the due diligence/audit procedures for coverholders contribute to minimising reputational risk.

Strategic and reputational risks are monitored through the risk appetite, risk management oversight and stress/reverse stress testing process. Other specific mitigants of strategic risk include:

- Effective business planning and performance monitoring.
- Aligning the business strategy, risk appetite, business plan, underwriting guidelines and capital requirements.
- Periodic review of the emerging risks and assessment of the potential impact on the business.
- Capital management planning.

QEL ensures that Board members are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction.

4.6.2. Group risk

Group risk arises as a result of being part of an insurance group, including exposures resulting from intra-group transactions.

QEL has ceded a large proportion of risk to AntaresRe and historically to QIC, which are both rated A- by S&P Global Ratings and A-/Excellent by A.M. Best.

There is also some operational dependency as a result of some key functions being outsourced within the Group (see section 3.9 for further details).

4.6.3. Emerging Risks

An ongoing emerging risks process is in place, with material risks identified, monitored, and where applicable managed.

EMERGING RISK	COMMENT
COVID-19 PANDEMIC INSURANCE EXPOSURE	There remains uncertainty around market treatment for certain covid claims and associated reinsurance recoveries attributable to business interruption claims. This is an area that continues to be monitored. See section 4.11 for further detail.
GLOBAL GEOPOLITICAL TENSIONS /POLITICAL INSTABILITY	The conflict between Ukraine and Russia escalated during 2022. Antares Global has been monitoring developments in Ukraine and Russia during 2022. For QEL, there are no expected direct impacts from the war, however, QEL is affected indirectly through its wider consequences (e.g. materialised high inflation). A Reserving exercise to examine and where applicable strengthen reserves has been conducted. QEL continues to ensure it complies with all applicable sanctions and expects its business partners to monitor ongoing compliance with applicable sanctions clauses.
IFRS-17	International Financial Reporting Standards (IFRS) 17 has a direct impact to the accounting for insurance contracts and it came into force on 1 January 2023. QEL is becoming an IFRS reporter and in the financial statements of 2023, QEL will apply IFRS 17 for the first time. Accordingly, QEL has made significant progress in the implementation of IFRS 17 and a project to fully complete this transition is in place for QEL.
CLIMATE CHANGE	Climate Change is an increasing area of focus from many stakeholders, and has the potential to generate physical, liability and transitional loss impacts. There may also be operational impacts. This is a risk that continues to be monitored and considered as part of wider ongoing risk management processes and regulatory expectations in this area. Furthermore, Exposure Management has conducted a detailed self-assessment of QEL's exposure to Catastrophe events in 2022 which allows for appropriate accumulations monitoring. Accumulations continue to be monitored on a quarterly basis.
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	There continues to be an ongoing focus and enquires from stakeholders on ESG topics. An Antares Global ESG policy, applicable to QEL, was established during 2022. There has been increased levels of ESG-related communications across the organisation.
SOCIAL & ECONOMIC INFLATION	Social inflation (e.g. increased awards by courts) and economic inflation (impacting cost of products and services) both have the potential to increase the cost of insurance and investment losses in both the short and medium term. Heightened levels of inflation were observed during 2022, with economic inflation (per the CPI index) within the UK and EU at around 10% by year end 2022. See section 4.11 for further detail.

4.7. Risk Exposure arising from Off-balance Sheet Positions

QEL does not have any risk exposure arising from Off-Balance sheet positions.

4.8. Material Risk Concentrations

The Company's risk appetite and tolerance statements, approved by the Board, govern the concentration limits in relation to counterparties, credit quality and geographical locations to avoid material risk concentration.

There are also a number of managerial level limits used across different functions to manage risk exposures within the approved risk appetites. For example, investments are managed within the scope of the approved investment mandate. Market risk concentrations are discussed in section 4.2.2.

QEL's most material credit risk concentrations relate to reinsurance recoverables and receivables from coverholders. The approach to managing this risk is documented in section 4.3. A large proportion of business is ceded to AntaresRe (and historical business which was ceded to QIC). Both AntaresRe and QIC are rated A- by S&P Global Ratings and A- by A.M. Best.

4.9. Risk Mitigation Techniques

The internal control framework seeks to mitigate risks, protect policyholders and limit the likelihood of losses or other adverse outcomes, as well as to provide a framework for the overall management and oversight of the business. QEL's internal control framework is summarised in section 3.8. Key controls are captured within the Risk Register and assessed as part of the risk and control assessment process described in section 3.8.1. The Risk Register summary can be found in Appendix 5.

The Company purchases both quota share and excess of loss treaty reinsurance by line of business and/or individual MGA to reduce volatility and concentration of exposure to insurance losses.

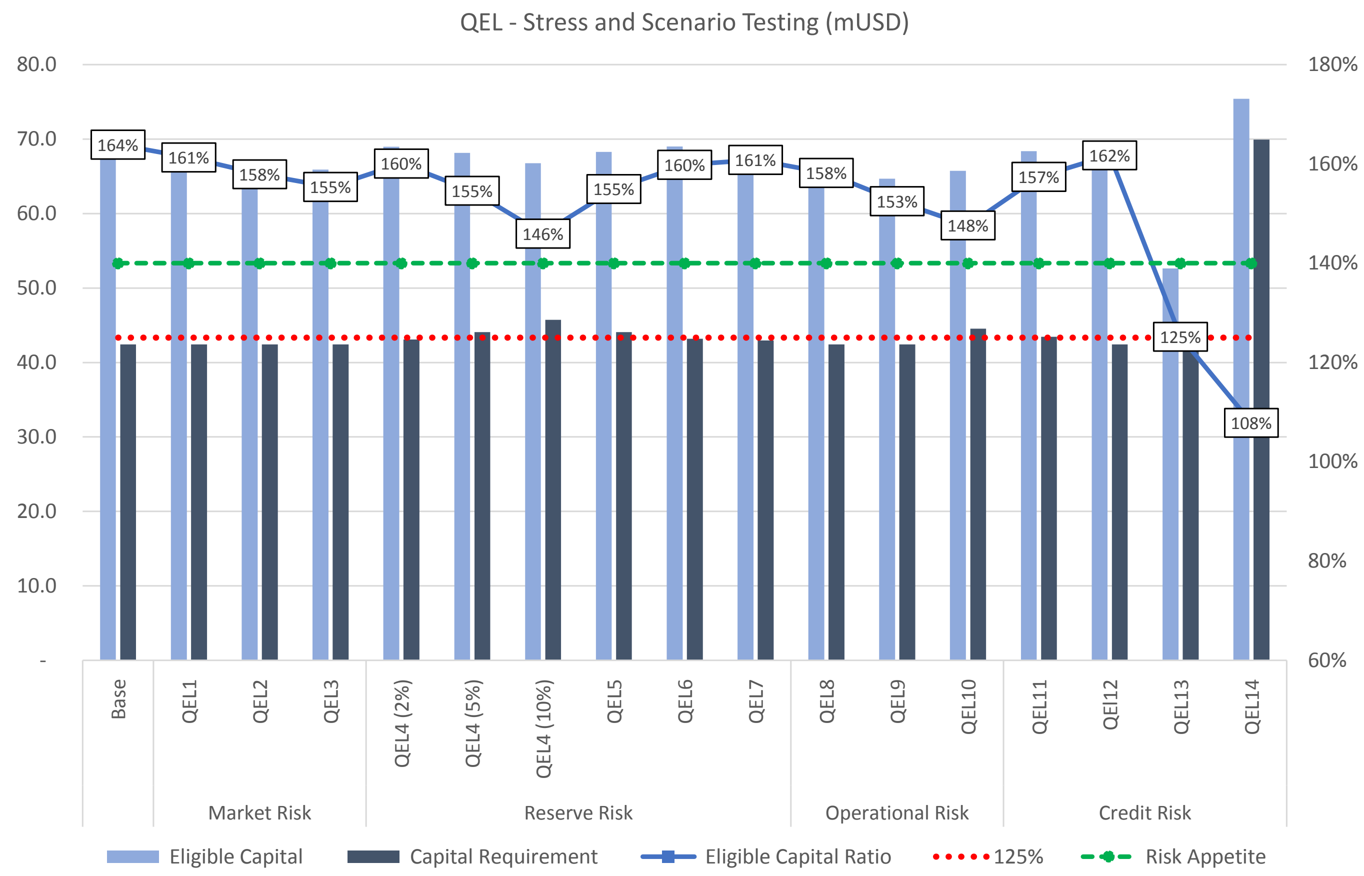
The effectiveness of the reinsurance programme is monitored to ensure it meets the defined objectives.

As noted in section 4.3, QEL took advantage of the risk mitigation techniques contemplated in Article 189 of the Delegated Acts.

4.10. Risk Sensitivity: Stress and Scenario Testing

4.10.1. Stress and scenario tests

QEL's risk management process includes a range of stress and scenario tests, analysing and reporting on the outputs as part of the ORSA processes. The chart below shows a selection of the scenarios executed for QEL:



Regulators expect that the solvency ratio does not fall below 120% and for this purpose the CMAP sets the Effective Capital Requirement at 125% which provides a buffer above the regulatory expectations. It can be seen in the above graph that despite the extreme nature of the scenarios, the solvency ratio remains above the regulatory threshold of 120% except for the following scenario where a material reduction below the regulatory threshold is observed:

- QEL14: Rating Agency to downgrade QIC Group and ARe from A- to BBB. QEL's strategy and large amount of reinsurance to the wider group relies on the continued strong rating of the group.

QIC Group and ARe are QEL's largest reinsurer. QIC has total assets equivalent to USD $10.5bn, and Shareholder's Equity equivalent to USD $1.8bn. QIC Group's Standard & Poor's and A.M. Best changed to "A-" in Q4 2022.

The table below provides further details on the stresses applied:

Risk Category	Chart Label	Stress Metric	Eligible Capital Ratio
	Base	-	164%
Market Risk	QEL1	1 in 100 year yield curve shift across all maturities. (Equivalent to an inflation stress that could be seen during periods of high inflation).	161%
Market Risk	QEL2	Credit spreads widen equivalent to: 1 in 100 for AAA 1 in 1,000 for AA-BBB 1 in 10,000 for BB or lower	158%
Market Risk	QEL3	Combo QEL1 and QEL2	155%
Reserve Risk	QEL4 (2%)	Gross and net TPs increase by 2% (Equivalent to Claims inflation in 2023 remains at 2022 levels, rather than reducing)."	160%
Reserve Risk	QEL4 (5%)	Gross and net TPs increase by 5% (Equivalent to Claims inflation in 2023 remains at 2022 levels and reduction in all other calendar years lagged by 12 months).	155%
Reserve Risk	QEL4 (10%)	Gross and net TPs increase by 10%	146%
Reserve Risk	QEL5	Gross and net Claims Provision of the TPs increase	155%
Reserve Risk	QEL6	Gross and net Claims Provision of the TPs increase by 5% for the Motor classes	160%
Reserve Risk	QEL7	Gross and net Claims Provision of the TPs increase by 5% for the Fire and Other Property class	161%
Operational Risk	QEL8	Operational Risk (+0% SCR, -5% Tier 1 assets)	158%
Operational Risk	QEL9	Operational Risk (+0% SCR, -10% Tier 1 assets)	153%
Operational Risk	QEL10	Operational Risk (+5% SCR, -10% Tier 1 assets)	148%
Credit Risk	QEL11	Default of top 2 biggest exposures to bonds from counterparties with a CQS below 3. Assume 50% loss given default.	157%
Credit Risk	QEL 12	MGA fails to pass on 50% of premium owed	162%
Credit Risk	QEL13	Largest external reinsurer goes bust. Assume 50% loss given default	125%
Credit Risk	QEL14	Rating agencies downgrade of QIC Group and AntaresRe from A- to BBB	108%

In addition to the scenarios listed above, Catastrophe risk is primarily mitigated through reinsurance that is purchased to bridge the gap between the gross and net risk appetites of QEL, and through active monitoring of exposure through the Exposure Management framework. The assessment and management of this risk category is performed through a range of control activities, business plan limits and risk appetite/tolerance statements that monitor catastrophe exposures.

The QEL Exposure Management framework has established appropriate measures in respect of aggregate exposure monitoring, mitigation and reporting.

4.10.2. Reverse stress tests

Reverse stress tests identify individual and combined scenarios that would place significant stress upon the business and threaten the financial viability of the Company. These scenarios are considered as part of the Own Risk and Solvency Assessment process and include those scenarios which could cause a loss of market confidence, which could render the business model unviable, albeit not necessarily to the point where the business runs out of capital. Potential scenarios considered include group risk and investment illiquidity.

As part of this process, potential scenario drivers are identified. The likelihood of their occurrence is assessed, and their materiality defined, management actions are then identified that could prevent and/or mitigate the scenarios.

Business model failure due to adverse outcomes of the reverse stress tests over the planning horizon is considered to be unlikely.

4.11. Any other Material Information

Economic conditions and inflation: QEL is impacted by the wider economic environment including changes to inflation and/or interest rates.

Sustained above average inflation rates have been observed throughout 2022 across the UK and EU, which mostly impact the underwriting, claims, investment and expense activities of QEL. The table below summarises the impact of inflation:

Area	Inflation impacts
Underwriting and claims	Inflation takes on different forms and can be broadly categorised as economic inflation (i.e. Increases in the cost of good and services directly associated with broader economic inflation), excess inflation (Increases in the cost of goods and services specifically in relation to insurable interests over and above the prevailing economic inflation rate) and social inflation (increases in the value of liability claims due to legislative changes, court judgements). All QEL's classes are impacted by inflationary pressures. The current levels of inflation are considered within the underwriting of renewals and new business. Claims for business already written are subject to inflation in excess of that allowed for in pricing and reserves at the time of underwriting, the excess impact of inflation observed during 2022 has been reflected in QEL's reserves through the quarterly reserving process.
Investments	The higher inflationary environment has also resulted into interest rates increases in both the UK and EU during 2022. A significant component of QEL's investment portfolio is invested in fixed income bonds and a significant change in the interest rates, and therefore the yield curve, can impact investment performance. The increase interest rate result in a reduction in the fair value of existing investments. However, on an economic basis (SII basis), investment assets will be offset by beneficial impacts in the discounted reserves. Additionally, long-term impacts may be less pronounced since maturing bonds can be reinvested at higher interest rates
Expenses	Inflationary pressures can lead to an increase in the expense base in respect of, for example, staff and salary costs as well as other operational costs (e.g. facility energy bills, office supplies, etc.).

Covid-19: The majority of covered COVID claims have been settled by QEL and for those that remain open, QEL continues to work with its policyholders to resolve all COVID-related claims. Post the 2021 Supreme Court judgement in the FCA test case, there remain certain unresolved coverage and quantification issues that QEL is addressing. QEL is working to have any disputes that affect its policyholders resolved in the appropriate fora. QEL's COVID reserves are set on a best estimate reserving methodology. The legal evolution on continuing cases is routinely monitored by QEL and a framework is in place to review our reserves in response to legal developments. During Q4 2022, COVID related reserving updates resulted in a Net Ultimate loss increase of $19.1m.

5 VALUATION FOR SOLVENCY PURPOSES

The assessment of available and required regulatory capital is made by taking an economic view of the Company's assets and liabilities, in accordance with the Solvency II valuation principles. The Solvency II balance sheet is produced on an economic basis and is presented in Appendix 1.

5.1 Assets

The following table sets out the assets held within QEL's balance sheet, alongside their value as at 31 December 2022 for the IFRS financial statements and the Solvency II balance sheet.

Class of Assets	31/12/2022		31/12/2021	
(mUSD)	Solvency II	IFRS	Solvency II	IFRS
Deferred Acquisition Costs (DAC)	0.0	18.6	0.0	109.1
Deferred Tax Assets	4.1	0.9	4.5	0.0
Property Plant & Equipment	0.1	0.1	0.2	0.2
Investments (Bonds)	36.2	36.2	60.4	60.4
Investments (Collective Investments Undertakings)	4.9	4.9	13.6	13.6
Reinsurance Recoverables	477.9	620.1	676.6	887.1
Insurance Receivables	56.3	56.3	56.0	56.0
Cash & Cash equivalents	12.3	12.3	23.6	23.6
Deposits to Cedants	35.1	186.2	44.8	217.9
External Reinsurance Receivables	15.6	15.6	0.0	0.0
Receivables (Trade, not insurance)	0.1	0.1	0.0	0.0
Any other assets, not elsewhere shown	0.0	0.0	0.0	0.0
Total Assets	**642.6**	**951.3**	**879.6**	**1368.0**

Reinsurance Recoverables

The following table shows the reinsurance recoverables as of 31 December 2022, valued under Solvency II, split by line of business.

Reinsurers' share of technical provisions by line of business is as follows:

Non-Life Reinsurance Recoverables By Line of Business on a Solvency II (Best Estimate) Basis	2022 YE (mUSD)	2021 YE (mUSD)	Change (mUSD)
Medical Expense	0.0	0.0	0.0
Workers' Compensation	0.3	1.1	(0.8)
Motor Vehicle Liability	176.7	289.1	(112.5)
Other Motor	50.3	83.3	(33.0)
Marine, Aviation & Transport (MAT)	7.1	10.6	(3.5)
Fire & Other Damage to Property	152.0	174.6	(22.6)
General Liability	87.9	110.9	(23.0)
Legal Expenses	0.0	0.0	0.0
Miscellaneous Financial Loss	3.2	6.9	(3.7)
Credit & Suretyship	0.5	0.0	0.5
Total Reinsurance Recoverable (Non-life)	**477.9**	**676.6**	**(198.6)**

The estimation of the reinsurance recoverable is analogous to that of the gross technical provisions with the exception that the estimate of the reinsurers' share of technical provisions is adjusted to allow for the potential default of a reinsurer.

To estimate an appropriate adjustment for the potential default of a reinsurer, the best estimate of the reinsurance recoverable is multiplied by the counterparty recovery rate (which is set at 50%), multiplied by the modified duration of the receivables and again multiplied by the probability of default over a one-year time horizon which is set depending on their rating (e.g. 0.05% for an A rated reinsurer).

5.1.1 Valuation bases, methods and main assumptions

Cash and cash equivalents, fixed income securities and all other assets on the Solvency II balance sheet are recorded at fair value in line with IFRS, with changes in fair value of available-for-sale investments being included in the statement of other comprehensive income, with the total comprehensive income (or loss) increasing (or decreasing) the own funds.

The Company's bond portfolio is invested in high quality and liquid securities. These bond securities are publicly listed and traded over the counter ("OTC") in active markets rather than on an exchange (like equities). The Fair value of the securities is based on the observable price within the market. We consider a market to be active in the context of market liquidity, considering factors such as trading volumes, bid-ask spreads, and market quotes (under normal market conditions)."

The Company does not use any alternative methods for valuation of investments, in accordance with Article 263 of the Solvency II Delegated Regulation.

In cases where the IFRS principles do not require fair value, investments are valued using the Solvency II valuation hierarchy, as defined in the Solvency II Delegated Regulation. Receivable balances which are due in more than one year are discounted using the risk-free discount curve.

Differences between the bases, methods and assumptions used for the valuation for solvency purposes (Solvency II balance sheet) and in financial statements (IFRS balance sheet) are outlined below:

- Deferred acquisition costs (DAC) are valued at nil in the Solvency II balance sheet as the company does not expect future cashflows to arise from this asset.
- Deferred tax assets in the Solvency II balance sheet arise from the difference between the IFRS balance sheet and the Solvency II balance sheet. As at 31 December 2022, the movement from the IFRS valuation basis to the Solvency II valuation basis resulted in an instantaneous reduction in equity. This 'loss' would give rise to a deferred tax asset. Deferred tax assets are recognised within the Solvency II balance sheet if there is a reasonable likelihood of the company making a large enough profit over a reasonable time horizon so as to be able to benefit from the deferred tax asset. The management believe that it is not unreasonable to expect QEL to make such a profit.

From a SII perspective, the main Balance Sheet differences which contribute to the DTA calculation are the following:

Assets

- Deferred Acquisition Costs (as explained in the point above) which amounts to a difference of $18.6m;
- Reinsurance Recoverables which are calculated at Discounted Best Estimate amounting to a reduction of $142m under SII;
- Deposits to Cedants, which are offset against the funds withheld by an MGA (QMetric), with a reduction of $151m under SII;

Liabilities

- Technical Provisions which are calculated at Discounted Best Estimate amounting to a reduction of $151m, which is inclusive of the Risk Margin;
- Acquisition Costs which result in a reduction of $17m
- Reinsurance payables which are offset on a SII balance against the balance due to QMetric by $135m.

Assets Less Liabilities would result in a loss of $9.2m, which when multiplied against the 35% Corporate Tax rate in Malta and the addition of the IFRS DTA of $0.8m would give rise to a DTA of $4.1m on the SII Balance Sheet. There are no specific expiration dates for the DTA.

- The Reinsurance Recoverables item is lower on a SII basis due to the impact of variable commissions and discounting.
- Deposits to Cedants is lower on a SII basis as some of QEL's binders are written on a Funds Withheld basis. On the Solvency II basis, these Funds Withheld are considered paid and therefore do not constitute as an asset on the SII balance sheet.

5.1.2. Comparison to previous year

The asset base supporting the business has reduced in size over the 12 months to 31 December 2022, from USD $1,368m to USD $951.3m (IFRS basis). This was expected, given QELs reduction in premium income during the 2022 underwriting year.

The following asset items are directly affected by reductions in business volume, the smaller portfolio directly driving a reduction in their value:

- Reinsurance recoverables: the reinsurance recoverables relate to the portion of claims, both reported outstanding fand incurred but not reported, that QEL expects to be able to recover from its reinsurance contracts. Since many of QEL's reinsurance contracts are proportional covers, the value of reinsurance recoverables is directly proportional to the value of gross claims reserves, which in turn will decrease as the volume of business written falls. On a Solvency II basis, the reinsurance recoverable also decreases for the same reasons.
- Deposits to Cedants: the decrease in deposits to cedants relates to the amount of premium written by coverholders which is yet to be passed on to QEL under the relevant terms of the binding authority agreements. QEL has a funds withheld arrangement with one of its MGAs. This amount has decreased in 2022 leading to the decreased deposits to cedants compared to the previous year.
- Insurance Receivables: relate to the outstanding amount due from its MGAs in the form of premiums, recoveries and inward commissions. The insurance receivables have fallen in the year. This is driven by the reduced amount of business overall, and the above stated funds withheld arrangement.
- Investments: the decrease in the value of the investments held by QEL is also driven by the reduced premiums collected by QEL.
- Deferred acquisition costs (DAC): relate to the commissions/brokerage paid on portion of premium that is written but not earned as at the valuation date. This amount has decreased in 2022 compared to 2021. DAC is not recognised as an asset on a Solvency II basis. Its change in value on an IFRS basis has no direct impact on the value of assets on a Solvency II basis.

The value of property plant and equipment has remained stable over the year.

At 2022 YE there is a reinsurance receivables element, which represents the reinsurance recoveries due from external reinsurers. This has increased by $15.6m compared to 2021 YE.

5.2. Technical Provisions

The main liabilities on the Solvency II balance sheet are the technical provisions, gross of reinsurance recoverables, which consist of liabilities for claims outstanding and premium provisions.

As at 31 December 2022, QEL held technical provisions (TP) for non-life business and for health business (health exposure is very limited due to ancillary coverages on some of the core business lines) as defined within Solvency II.

The following table sets out the gross, reinsurance and net technical provisions and the expected reinsurance recoveries on Solvency II basis.

	As at 2022 YE			As at 2021 YE		
Non-Life & Health Technical Provisions on a Solvency II Basis (mUSD)	**IFRS (USD)**	**Assets – Recoverable TP**	**Solvency II (USD)**	**IFRS (USD)**	**Assets – Recoverable TP**	**Solvency II (USD)**
Best Estimate	**517.9**	**477.9**	**39.9**	**736.3**	**676.6**	**59.7**
Workers' Compensation	0.3	0.3	0.0	1.2	1.1	0.1
Motor Vehicle Liability	189.5	176.7	12.8	316.8	289.1	27.7
Other Motor	55.0	50.3	4.8	91.3	83.3	8.0
Marine, Aviation & Transport	7.3	7.1	0.2	10.9	10.6	0.3
Fire & Other Damage to Property	166.0	152.0	14.0	188.0	174.6	13.5
General Liability	96.0	87.9	8.1	121.0	110.9	10.1
Miscellaneous Financial Loss	3.3	3.2	0.1	7.1	6.9	0.2
Credit & Suretyship	0.5	0.5	0.0	0.0	0.0	0.0
Risk Margin	**4.4**		**4.4**	**6.2**		**6.2**
Workers' Compensation			0.0			0.0
Motor Vehicle Liability			1.5			2.7
Other Motor			0.4			0.8
Marine, Aviation & Transport			0.1			0.1
Fire & Other Damage to Property			1.6			1.7
General Liability Insurance			0.8			1.0
Miscellaneous Financial Loss			0.0			0.1
Credit and Suretyship			0.0			0.0
Gross TP – Non-Life	**522.2**	**477.9**	**44.3**	**742.6**	**676.6**	**66.0**
% Increase/Decrease from 2021	**(29.68%)**	**(29.36%)**	**(32.88%)**			

5.2.1. Comparison to previous year

On a net basis, the Solvency II Technical Provisions have decreased compared to 2021 year end. Both the gross technical provisions and the reinsurance recoverables decreased by a similar proportion, reflecting the consistent structure of reinsurance.

Comparing the risk margin as at 31 December 2021 to that as at 31 December 2022 shows a lower risk margin value. This reflects the decrease in the volume of business written between 2021 and 2022.The risk margin is also influenced by the magnitude of various components of the SCR and in particular the non-life underwriting risk and counterparty default risk, which have also fallen.

The segmentation of the business between non-life classes and health classes remained stable over the last 12 months, with the proportion of the technical provisions relating to non-life classes being 99.94% at the end of 2022, compared to 99.83% at the end of 2021.

5.2.2. Valuation Methods, Basis and Assumptions

Solvency II requires insurers to place an economic value on their assets and liabilities for solvency purposes. More specifically, the value of the technical provisions should be the amount that the insurer would be required to pay in order to transfer its obligations relating to its insurance contracts to a willing third party in an arm's-length transaction.

The following table shows the valuation differences of the technical provisions between IFRS and Solvency II:

	Liabilities – TP		Assets – Recoverable TP		Net TP	
Non-Life & Health Technical Provisions (mUSD)	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**
TP calculated as a whole	672.5	0.0	620.1	0.0	52.4	0.0
Best Estimate	**0.0**	**517.9**	**0.0**	**477.9**	**0.0**	**39.9**
Workers' Compensation	0.5	0.3	0.4	0.3	0.0	0.0
Motor Vehicle Liability	231.0	189.5	217.5	176.7	17.8	12.8
Other Motor	67.0	55.0	61.4	50.3	5.5	4.8
Marine, Aviation & Transport	7.6	7.3	7.5	7.1	0.1	0.2
Fire & Other Damage to Property	243.3	166.0	221.5	152.0	24.7	14.0
General Liability	118.3	96.0	107.2	87.9	11.1	8.1
Miscellaneous Financial Loss	3.7	3.3	3.6	3.2	0.1	0.1
Credit & Suretyship	1.1	0.5	1.0	0.5	0.1	0.0
Risk Margin	**0.0**	**4.4**	**0.0**	**0.0**	**0.0**	**4.4**
Workers' Compensation	0.0	0.0	0.0	0.0	0.0	0.0
Motor Vehicle Liability	0.0	1.5	0.0	0.0	0.0	1.5
Other Motor	0.0	0.4	0.0	0.0	0.0	0.4
Marine, Aviation & Transport	0.0	0.0	0.0	0.0	0.0	0.0
Fire & Other Damage to Property	0.0	1.6	0.0	0.0	0.0	1.6
General Liability Insurance	0.0	0.8	0.0	0.0	0.0	0.8
Miscellaneous Financial Loss	0.0	0.0	0.0	0.0	0.0	0.0
Credit and Suretyship	0.0	0.0	0.0	0.0	0.0	0.0
Gross TP – Non-Life	**672.5**	**522.2**	**620.1**	**477.9**	**52.4**	**44.3**

Insurance liabilities are difficult to value due to uncertainty of both the amounts and timing of future payments. Therefore, alongside the net present value of the expected future cashflows relating to claims liabilities, a risk margin is required to cover the cost of capital that the receiving party is subject to, having taken on the obligations. The risk margin can be thought of as the mechanism that moves the valuation of the insurance liabilities to a mark-to-market basis.

The best estimate liability aims to represent the probability-weighted average of future cash flows required to settle the insurance obligations attributable to the lifetime of QEL's policies. The best estimate cash flows include future best estimate premium payments, claim payments, expenses expected to be incurred in servicing the Company's policies over their lifetime, investment costs and any payments to and from reinsurers. The best estimate liability is discounted using the currency-specific risk-free yield curves as published by the European Insurance and Occupational Pensions Authority (EIOPA).

The method and assumptions used within the estimation of the technical provisions are equivalent to those used within the estimation as at the previous reporting period and there.

In determining the technical provisions on a Solvency II basis, QEL's starting point is the technical provisions on an IFRS basis. These are valued at best estimate, with no explicit margin for prudence.

The reserves on an IFRS basis are estimated using the following reserving classes:

- Agriculture, including pets, livestock and bloodstock;
- Aviation & Space;
- Credit & Surety;
- Property: contracts covering single risks;
- Energy: contracts covering single risks;
- Property: binding authority business;
- Engineering: contracts covering single risks;
- Liability professional lines & General Liability;
- Marine;
- Motor: non-UK business; and
- Motor: UK business.

The reserving classes segment divide the business into homogeneous groupings based on the underlying risks. The groupings set out above have been used for estimating QEL's reserves consistently since QEL's inception.

The reserves on an IFRS basis are split between earned reserves, relating to periods of past exposure, and the unearned premium reserve, relating to periods of future exposure on already incepted policies.

The main differences between the value of the technical provisions for solvency purposes and the IFRS valuation are as follows:

- Expected losses on the unearned business are taken into account in the calculation of premium provisions, removing any portion of the unearned premium reserve (UPR) that is in excess of this amount (i.e. allowing for the expected profits or losses in case of unprofitable business).
- The premium provisions and claims provisions include an amount relating to all future expenses to run off the insurance liabilities and for events not in the data set.
- Future cash flows are discounted to reflect the time value of money.
- A risk margin is added, calculated using the cost of capital approach.
- Elimination of Deferred acquisition cost (DAC) is applied.

In addition to the key differences above, the Solvency II valuation of Fire & Other Damage to Property Line of business considers the use of Funds Withheld, which significantly reduce the size of the technical provisions.

Furthermore, the Solvency II valuation of Motor Vehicle Liability, Other Motor, Fire & Other Damage to Property and General Liability line of business considers Variable Commission payments that are not taken into account in the IFRS basis, which also reduces the technical provisions.

The Company did not make use of any of the following:

- Matching adjustment referred to in Article 77b of the Solvency II Directive;
- Volatility adjustment referred to in Article 77d of the Solvency II Directive;
- Transitional risk-free interest term structure referred to in Article 308c of the Solvency II Directive;
- Transitional deduction referred to in Article 308d of the Solvency II Directive.

The best estimate of the amounts recoverable from reinsurance contracts and other risk transfer mechanisms is calculated separately from the gross best estimate. The calculation is based on principles consistent with those underlying the gross best estimate, projecting all cash flows associated with the recoverables and discounting using the risk-free rate yield curve.

Further, on an IFRS basis, technical provisions are split into an earned portion, relating to periods of risk exposure that have already expired, and an unearned portion, relating to periods of risk exposure that are yet to expire. On the Solvency II basis, this distinction is also made, however profit within the yet-to-expire period of risk is recognised immediately within the premium provisions. Similarly, any loss relating to the cession of assumed business due to the reinsurer's profit margin etc. is recognised immediately. An adjustment is made to reflect the expected losses on reinsurance recoverables due to counterparty default. The adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting from the default.

5.2.3. Risk margin

The risk margin is added to the best estimate to reflect the uncertainty associated with the probability-weighted cash flows. It is calculated using a cost of capital approach, which calculates the cost of providing eligible own funds for the duration of the run-off of the obligations to cover the insurance risk, counterparty credit risk and operational risk components of the SCR. The rate used in the determination of the cost of providing the own funds is called cost-of-capital rate. A cost-of-capital rate of 6% is applied to the capital to cover the full period needed to run off the insurance liabilities. The cost of capital in each future year is discounted using the risk-free discount curve.

Given the size and complexity of QEL's business model, the complexity of the analysis to project QEL's balance sheet over the lifetime of its insurance obligations in order to forecast the associated Solvency Capital Requirement at each future period would be disproportionate to the modest impact. QEL therefore calculates the risk margin using simplification method 1 as set out within Article 58 of the SII Delegated Regulation 2015/35, which is proportional to the nature, scale and complexity of QEL's business.

Under simplification method 1, QEL approximates the individual risks or sub-risks within some or all modules to be used for the calculation of future SCRs. This method considers a 'risk driver' approach to approximate the run-off of each risk at each time point in the future

5.2.4. Uncertainty

There are several material assumptions, involved in the calculation of IFRS technical provisions which are also relevant in the context of the Solvency II Technical Provisions. The actuarial valuation of loss reserves incorporates a degree of uncertainty, emerging from the fact that the actual payment dates of the future cash flows as well as the actual eventual loss settlement amount are unknown. Additionally expected recoveries may not be realised as counterparties might default.

SII Technical Provisions

The uncertainties outlined above would also affect the SII technical provisions. There are also additional inherent uncertainties in the Solvency II valuation basis. It should however be noted that:

- The Methodologies and assumptions used in the Technical Provision valuation are appropriate for the specific classes of business of QEL and the way the business is managed, having regard to the available data.
- The calculations are performed in line with guidance issued by EIOPA

Lastly, in addition to the internal reserving quality assurance process, the reserve estimates are based on expert judgement, benchmarks and other available relevant market data. They are also subject to an external independent review as well as a full review from an Audit firm. These reviews provide an extra layer of assurance that the best estimate reserves are within a reasonable range.

5.3. Other Liabilities

The liabilities other than the technical provisions as of 31 December 2022 are set out below, alongside their value as at 31 December 2022 on each of the IFRS and Solvency II bases.

Other Liabilities (mUSD)	Reference	31/12/2022 IFRS	31/12/2022 Solvency	31/12/2021 IFRS	31/12/201 Solvency
Deferred Commission Income	A	17.3	-	97.5	-
Reinsurance Payables	B	142.0	6.9	207.2	52.2
Payables (trade, not insurance)	C	2.4	2.4	4.6	4.6
Insurance and Intermediaries Payables	D	58.7	58.7	15.6	15.6
Total		**220.3**	**68.0**	**324.9**	**72.4**

Valuation bases, methods and main assumptions are:

a. Deferred commission income is valued at nil within the Solvency II balance sheet as the Company does not expect future cashflows from this liability.

b. Reinsurance payables due within three months are not discounted. This is analogous to the treatment of insurance receivables within the balance sheet assets. Differences are driven by Funds Withheld and Variable Commissions.

c. Payables (trade, not insurance) relate to trade accruals and are valued at face value.

d. Insurance and intermediary payables relate to amounts owed to intermediaries and for IPT and are valued at face value.

5.3.1. Comparison to previous year

The decrease in IFRS and SII balances during the 12 months to 31 December 2022 relate to business decrease as described in previous sections.

5.4. Alternative Methods of Valuation

No alternative methods of valuation have been used during the reporting period.

5.5. Any other Material Information

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

6 CAPITAL MANAGEMENT

The Company is required by the MFSA to hold available own funds of an amount that is equal to or exceeds the MCR and SCR, in accordance with the Solvency II Directive. The SCR is calculated using the Solvency II standard formula. QEL benefits from its parent company's credit rating due to the backing provided by QIC in the form of a parental guarantee and the quota share treaties with AntaresRe and QIC.

6.1 Own Funds

6.1.1 Management of Own Funds

Capital adequacy is maintained with reference to QEL's risk appetite. At any given time, the Company aims to maintain a strong capital base to enable QEL to support the business plan based on its own view of the capital required, and meeting regulatory capital requirements on an ongoing basis.

The ORSA process enables QEL to identify, assess, monitor, manage and report on the current and emerging risks that it faces, and to determine the capital necessary to ensure that overall solvency needs are met at all times.

The Capital Management Action Plan identifies the various thresholds below which available capital may be depleted, and the actions QEL will adopt to maintain capital adequacy. QEL can manage its capital position by either increasing the amount of available capital or by taking action to reduce the required capital. The approach taken is dependent on the specific circumstances of the event giving rise to the depletion of available capital.

QEL projects a business plan for three years, which includes both projected income statement and balance sheets. These projected business plan profit and loss accounts and balance sheets form the basis of the SCR projection. Own funds have been projected (for three years) based on the IFRS business plan and claims development and payment patterns provided by the Reserving and Financial Planning and Analytics teams, allowing for an adjustment to translate this to a Solvency II Economic Balance Sheet.

There have been no material changes to the management of own funds during the reporting period.

6.1.2. Tiers of Own Funds

Solvency II legislation has introduced a three-tiered capital system designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement levels. The tiered capital system (Tiers 1, 2 and 3) classifies capital instruments into a given tier based on their loss absorbency characteristics. The highest quality capital is eligible for Tier 1, which is able to absorb losses under all circumstances, including as a going concern, during run-off, wind-up or insolvency. Tier 2, while providing full protection to policyholders in a wind-up or insolvency scenario, has moderate loss absorbency on a going-concern basis. Tier 3 meets, on a limited basis, some of the characteristics exhibited in Tiers 1 and 2.

Eligibility limits are applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels.

The Governance of QEL's Tier 1 assets are described in Section 4.2.1 and follow the QEL Investment Strategy. The investment strategy is heavily weighted towards fixed income and cash deposits and ensures that the Company only invests in instruments that any reasonable individual aiming for capital preservation and return on investment would own.

The following table shows the available and eligible capital to cover the SCR as at the end of 2022:

QEL - Eligible Capital to cover SCR	2022 YE	2021 YE	Diff
Tier 1 - Available Capital	48,318	60,120	(11,802)
Tier 2 - Available Capital	23,000	14,000	9,000
Tier 3 - Available Capital	4,120	4,284	(164)
Available Capital	**75,438**	**78,404**	**(2,966)**
Tier 1 - Eligible Capital	48,318	60,120	(11,802)
Tier 2 - Eligible Capital	21,213	14,000	7,213
Tier 3 - Eligible Capital	-	4,284	(4,284)
Eligible Capital for SCR	**69,530**	**78,404**	**(8,874)**
Ineligible Capital for SCR	5,908	-	5,908
Solvency Capital Requirement (SCR)	**42,425**	**53,710**	**(11,285)**
SCR ratio	**164%**	**146%**	**18%**

All numbers relate to the assessed Year End position.

The following table shows the eligible capital to cover the MCR:

QEL - Eligible Capital to cover MCR	2022 YE	2021 YE	Diff
Tier 1 - Available Capital	48,318	60,120	(11,802)
Tier 2 - Available Capital	-	-	-
Tier 3 - Available Capital	-	-	-
Available Capital	**48,318**	**60,120**	**(11,802)**
Tier 1 - Eligible Capital	48,318	60,120	(11,802)
Tier 2 - Eligible Capital	-	-	-
Tier 3 - Eligible Capital	-	-	-
Eligible Capital for MCR	**48,318**	**60,120**	**(11,802)**
Ineligible Capital for MCR	-	-	-
Minimum Capital Requirement (MCR)	**10,606**	**13,427**	**(2,821)**
MCR ratio	**456%**	**448%**	**8%**

All numbers relate to the assessed Year End position.

The Tier 2 Letter of Credit is not eligible to cover the MCR as it is not a basic own funds item (SII Delegated Regulation 2015/35, Article 98.4). There are no planned redemptions, repayment or maturity dates linked to the share capital.

Tier 3 is also not eligible to cover the MCR.

No additional solvency ratios to the ones included in template S.23.01 (i.e. SCR and MCR) are disclosed by the Company.

6.1.3. Commentary on Tiers of Own Funds

Tier 1 - Available Capital has fallen from $60.1m to $48.3 ($11.8m).

Tier 2 - Available Capital has increased from $14.0m to $23.0m ($9.0m) between 2021 and 2022.

Tier 3 - Available Capital has fallen from $4.3m to $4.1m ($0.2m). This is directly related to changes in the deferred tax asset.

Up to 50% of the SCR may be covered by Tier 2 and Tier 3 capital.

6.1.4. Differences in Shareholder's Equity as Stated in the Financial Statements vs. the Available Capital and Surplus for Solvency Purposes

The table below shows the comparison of QEL's basic own funds under Solvency II and shareholders' equity under IFRS as of 31 December 2022:

Detail USD'000s	Reference	IFRS	Solvency II Base	Variance
Ordinary Share Capital		22,500	22,500	-
Profit and loss Account	a	(3,516)	-	3,516
Reconciliation Reserve	a	-	(13,640)	(13,640)
Deferred Tax Assets	b	-	4,120	4,120
Capital Contribution		39,458	39,458	-
Total Basic Own Funds		**58,442**	**52,438**	**(6,004)**
Letter of Credit		-	23,000	23,000

The key differences between the total equity shown under IFRS and Solvency II are as follows:

a) Under Solvency II, a reconciliation reserve is recognised. This reserve is the amount of the adjustments made to the assets and liabilities to arrive at the Solvency II estimates by applying Solvency II valuation principles. This reserve reduces the company's Total Basic Own Funds by USD $13.6m.

Reconciliation reserve has fallen from a -$1.8m to -$13.6m ($11.8m reduction).

The volatility of the reconciliation reserve is subject to change throughout the year as a result of changes in economic earnings and capital measures (dividends, capital increases, etc.). Fluctuations in the reconciliation reserve are addressed via QEL's asset-liability management processes.

b) A net deferred tax asset (DTA) of USD $4.1m has arisen due to the difference between the IFRS balance sheet and the Solvency II balance sheet. The DTA is mainly driven by the difference in the valuation of the net best estimate liability when compared to IFRS net reserves. The DTA is considered under Tier 3 capital up to a limitation of 15% of the total capital being taken as allowable against the SCR.

6.1.5. Own Funds subject to Transitional Arrangements

At the end of the reporting period, QEL does not hold any own funds which are subject to transitional arrangements.

6.1.6. Ancillary Own Funds

At the end of the reporting period, QEL holds USD 23m of Tier 2 capital which has been provided in the form of Letter of credit (LoC) guaranteed by parent (Antares Reinsurance Company Limited). These are the only ancillary funds that are held by QEL.

During the year, the Company increased its Letter of Credit Facility from $14m to $23m to mitigate any adverse result and avoid any potential breaches of solvency. This was undertaken in line with QEL's Capital Management Action Plan (CMAP). The level of funding is determined through the review of capital projections in order to determine the required level of capital over the business planning period.

The $9m increase in the LoC was approved by the MFSA on the 3rd May 2022. All LoCs auto-renew on expiry and remain in force, until such time they are either drawn down on (and subsequently classified as a Tier 1 asset) or cancelled with at least 60 days' written notice prior to the annual expiry date.

There have been no material changes to the process used to determine the level of ancillary own funds.

6.1.7. Factors Affecting the Availability and Transferability of Own Funds

There are no factors affecting the availability and transferability of own funds.

In 2022, the company did not deduct items from the Own Funds.

6.2. Solvency Capital Requirement and Minimum Capital Requirement

6.2.1. Calculation of the SCR

The SCR and MCR have been determined using the standard formula approach set out in the Solvency II Delegated Regulation 2015/35.

For the calculation of Counterparty default risk, QEL uses a simplified calculation of the recoverables from reinsurance contracts, as per Article 107 of the SII Directive. This is proportionate to the nature, scale and complexity of its risks.

QEL does not use undertaking-specific parameters pursuant to Article 104(7) of the Solvency II Delegated Regulation 2015/35.

QEL is not subject to any capital add-on at the end of the reporting period.

The final amount of the SCR is subject to supervisory assessment.

6.2.2. SCR by risk module

The following table shows the SCR by risk module:

QEL - Capital Requirement (USD'000)	2022 YE	2021 YE	Diff
Underwriting Risk Non-Life	**11,889**	**17,459**	**(5,571)**
Diversification within UW Risk NL	(2,766)	(4,527)	1,761
Premium and Reserve Risk	10,264	15,754	(5,490)
Lapse Risk	447	1,890	(1,443)
CAT Risk	3,944	4,342	(398)
Underwriting Risk Life	**-**	**-**	**-**
Underwriting Risk Health	**6**	**29**	**(23)**
Market Risk	**4,283**	**4,826**	**(542)**
Diversification within Market Risk	(2,979)	(2,817)	(162)
Spread Risk	2,855	3,845	(990)
Interest Rate Risk	1,423	1,171	252
Currency Risk	1,697	1,452	245
Concentration Risk	1,286	1,174	112
Credit Risk	**23,465**	**27,945**	**(4,480)**
Diversification within Credit Risk	(389)	(45)	(344)
Type 1	22,196	27,810	(5,614)
Type 2	1,657	179	1,478
BSCR post diversification	**32,635**	**41,315**	**(8,680)**
Diversification btw risk types	(7,007)	(8,943)	1,936
Operational Risk	**9,790**	**12,395**	**(2,604)**
SCR Adjustment	**0**	**0**	**-**
Solvency Capital Requirement (SCR)	**42,425**	**53,710**	**(11,285)**

*All numbers relate to the assessed Year End position

The Company's SCR has fallen by around $11m since last year which is explained primarily by the following:

- Premium and Reserve risk has fallen by $5.4m due to Premium volumes falling as a result of a reduction in premium. There is a reduction in past and future premiums following non-renewal of material business contracts during 2022.
- Credit risk has fallen by $4.5m due to a decrease in type 1 counterparty default risk due to a reduction in reinsurance recoverables (falling from $677m to $478m) and less exposure against the unrated HSBC branch in Malta offset by an increase in type 2 counterparty default risk. The increase is in type 2 exposures with less than 3 months overdue.
- Market risk has fallen by $0.5m due to a reduction in Spread Risk, explained by a decrease in investments susceptible to spread risk of $43m ($74m to $31m).
- This year, no SCR adjustment was made for the risk mitigating effect of deferred taxes due to the current size of the deferred tax asset.

6.2.3. Calculation of the MCR

The MCR is determined by the standard formula as follows:

- The Linear MCR is calculated based on the net best estimate liability and net written premiums by Solvency II lines of business. The Company's Linear MCR equated to USD $4.7m at 31st December 2022.
- The Combined MCR is based on the Linear MCR and this should fall within a range between 25% and 45% of the SCR, being USD $10.6m and USD $19.1m respectively. As the Linear MCR is below the lower limit, the Combined MCR is the lower limit of this range being USD $10.6m.
- The MCR is then the greater of the Combined MCR and the Absolute floor of the MCR (AMCR). The AMCR is equivalent to EUR 4.0m for (re) insurers authorised for liability business, and for the period ended 31st December 2022, the AMCR equated to $4.3m. The Company's MCR is therefore $10.6m.

6.2.4. Movements in MCR

The following table shows the breakdown of the movements in MCR:

QEL - MCR Calculation (USD'000)	2022 YE	2021 YE	Diff
Total MCR NL	**4,684**	**10,705**	**(6,021)**
Cap 45%	19,091	24,169	(5,078)
Floor 25%	10,606	13,427	(2,821)
AMCR	4,282	4,190	92
MCR	**10,606**	**13,427**	**(2,821)**

The MCR has fallen in 2022 to $10.6m from $13.4m in 2021 as a result of the SCR drop.

6.2.5. Solvency Position

The following tables show the SCR and MCR ratio of the Company:

QEL - Eligible Capital to cover SCR (USD'000)	2022 YE	2021 YE	Diff
Eligible Capital for SCR	**69,530**	**78,404**	**(8,874)**
Solvency Capital Requirement (SCR)	**42,425**	**53,710**	**(11,285)**
SCR ratio	**164%**	**146%**	**18%**

All numbers relate to the assessed Year End position

QEL - Eligible Capital to cover MCR (USD'000)	2022 YE	2021 YE	Diff
Eligible Capital for MCR	**48,318**	**60,120**	**(11,802)**
Minimum Capital Requirement (MCR)	**10,606**	**13,427**	**(2,821)**
MCR ratio	**456%**	**448%**	**8%**

All numbers relate to the assessed Year End position

6.2.6. Non-compliance with the Minimum Capital Requirement and the Solvency Capital Requirement

The Company maintained own funds in excess of the MCR and the SCR throughout the reporting period.

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

The Company does not make used of the duration-based equity risk sub-module of the SCR.

6.2.8. Differences between the standard formula and the internal model used

No internal or partial model was used in the calculation of the SCR.

7 SUBSEQUENT EVENTS

7.1 Board and executive management changes

These are detailed in section 3.4.

7.2 Brexit

Approximately 48% of QEL's portfolio in 2023 is written in the UK through UK coverholders as QEL continues to write UK business uninterruptedly under the UK's Temporary Permissions Regime, which expires 31st December 2023. Antares Global has created a comprehensive Brexit plan and as part of this, a newly established UK risk carrier is in the process of being authorised as an insurer in the UK by the Prudential Regulation Authority and the Financial Conduct Authority. We anticipate obtaining approval by 1st July 2023. Once authorised, QEL's UK business will be renewed into the newly established UK risk carrier, whilst the prior years' UK business will continue to run off to expiry in QEL.

A

APPENDICES

Appendix 1

Quantitative Reporting Templates (QRTs) for Public Disclosure

S.02.01.02 – BALANCE SHEET

S.02.01.02 – BALANCE SHEET (CONTINUED)

S.05.01.02 – NON LIFE BUSINESS WRITTEN

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES)

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES TOTAL)

S.17.01.02 – NON-LIFE TECHNICAL PROVISIONS

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – DEVELOPMENT YEAR – TOTAL NON LIFE BUSINESS

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – CURRENT YEAR,SUM OF YEARS (CUMULATIVE) – TOTAL NON LIFE BUSINESS

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – DEVELOPMENT YEAR(ABSOLUTE AMOUNT) – TOTAL NON-LIFE BUSINESS

S.19.01.21 – GROSS DISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – CURRENT YEAR, SUM OF YEARS(CUMULATIVE) – TOTAL NON-LIFE BUSINESS

S.23.01.01 – OWN FUNDS

S.23.01.02 – RECONCILIATION RESERVE

S.25.01.21.01 – BASIC SOLVENCY CAPITAL REQUIREMENT

S.25.01.21.02 – CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

S.25.03.21.03 – APPROACH BASED ON AVERAGE TAX RATE

S.25.03.21.05 – CALCULATION OF LOSS ABSORBING CAPACITY OF DEFERRED TAXES

S.28.01.01 – LINEAR FORMULA COMPONENT FOR NON-LIFE INSURANCE AND REINSURANCE OBLIGATIONS

S.28.01.01.02 – BACKGROUND INFORMATION

S.28.01.01.05 – OVERALL MCR CALCULATION

Appendix 2

Technical Provisions split by non-life and health

Appendix 1: Quantitative Reporting Templates (QRTs) for Public Disclosure

S.02.01.02.01 – BALANCE SHEET

		Solvency II Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	4,120,201
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	102,670
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	41,139,070
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	36,247,125
Government Bonds	R0140	4,843,419
Corporate Bonds	R0150	31,403,706
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	4,891,945
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	477,933,062
Non-life and health similar to non-life	R0280	477,933,062
Non-life excluding health	R0290	477,613,598
Health similar to non-life	R0300	319,464
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	35,103,183
Insurance and intermediaries receivables	R0360	56,329,802
Reinsurance receivables	R0370	15,558,994
Receivables (trade, not insurance)	R0380	11,114
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	12,344,857
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**642,642,953**

S.02.01.02.01 – BALANCE SHEET (CONTINUED)

		Solvency II Solvency II value C0010
Liabilities		
Technical provisions – non-life	R0510	522,210,207
Technical provisions – non-life (excluding health)	R0520	521,871,488
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	517,522,699
Risk margin	R0550	4,348,789
Technical provisions – health (similar to non-life)	R0560	338,719
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	336,375
Risk margin	R0590	2,344
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	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	58,668,025
Reinsurance payables	R0830	6,941,462
Payables (trade, not insurance)	R0840	2,385,451
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**590,205,146**
Excess of assets over liabilities	**R1000**	**52,437,807**

S.05.01.02 – NON LIFE BUSINESS WRITTEN

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								Total
			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	Miscellaneous financial loss	$000s
			C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0120	C0200
Premiums written	Gross – Direct Business	R0110	25,469	80,581,913	25,774,940	(12,909)	134,245,029	8,491,356	1,332,384	76,046	250,514,226
	Gross – Proportional reinsurance accepted	R0120									
	Gross – Non-proportional reinsurance accepted	R0130									
	Reinsurers' share	R0140	24,233	88,780,414	27,740,980	(221,302)	122,229,939	7,690,691	1,199,683	71,940	247,516,577
	Net	R0200	12,356	(8,198,501)	(1,966,040)	208,393	12,015,089	800,666	132,700	4,106	2,997,649
Premiums earned	Gross – Direct Business	R0210	30,234	184,055,667	56,065,145	413,318	199,413,919	23,694,190	426,792	1,025,552	465,124,818
	Gross – Proportional reinsurance accepted	R0220									
	Gross – Non-proportional reinsurance accepted	R0230									
	Reinsurers' share	R0240	28,517	180,860,964	54,729,728	178,099	180,969,164	21,402,784	384,290	992,668	439,546,214
	Net	R0300	1,718	3,194	1,335,417	235,219	18,444,755	2,291,406	42,502	32,884	25,578,604
Claims incurred	Gross – Direct Business	R0310	(20,867)	128,132	39,301,454	712,258	132,711,667	22,248,899	240,177	(2,025,388)	321,301,185
	Gross – Proportional reinsurance accepted	R0320									
	Gross – Non-proportional reinsurance accepted	R0330									
	Reinsurers' share	R0340	(20,526)	114,324,371	35,289,545	767,002	113,870,121	20,332,079	216,989	(1,977,759)	282,801,822
	Net	R0400	(342)	13,808,615	4,011,909	(54,744)	18,841,546	1,916,820	23,188	(47,630)	38,499,363
Changes in other technical provisions	Gross – Direct Business	R0410									
	Gross – Proportional reinsurance accepted	R0420									
	Gross – Non-proportional reinsurance accepted	R0430									
	Reinsurers' share	R0440									
	Net	R0500									
Expenses incurred		R0550	6,441	(27,107,158)	(7,094,261)	493,124	31,486,173	2,336,373	224,243	16,038	360,973
Other expenses		R1200									
Total expenses		**R1300**									**360,973**

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES)

			Other than home country Country (by amount of gross premiums written) – non-life obligations				
			GREECE C0090_85	IRELAND C0090_106	PORTUGAL C0090_178	UNITED KINGDOM C0090_234	UNITED KINGDOM (GIBRALTAR) C0090_235
Premiums written	Gross – Direct Business	R0110	21,200,471	14,400,141	3,072,979	206,363,295	3,169,270
	Gross – Proportional reinsurance accepted	R0120					
	Gross – Non-proportional reinsurance accepted	R0130					
	Reinsurers' share	R0140	19,161,795	13,041,825	2,779,640	207,567,432	2,867,720
	Net	R0200	2,038,676	1,358,316	293,339	(1,204,137)	301,550
Premiums earned	Gross – Direct Business	R0210	21,942,787	16,538,105	3,272,513	417,394,192	2,750,539
	Gross – Proportional reinsurance accepted	R0220					
	Gross – Non-proportional reinsurance accepted	R0230					
	Reinsurers' share	R0240	19,810,807	14,964,076	2,962,243	396,370,629	2,492,946
	Net	R0300	2,131,980	1,574,029	310,270	21,023,563	257,593
Claims incurred	Gross – Direct Business	R0310	17,989,405	15,486,578	2,495,622	280,893,336	1,296,759
	Gross – Proportional reinsurance accepted	R0320					
	Gross – Non-proportional reinsurance accepted	R0330					
	Reinsurers' share	R0340	16,197,749	14,986,900	2,296,987	246,408,604	1,168,729
	Net	R0400	1,791,656	499,678	198,635	34,484,732	128,030
Changes in other technical provisions	Gross – Direct Business	R0410					
	Gross – Proportional reinsurance accepted	R0420					
	Gross – Non-proportional reinsurance accepted	R0430					
	Reinsurers' share	R0440					
	Net	R0500					
Expenses incurred		R0550	5,331,850	3,440,302	747,765	(10,438,465)	753,632
Other expenses		R1200					
Total expenses		R1300					

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES TOTAL)

			Non-life and Health non-SLT Total Top 5 and home country C0140
Premiums written	Gross – Direct Business	R0110	248,257,468
	Gross – Proportional reinsurance accepted	R0120	
	Gross – Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	245,464,837
	Net	R0200	2,792,631
Premiums earned	Gross – Direct Business	R0210	461,898,136
	Gross – Proportional reinsurance accepted	R0220	
	Gross – Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	436,600,701
	Net	R0300	25,297,435
Claims incurred	Gross – Direct Business	R0310	318,161,700
	Gross – Proportional reinsurance accepted	R0320	
	Gross – Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	281,058,969
	Net	R0400	37,102,731
Changes in other technical provisions	Gross – Direct Business	R0410	
	Gross – Proportional reinsurance accepted	R0420	
	Gross – Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	(164,916)
Other expenses		R1200	
Total expenses		**R1300**	**(164,916)**

S.17.01.02 – NON-LIFE TECHNICAL PROVISIONS

				Direct business and accepted proportional reinsurance								Total Non-Life obligation
				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	Miscellaneous financial loss	
				C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0130	C0180
Solvency II												
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			R0060	(0)	13,043,552	3,951,693	102,011	12,824,555	2,252,881	290,722	23,827	32,489,243
Best estimate	Premium provisions	Gross	R0140	0	11,812,740	3,577,118	96,498	11,538,746	2,027,004	328,374	23,216	29,403,698
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0150	0	1,230,812	374,575	5,514	1,285,816	225,879	(37,652)	611	3,085,554
		Net Best Estimate of Premium Provisions	R0160	336,375	176,418,900	51,095,003	7,161,288	153,172,277	93,776,886	180,434	3,228,668	485,369,832
	Claims provisions	Gross	R0240	319,464	164,864,188	46,703,577	7,013,176	140,455,164	85,881,114	162,285	3,130,398	448,529,364
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0250	16,912	11,554,712	4,391,426	148,112	12,717,113	7,895,772	18,149	98,271	36,840,467
		Net Best Estimate of Claims Provisions	R0260	336,375	189,462,452	55,046,696	7,263,299	165,996,832	96,029,768	471,156	3,252,496	517,859,074
Total Best estimate – gross			R0270	16,912	12,785,524	4,766,001	153,626	14,002,922	8,121,650	(19,503)	98,882	39,926,012
Total Best estimate – net			R0280	2,344	1,468,250	434,147	54,136	1,509,992	811,889	45,191	25,182	4,351,133
Risk margin			R0290									
Amount of the transitional on Technical Provisions		Technical Provisions calculated as a whole	R0300									
		Best estimate	R0310	338,719	190,930,703	55,480,844	7,317,436	167,506,824	96,841,657	516,347	3,277,678	522,210,207
		Risk margin	R0320	319,464	176,676,928	50,280,696	7,109,673	151,993,910	87,908,118	490,659	3,153,614	477,933,062
Technical provisions – total			R0330									
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total			R0340	19,256	14,253,774	5,200,148	207,762	15,512,914	8,933,539	25,689	124,064	44,277,145

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – DEVELOPMENT YEAR – TOTAL NON LIFE BUSINESS

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180	915,487	35,249,351	32,118,663	17,382,520	11,255,227	8,266,646	3,381,768	4,899,471			
N-6	R0190	17,495,955	71,589,986	47,040,437	18,327,412	38,780,926	2,769,768	8,865,339				
N-5	R0200	18,408,785	142,293,129	64,125,225	23,006,113	17,743,215	15,084,972					
N-4	R0210	30,444,657	142,317,341	89,394,955	31,822,027	25,268,315						
N-3	R0220	31,632,948	161,361,165	121,194,423	45,527,186							
N-2	R0230	19,854,330	154,928,236	107,606,982								
N-1	R0240	21,874,295	132,583,620									
N	R0250	8,897,115										

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – CURRENT YEAR, SUM OF YEARS (CUMULATIVE) – TOTAL NON LIFE BUSINESS

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180	4,899,471	113,368,621
N-6	R0190	8,865,339	204,869,823
N-5	R0200	15,084,972	280,661,438
N-4	R0210	25,268,315	319,247,294
N-3	R0220	45,527,186	359,715,723
N-2	R0230	107,606,982	282,389,547
N-1	R0240	132,583,620	154,457,914
N	R0250	8,897,115	8,897,115
Total	R0260	348,733,000	1,723,607,476

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – DEVELOPMENT YEAR(ABSOLUTE AMOUNT) – TOTAL NON-LIFE BUSINESS

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180	0	0	33,618,594	29,067,869	26,570,860	19,656,753	17,053,004	4,561,473			
N-6	R0190	0	128,183,202	75,881,987	84,458,532	46,507,745	54,034,148	29,439,691				
N-5	R0200	94,094,759	144,211,203	88,188,909	71,365,972	55,912,810	43,059,076					
N-4	R0210	84,572,434	162,334,696	101,279,397	82,281,834	58,380,960						
N-3	R0220	105,791,589	251,879,945	178,649,112	133,758,138							
N-2	R0230	98,425,943	160,114,281	101,255,179								
N-1	R0240	59,972,939	136,437,211									
N	R0250	12,646,944										

S.19.01.21 – GROSS DISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS –CURRENT YEAR, SUM OF YEARS(CUMULATIVE) – TOTAL NON-LIFE BUSINESS

		Year end (discounted data)
		C0360
Prior	R0100	49,653
N-9	R0160	134,774
N-8	R0170	3,586,868
N-7	R0180	6,109,885
N-6	R0190	8,447,429
N-5	R0200	7,734,067
N-4	R0210	11,248,032
N-3	R0220	31,504,210
N-2	R0230	73,841,141
N-1	R0240	110,240,057
N	R0250	232,473,716
Total	R0260	485,369,832

S.23.01.01 – OWN FUNDS

			Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 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	22,500,000	22,500,000			
	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	(13,640,283)	(13,640,283)			
	Subordinated liabilities	R0140					
	An amount equal to the value of net deferred tax assets	R0160	4,120,201				4,120,201
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	39,457,890	39,457,890			
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	52,437,807	48,317,607			4,120,201
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300					
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
	Unpaid and uncalled preference shares callable on demand	R0320					
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	23,000,000			23,000,000	
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
	Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
	Other ancillary own funds	R0390					
Total ancillary own funds		R0400	23,000,000			23,000,000	
Available and eligible own funds	Total available own funds to meet the SCR	R0500	75,437,808	48,317,607		23,000,000	4,120,201
	Total available own funds to meet the MCR	R0510	48,317,607	48,317,607			
	Total eligible own funds to meet the SCR	R0540	69,530,209	48,317,607		21,212,602	
	Total eligible own funds to meet the MCR	R0550	48,317,607	48,317,607			
SCR		**R0580**	**42,425,204**				
MCR		**R0600**	**10,606,301**				
Ratio of Eligible own funds to SCR		**R0620**	**164%**				
Ratio of Eligible own funds to MCR		**R0640**	**456%**				

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S.23.01.02 – RECONCILIATION RESERVE

			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	52,437,807
	Own shares (held directly and indirectly)	R0710	
	Foreseeable dividends, distributions and charges	R0720	
	Other basic own fund items	R0730	66,078,091
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve		R0760	(13,640,284)
Expected profits	Expected profits included in future premiums (EPIFP) – Life business	R0770	
	Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total expected profits included in future premiums (EPIFP)		R0790	

S.25.01.21.01 – BASIC SOLVENCY CAPITAL REQUIREMENT

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	4,283,117	
Counterparty default risk	R0020	23,464,673	
Life underwriting risk	R0030		
Health underwriting risk	R0040	5,767	
Non-life underwriting risk	R0050	11,888,606	
Diversification	R0060	(7,007,391)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	32,634,772	

S.25.01.21.02 – CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

		Value
		C0100
Solvency II		
Operational risk	R0130	9,790,432
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	42,425,204
Capital add-on already set	R0210	
Solvency capital requirement	R0220	42,425,204
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.25.03.21.03 – APPROACH BASED ON AVERAGE TAX RATE

		Yes/No
		C0109
Approach based on average tax rate	R0590	Approach based on average tax rate is not applicable as LAC DT is not used

S.25.03.21.05 – CALCULATION OF LOSS ABSORBING CAPACITY OF DEFERRED TAXES

		Solvency II LAC DT
		C0130
Loss-absorbing capacity of deferred taxes		
Amount/estimate of LAC DT	R0640	
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	

S.28.01.01 – LINEAR FORMULA COMPONENT FOR NON-LIFE INSURANCE AND REINSURANCE OBLIGATIONS

			MCR components
			C0010
Solvency II	MCRNL Result	R0010	4,683,832

S.28.01.01.02 – BACKGROUND INFORMATION

		Background information	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	16,912	1,236
Motor vehicle liability insurance and proportional reinsurance	R0050	12,785,524	0
Other motor insurance and proportional reinsurance	R0060	4,766,001	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	153,626	208,393
Fire and other damage to property insurance and proportional reinsurance	R0080	14,002,922	12,015,089
General liability insurance and proportional reinsurance	R0090	8,121,650	800,666
Credit and suretyship insurance and proportional reinsurance	R0100	0	132,700
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	98,882	4,109
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

S.28.01.01.05 – OVERALL MCR CALCULATION

		C0070
Linear MCR	R0300	4,683,832
SCR	R0310	42,425,204
MCR cap	R0320	19,091,342
MCR floor	R0330	10,606,301
Combined MCR	R0340	10,606,301
Absolute floor of the MCR	R0350	4,282,000
Minimum Capital Requirement	R0400	10,606,301

Appendix 2: Technical Provisions split by non-life and health

Non-Life (including health) technical provisions split as at 31 December 2022:

	Liabilities – TP		Assets – Recoverable TP	
Non-Life Technical Provisions	IFRS (USD)	Solvency II (USD)	IFRS (USD)	Solvency II (USD)
TP calculated as a whole	672,538,335		620,128,902	
Best Estimate		517,859,074		477,933,062
Risk Margin		4,351,133		
Gross TP – Non-Life	**672,538,335**	**522,210,207**	**620,128,902**	**477,933,062**

	Liabilities – TP		Assets – Recoverable TP	
Non-Life Technical Provisions	IFRS (USD)	Solvency II (USD)	IFRS (USD)	Solvency II (USD)
TP calculated as a whole	970,133,093		887,145,301	
Best Estimate		736,337,823		676,589,613
Risk Margin		6,223,345		
Gross TP – Non-Life	**970,133,093**	**742,561,168**	**887,145,301**	**676,589,613**

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