

# Hiscox Société Anonyme

## Solvency and Financial Condition Report 2025

April 2026

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## Glossary of terms

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

## Executive summary

This report has been produced in respect of Hiscox SA to satisfy its public reporting requirements under the Solvency II insurance regulation regime. The information contained in this report covers the year ending 31 December 2025. This SFCR is prepared in accordance with Article 82 of the Law of 7 December 2015 on the insurance sector, as amended, as well as Annex XX of the Commission delegated Regulation (EU) 2015/35 and EIOPA guidelines on reporting and public disclosure BoS-15-109.

The SFCR contains qualitative and quantitative information on the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management of Hiscox SA (HSA or the Company) together with standardised Quantitative Reporting Templates (QRTs) for 2025.

In 2025, there continued to be significant macroeconomic and geopolitical volatility and uncertainty. Loss estimates and their underlying assumptions continue to be reviewed on an ongoing basis. HSA stays vigilant of the potential impacts of direct and indirect exposures on the business.

## Business and performance

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

As of 31<sup>st</sup> December 2025, HSA's principal activity is the transaction of general insurance business, in particular personal and commercial insurance. Personal insurance includes high-value households, fine art and collectibles as well as luxury motor vehicles. Commercial insurance is focused on small and medium sized businesses, particularly for professional indemnity and other liabilities such as cyber and technology, employment liability and property risk.

During 2025 HSA has established a new branch in Italy. With over four million small businesses, Italy represents an exciting opportunity for HSA over the coming years. In 2025, no business was underwritten by the Italian branch.

In 2025, HSA's gross written premium increased by 4%, reflecting continued momentum across the business. Growth was primarily driven by the strong performance of our two largest markets, Germany and France, where the business continues to expand its specialist propositions in response to evolving customer needs.

Claims performance showed a slight deterioration compared with 2024. The gross loss ratio increased to 40% (2024: 35%), influenced by higher large losses and a normalisation of prior-year development. After the operation of HSA's reinsurance arrangements, the net loss ratio for 2025 was 57% (2024: 50%), remaining within the expected range when considering the structure and purpose of the reinsurance programme.

The operational expense ratio remained broadly stable at 21% (2024: 19%), supported by ongoing discipline in cost management, although some incremental expenditure was necessary to sustain growth.

HSA generated an underwriting profit of €1.3 million in 2025 (2024: €2.9 million), resulting in a combined ratio of 98% (2024: 96%), which remains consistent with recent performance despite a more challenging claims environment.

No final dividend has been declared for the year ended 31 December 2025 (2024: nil).

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

## System of governance

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

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

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

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

## Risk profile

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

A snapshot of HSA's pre-diversified risk profile composition for the year ended 31 December 2025 and comparison with prior year is shown in Figure 1. The risk profile is produced using the Solvency II standard formula framework.

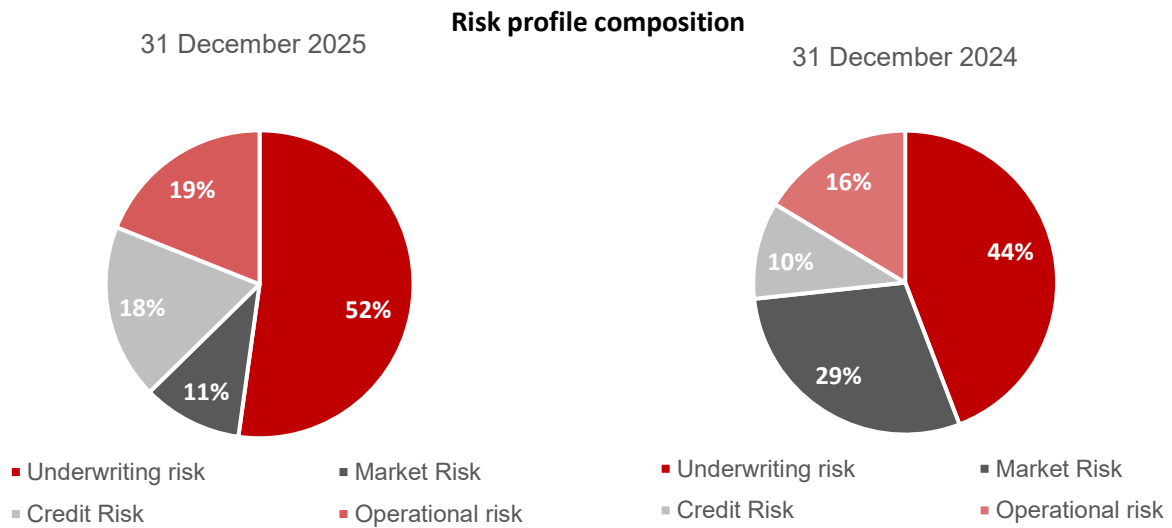


Figure 1

Underwriting risk (including reserve risk) remains the most significant risk that HSA is exposed to, representing 52% of its pre-diversified risk profile which is assumed mainly through the underwriting process.

The second largest risk is operational risk, making up 19% of the overall pre-diversified risk profile.

The third largest risk is credit risk, which amounted to 18%. The inherent credit risk exposure for HSA is material with the quota share agreement in place with Hiscox Insurance Company (Bermuda) Ltd. This risk is – however - mitigated by holding collateral through a funds withheld structure.

The least significant risk type is market risk which is 11% of the total pre-diversified risk profile, up from 29% at YE 2024. HSA invests in accordance with the Solvency II Prudent Person Principle to protect the security, quality, liquidity, and profitability of the portfolio and ensure that assets are available to the company in the relevant currency as required. Market risk has decreased significantly compared to YE 2024 due to the reversal of a methodology change that had removed market risk mitigation in the YE 2024 position. Market risk is back in line with YE 2023 which made up 13% of the overall pre-diversified risk profile.

Further details of HSA's risk profile, including analysis of HSA's diversified capital standard formula SCR are included in Section C of this report.

## Valuation for solvency

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

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

Differences between HSA's shareholders' equity and the Solvency II balance sheet (€000):		
	2025	2024
Shareholders' equity as shown in the financial statements	184,326	171,326
Solvency II valuation adjustments to assets (Note i)	(1,321,184)	(1,089,357)
Solvency II valuation adjustments to technical provisions (Note ii)	290,362	274,883
Solvency II valuation adjustments to other liabilities (Note iii)	966,500	771,476
<b>Solvency II EAL</b>	<b>120,004</b>	<b>128,328</b>

Table 1

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

## Capital management summary

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

On 31 December 2025, HSA's Solvency II eligible own funds were €120.0 million, compared to a standard formula SCR of €86.7 million, representing an SCR coverage ratio of 138%. HSA's MCR was €39.0 million.

HSA's eligible own funds		
	2025	2024
Solvency II EAL (€000)	120,004	128,328
Eligible own funds (Tier 1 & Tier 3) (€000)	120,004	128,328
Minimum capital requirement (€000)	39,022	39,072
Solvency capital requirement (€000)	86,717	86,826
Solvency capital requirement ratio	138%	148%

Table 2

Further details of HSA's capital management approach are included in Section E of this report.

## **A. Business and performance**

### **A.1. Business performance**

#### **A.1.1. Name and legal form of the undertaking**

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

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

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

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

Hiscox Ltd is supervised by the Bermuda Monetary Authority  
The Bermuda Monetary Authority  
BMA House  
43 Victoria Street  
Hamilton  
Bermuda

#### **A.1.3. External auditor**

The external auditor of HSA is PricewaterhouseCoopers Assurance, Société coopérative.

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

#### **A.1.4. Holders of qualifying holdings in HSA**

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

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

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

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

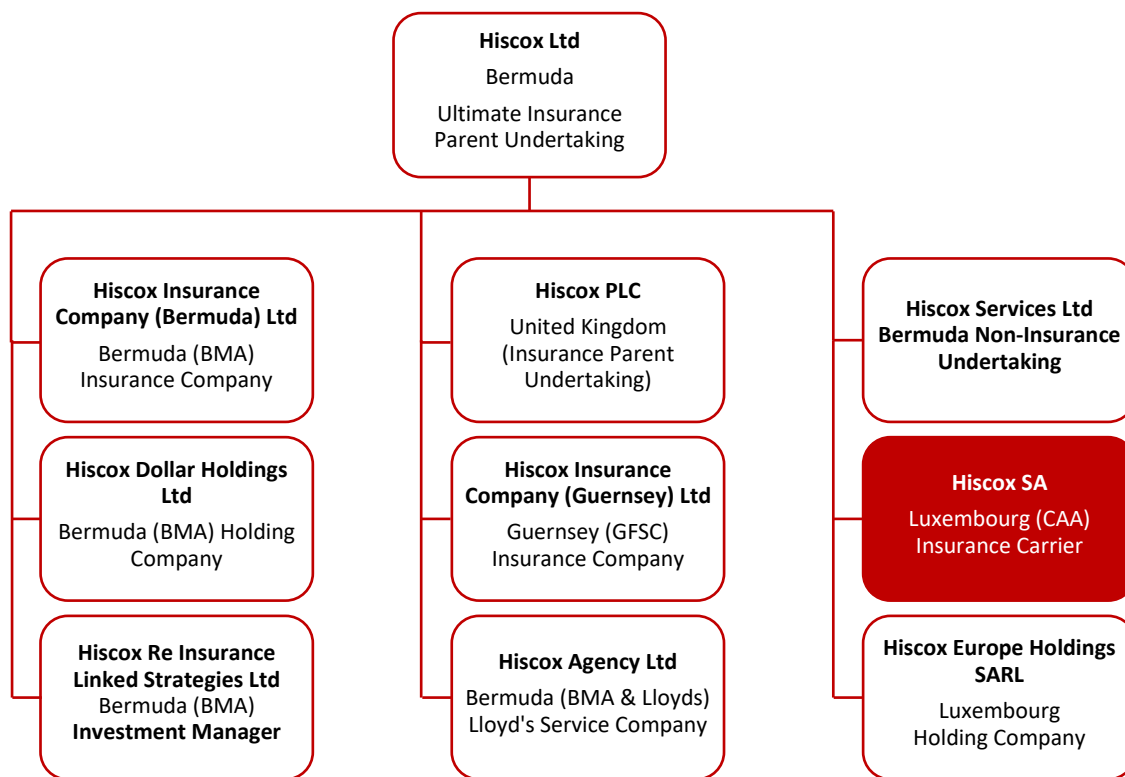


Figure 2

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

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

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

## Material lines of business

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

Solvency II line of business	% of gross premiums written	
	2025	2024
Fire and other damage to property insurance	28.4%	29.8%
General liability insurance	64.9%	63.4%
Others	6.7%	6.8%

Table 3

## Material geographic areas

As of 31 December 2025, the main locations from where HSA conducts business are Germany, France, Spain and the Republic of Ireland, their combined contribution to HSA's gross premiums written is €516 million. This is shown in Figure 3 below.

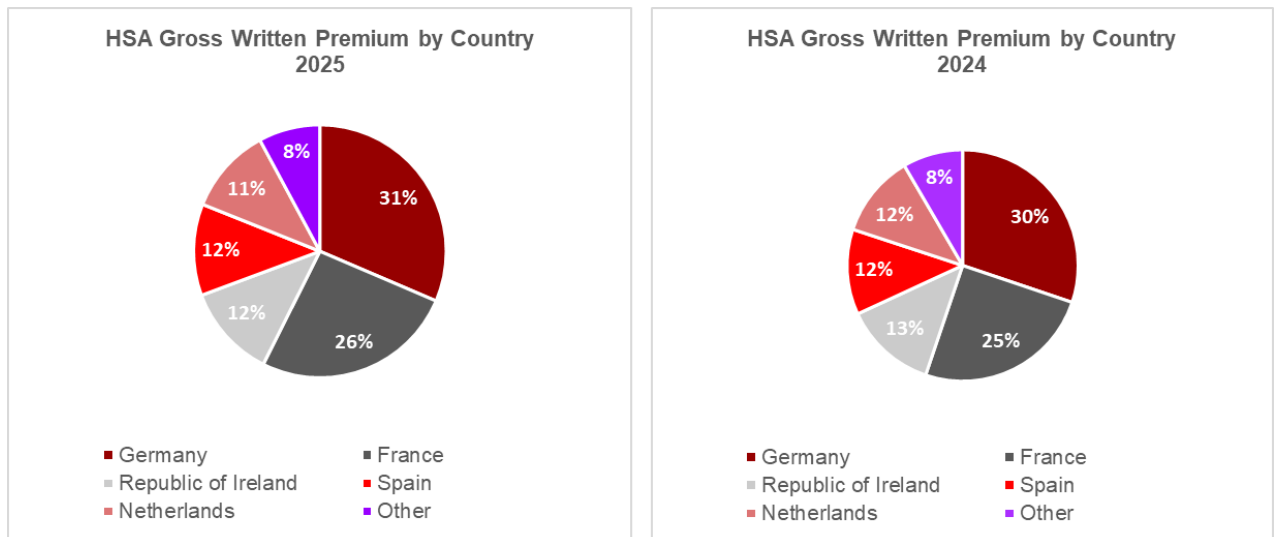


Figure 3

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

Since 2022, Europe has continued to face significant macro-environmental pressures, driven by the direct and indirect effects of the Russia-Ukraine conflict, rising inflation, and escalating geopolitical tensions in the Middle East. These factors have contributed to higher living costs and increased operational pressures on the SME market. HSA's direct insurance exposure remains limited, primarily through kidnap and ransom cover, and management continues to monitor developments closely while supporting Hiscox policyholders. The Group maintains negligible exposure to Ukrainian, Russian, and Middle Eastern investments.

## A.2. Underwriting performance

HSA's underwriting performance for the year ended 31 December 2025 is set out in Table 4.

Key performance indicators		
	2025	2024
Gross premiums written (€000)	636,832	614,043
Net premiums written (€000)	66,941	64,301
Net premiums earned (€000)	64,587	64,544
Underwriting profit (€000) <sup>1</sup>	1,283	2,887
Net claims ratio (%)	57	50
Net combined ratio (%)	98	96

Table 4

<sup>1</sup> Underwriting profit (excluding investment expenses) on an Lux GAAP basis

<sup>2</sup> Including acquisition costs

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

HSA's underwriting performance by material Solvency II lines of business for the year ended 31 December 2025 is set out in Table 5.

Key performance indicators <sup>1</sup>					
	Fire and other damage to property insurance	General liability insurance	Other	Total 2025	Total 2024
Gross premiums written (€000)	181,051	413,125	42,656	636,832	614,043
Net premiums written (€000)	19,412	43,342	4,186	66,941	64,301
Net premiums earned (€000)	19,395	40,582	4,609	64,587	64,544
Gross claims incurred (€000)	65,701	141,012	12,023	218,736	176,572
Net claims incurred (€000)	7,086	14,108	1,241	22,436	18,548
Expenses incurred (€000)	13,555	25,180	2,880	41,614	43,572
Underwriting profit (€000) <sup>1</sup>	(891)	1,681	493	1,283	2,887
Net claims ratio (%)	50	63	38	57	50
Combined ratio (%) [Net]	105	96	89	98	96

Table 5

<sup>1</sup> Underwriting profit on an Lux GAAP (excluding investment expenses) basis, although the expenses incurred include the investments expenses as per QRT S.05.01.

In 2025, HSA's gross premiums written totalled €636.8 million on a Lux GAAP basis.

Although the pandemic and the Russia-Ukraine conflict made the past few years unusually challenging, in 2025 HSA continued to grow in a sustainable and resilient way.

The combined ratio in 2025 is in line with the previous year.

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

### Key performance indicators<sup>1</sup>

	Germany	France	Republic of Ireland	Other	Total 2025
Gross premiums written (€000)	200,165	165,437	75,973	195,257	636,832
Net premiums written (€000)	19,775	18,419	8,982	19,765	66,941
Net premiums earned (€000)	18,612	17,518	8,971	19,486	64,587
Gross claims incurred (€000)	85,806	39,027	25,775	68,127	218,736
Net claims incurred (€000)	8,548	2,534	4,393	6,961	22,436
Expenses incurred (€000)	11,983	14,007	4,367	11,257	41,615
Underwriting profit (€000) <sup>1</sup>	(1,778)	1,091	274	1,696	1,283
Combined ratio (%) [Net]	110	94	97	91	98

Table 6

<sup>1</sup> Underwriting profit (excluding investment expenses) on an Lux GAAP, although the expenses incurred include the investments expenses as per QRT S.05.01.

Table 6 sets out an analysis of HSA's underwriting performance by geographical area. The main locations where HSA conducts business are Germany, France, Republic of Ireland, the Netherlands Spain, , Belgium, Portugal and the UK.

## A.3. Investment performance

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

The composition of HSA's investment portfolio as of 31 December 2025 is as shown in Table 7.

Asset class	Composition (%)	
	2025	2024
Debt and fixed income securities	80.9	82.6
- Government bonds	23.8	19.4
- Corporate bonds	57.1	63.2
Collateralised securities	0.0	0.0
Collective investment undertakings	8.1	7.8
Derivatives	0.0	0.0
Deposits other than Cash equivalents <sup>1</sup>	0.0	(0.0)
Cash and cash equivalents	11.0	9.5

Table 7

<sup>1</sup> Includes risk margin for derivatives

The investment income and expenses by asset class considering the fair value for the year ended 31 December 2025 are shown in Table 8.

Investment income and expenses by asset class €000				
Asset class	2025			2024
	Investment Income (including realised and unrealised gains)	Investment expense	Net investment return	Net investment return
Debt and fixed income securities	2,384	(68)	2,316	3,004
- Government bonds	409	(20)	389	533
- Corporate bonds	1,975	(48)	1,927	2,471
Collateralised securities	38	0	38	0
Collective investment undertakings	101	(7)	94	(73)
Derivatives	17	0	17	5
Cash and cash equivalents	119	(9)	110	42
<b>Total</b>	<b>2,659</b>	<b>(84)</b>	<b>2,575</b>	<b>2,977</b>

Table 8

Considering the fair value of HSA investment portfolio the investments performance was as shown in Table 9.

Asset class	Investment Return (%)	
	2025	2024
Debt and fixed income securities	3.1	4.4
- Government bonds	2.1	4.2
- Corporate bonds	3.4	4.5
Collective investment undertakings	1.4	(0.5)
Derivatives	0.0	0.0
Cash and cash equivalents	1.2	0.8
<b>Total</b>	<b>2.7</b>	<b>3.9</b>

Table 9

**Debt and fixed income securities:** The fixed interest portfolio delivered a return of 3.1% which outperformed the benchmark, which returned 2.8%, when including the positive return achieved by the short government bond futures positions. The benchmark comprises 30% Euro Government Index and 70% Euro Corporate bond index.

**Collective investment undertakings:** For the year, the risk asset, returned 1.4% versus a hedge fund benchmark which delivered a return of 10.0%.

**Derivatives:** The short government bond futures positions generated €17 thousand by hedging interest rate risk.

**Cash and cash equivalents:** Interest on cash was €794,729, which was higher than last year due to the renegotiation with the financial institutions.

### **A.3.2. Gains and losses recognised directly in equity**

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

### **A.3.3. Information about any investments in securitisations**

There are no investments in securitisation as of 31 December 2025.

## **A.4. Performance of other activities**

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

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

### **A.4.2. Leasing arrangements**

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

## **A.5. Any other information**

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

## B. System of governance

In 2025, there has been no material change to HSA's system of governance, risk management approach and internal control systems. The regular review of the system of governance in 2025 ensures that the system of governance is further developed for the purpose of providing sound and prudent management of HSA's business taking into account its growth and development and regulatory requirements since the start of its activities in 2019.

### B.1. General information on the system of governance

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

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

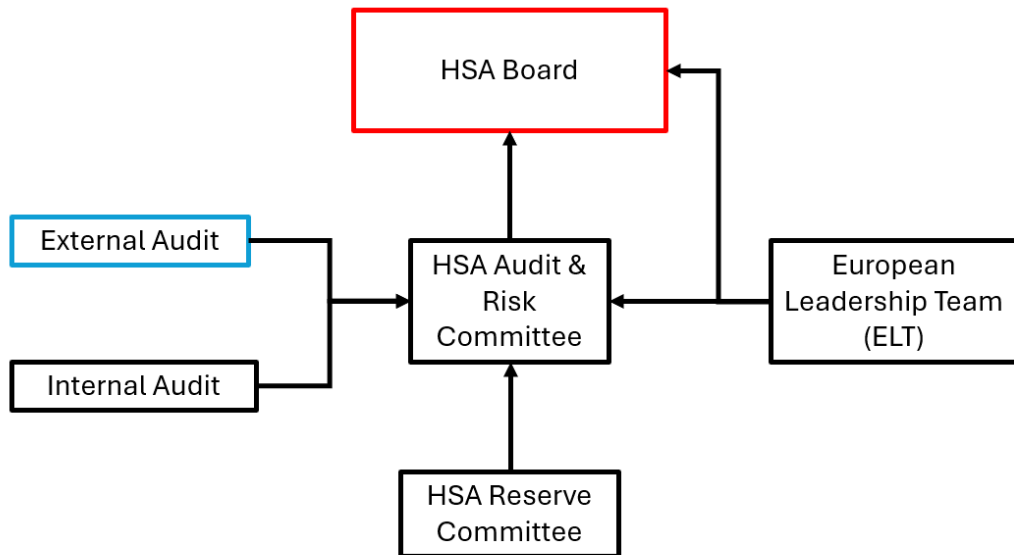


Figure 4

## **B.1.1. Boards and committees**

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

As of 31 December 2025, the Board was composed of two Non-Executive Directors, one Independent Director and two Executive Directors, the latter comprising of the HSA Chief Executive Officer (who is also licensed as the Approved Director of HSA) and the HSA Chief Financial Officer.

The composition of the Board as of 31 December 2025 was as follows:

- Mrs. Joanne Musselle (Non-Executive Director and Chair)
- Mr. Robert Dietrich (Executive Director)
- Mrs. Patricia Vaz Baptista (Executive Director)
- Mr. Rejean Besner (Independent Non-Executive Director)
- Mr. Thomas Hürlimann (Non-Executive Director)

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

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

### **Senior Management Structure**

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

### **HSA Key Functions' business activities**

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

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

Table 10

HSA Key Function Holders are in Table 11.

Key function	Performance of function	Key function holder
Risk management function	EU Risk Manager	<b>William Rose</b> Chief Risk Officer, Europe
Actuarial function	Activities of the Actuarial function	<b>Jessica Phillips</b> HSA Chief Actuary
Internal audit function	European Internal Audit team	<b>Miruna Badici</b> EU Audit Hub Director
Compliance function	EU Compliance Manager	<b>William Rose</b> Chief Risk Officer, Europe

Table 11

## HSA Board & Committees

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

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

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

### HSA Audit and Risk Committee

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

#### Audit & Finance:

- the statutory audit process and annual financial statements;
- the performance of the internal audit function (on matters relating to HSA) and monitors the effectiveness of internal controls;
- the adequacy and design of the policies and procedures relating to Whistleblowing;
- HSA's reserving process;
- HSA's financial returns and reports to the CAA and any other relevant regulator; and

#### Risk Management:

- Provide advice to the Board on risk strategy, including the oversight of current risk exposures;
- Develop proposals for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the Company's risk management performance;

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

#### Compliance Management:

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

#### **HSA Reserving Committee**

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

Following the analysis of the actuarial best estimate and management loadings, the HSA Chief Actuary and CFO Europe will form their respective recommendations to the HSA Reserving Committee. The HSA Reserving Committee reviews the HSA Balance Sheet and makes a recommendation to the Audit and Risk Committee on the appropriate level of reserves to be held in the Company. The committee also oversees, monitors, and manages the Reserve Risk of HSA.

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

In line with governance structure across the Hiscox Group, representatives of HSA are attending the following Group meetings: the Group Credit Committee, the Cash and Capital Committee, the Divisional

Investment Group, Information Security & Privacy Group, Reinsurance Purchase Group and Exposure Management Group.

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

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

### **B.1.3. Remuneration policy and practices**

Hiscox Group operates a single remuneration policy applicable to all entities, including HSA, its Board members and key function holders. Responsibility for remuneration rests with the Hiscox Ltd Group Remuneration Committee, with annual consultation with HSA Non-Executive Directors on entity-specific matters.

#### **Principles**

The policy aligns remuneration with Hiscox's strategic objectives, risk appetite and long-term interests. Fixed pay forms a significant proportion of total remuneration to avoid dependency on variable pay. Variable components are risk-adjusted and linked to both financial and non-financial performance.

#### **Structure and Key Features**

- Fixed pay: Ensures independence from variable pay.
- Variable pay: Includes annual bonuses based on profit before tax individual performance and adherence to risk management. Long term incentives are based on growth in NAV, relative TSR and individual performance and adherence to risk management.
- Deferral and time horizons: Material risk takers are subject to bonus deferral; long-term incentive awards vest after three years with an additional two year holding period for Executive Directors.
- Shareholding guidelines: Promote alignment with shareholder interests.
- Malus and clawback: Apply in cases of misconduct, material error, regulatory breaches or significant reputational/financial damage.

#### **Performance Criteria**

Annual bonuses depend on Group and business unit profitability and individual performance ratings. Long-term incentives (Performance Share Plan) are subject to financial and strategic performance conditions reviewed annually and individual personal performance.

#### **Pension and Early Retirement**

No supplementary pension or early retirement schemes exist for Board members or key function holders; standard employee pension arrangements apply.

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

There were no material transactions during the reporting period with shareholders of the Company other than the capital increase of €12m in the second quarter which was fully paid up by way of cash contribution by the sole shareholder of the Company. There were no material transactions with persons who exercise a significant influence on HSA or with members of the HSA Board.

## **B.2. Fit and proper requirements**

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

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

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

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

The qualities of each individual are also assessed in the wider team context to ensure that collectively there is a wide breadth of skills, knowledge and expertise to ensure the effectiveness of the Board and the operation of key functions. The effectiveness of the Board is self-assessed annually.

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

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

For Group A individuals, fitness and propriety will be assessed as follows:

- Upon appointment,
- When required by a Regulatory Authority where fitness and propriety is deemed a regulatory requirement, and
- Assessed annually in line with this policy

For the sake of clarity Group A individuals are those roles which effectively run HSA or are responsible for significant functions, including:

- The Executive and Non-Executive Directors of HSA;
- The members of the HSA Board;
- The members of the Executive Leadership of Europe;
- The four ultimate Key Function Holders.

#### **Fitness and propriety assessment on appointment**

For all individuals, the assessment of fitness and propriety upon appointment will normally include (but may not be limited to):

- Interview with an appropriately qualified manager,
- Interview with other relevant senior experienced individuals as appropriate,
- Verification of academic and or professional qualifications to the extent that they are relevant to the position, and
- Obtaining references from previous employers in line with local employment legislation guidance.

For individuals in Group A, the assessment of fitness and propriety upon appointment will additionally include (but may not be limited to) the following and where legally permissible to do so:

- Checks with credit reference agencies regarding financial soundness,
- Criminal record check to the extent it is legally permissible to do so,
- Checks on disqualification from acting as a Director or in relation to a regulated function,
- A declaration by the individual concerned that they are fit and proper, and
- A regulatory reference check where it is deemed necessary by the appropriate regulatory authority.

#### **Fitness and propriety annual assessment**

For all individuals, the annual assessment of fitness and propriety will normally include (but may not be limited to):

- Annual Performance and Development Review (PDR) by an appropriate qualified line manager, and
- Any other issues arising that would cause concern as to an individual's fitness and propriety.

For individuals in Group A, the ongoing annual assessment might include and where legally permissible to do so:

- Checks with credit reference agencies regarding financial soundness,
- Criminal record check to the extent it is legally permissible to do so, and
- Checks on disqualification from acting as a director or in relation to a regulated function.

For individuals in Group A, the ongoing annual assessment will include:

- A declaration by the individual concerned that they are fit and proper,
- Line manager attestation that the individual concerned is deemed fit and proper,
- Confirmation of completion of mandatory training by the individual, and
- Confirmation of no issues identified due to disciplinary or Code of Conduct / Conduct Rule actions, as they apply.

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

#### **Additional concerns**

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

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

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

## **B.3. Risk management system including the ORSA**

### **B.3.1. Description of the risk management system**

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

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

### **Risk identification (includes risk definition and risk ownership)**

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

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

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

### **Risk appetite**

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

### **Risk measurement**

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

### **Risk mitigation**

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

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

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

### **Risk monitoring**

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

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

### **Risk reporting**

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

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

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



Figure 5

### B.3.2. Implementation of the risk management system

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

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

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

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

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

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

- Enterprise Risk reporting including
  - Dashboard of topical risk issues at HSA and branch level;
  - Regular assessment of Critical risks;
  - Operational risk event reporting;
  - Key Risk Indicators;
  - Emerging risks;
  - Management Action monitoring
- Key risk section in each Board report;

- ORSA report;
- Results of Risk and Control Self-Assessment;
- Results of stress and scenario and reverse stress testing; and
- Risk appetites and limits monitoring
- Second line risk reviews and deep-dives.

### **Risk governance**

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

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

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

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

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

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

#### **ORSA process**

The ORSA process is defined as the set of ongoing practices and business decisions that HSA engages in to identify, measure, monitor, manage and report the risks to which it is exposed and to determine the

corresponding capital needs on a current and forward-looking basis. The ORSA is an integral component of risk management specifically considering:

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

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

The following diagram illustrates the components of the ORSA process.



Figure 6

### Determination and management of HSA’s own solvency needs

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

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

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

Stress and scenario testing, including reverse stress testing, is used to assess the robustness of the business plan and capital in light of a range of potential threats and issues, and to identify plausible and

feasible future management actions which could be taken under those scenarios to protect the businesses and facilitate their viability. These tests involve identifying and considering potential events or triggers which could affect or change the businesses in the future and their reactions to these events. A range of such tests are conducted by the businesses over the course of the year.

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

### **ORSA reporting**

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

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

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

- A major model change as outlined in the HICM Change Policy; and/or
- A material reduction of available capital or surplus of the same percentage as that for a major model change as outlined in the HICM Change Policy; and/or
- A material deviation from the approved budget or business plan, resulting in a re-forecast position that is materially different from expectations and necessitates a reassessment of capital requirements and solvency; and/or
- A material change to the risk profile arising from internal or commercial developments, including significant changes to underwriting activity, capital management strategy, risk appetite, governance structure, or the occurrence of significant operational losses or corporate transactions; and/or
- A material change to the risk profile arising from external factors, including but not limited to major insured events, reinsurance failure or underperformance, significant reserve deterioration, severe investment market volatility, or material regulatory or legal action.

Any re-run of the ORSA process would be performed in a timely manner.

## B.4. Internal control function

### B.4.1. The internal control system

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

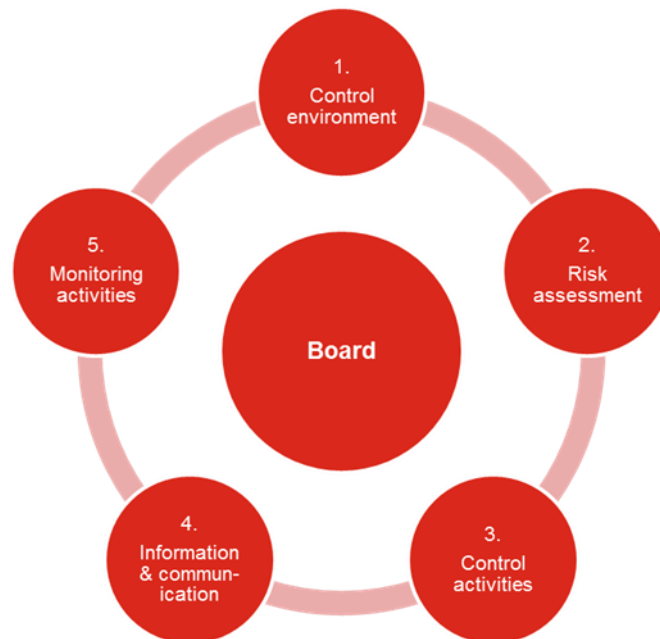


Figure 7

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

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

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

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

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

be recorded in the Risk & Control Register (RCR).

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

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

## **B.4.2. The Compliance function**

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

The Compliance function manages regulatory risk by way of four key activities: (i) the setting of and advisory on regulatory policies and standards; (ii) the oversight and monitoring of regulatory risk and corresponding controls; (iii) the second line regulatory reporting to management, the Board and committees, as well as regulators.

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

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

The principal missions of European Compliance are:

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

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

## **B.5. Internal audit function**

### **B.5.1. Implementation of the internal audit function**

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

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

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

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

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

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

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

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

## **B.5.2. Maintaining an independent internal audit function**

Internal audit is independent of the activities that it audits, in order to ensure unbiased judgements and impartial advice to the HSA Audit and Risk Committee and the Group's Audit Committees and to management. In order to ensure this independence and objectivity, the internal audit team members report directly to the Group Chief Auditor, who reports directly to the Chair of the Hiscox Group Audit Committee. Internal Audit adheres to the Global Internal Audit Standards issued by the Institute of Internal Auditors in 2025. Where internal audit is unable to provide independent and objective assurance in a particular circumstance, a third party or parties with the requisite expertise may be engaged.

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

## **B.6. Actuarial function**

The Actuarial Function is led by the Chief Actuary who is also the key function holder. The Actuarial Function performs tasks that are based on regulatory and business requirements. This consists of:

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

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

## B.7. Outsourcing

### B.7.1. The outsourcing policy

HSA has adopted a revised version of the Outsourcing Policy in Q2 2025. The Outsourcing Policy sets out the responsibilities and considerations when outsourcing services, together with the associated reporting and monitoring arrangements to be implemented where outsourcing is used.

The purpose of the Outsourcing Policy is to set out the framework for selecting and managing outsourced services governed by this Policy whilst optimising the value from its service providers. Furthermore, the Policy provides an approach that addresses the need to identify, assess and manage the potential operational risks of outsourcing.

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

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

The process covers:

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

The approach to the management of outsourced arrangements where underwriting authority, claims management and payment authority and investment management mandates are delegated to a third party are set out in the 'Delegated Authority Policy' and the 'Group Investment Policy', respectively.

The Hiscox Group Outsourcing Policy is complemented by a specific annex to ensure compliance with the relevant laws and regulations applicable to HSA.

HSA is currently using the following service providers:

Critical or important outsourced functions or activities	Jurisdictions of service providers
Product Distribution & Underwriting	France, Belgium, Netherlands, Ireland, Germany and Portugal
Claims handling	UK, Netherlands, Ireland, Germany, and Portugal
Policy administration	France, Germany and Netherlands
IT Services	Portugal, India, Israel, UK, Ireland
Capital Management	UK
Operational task of the SII Compliance function	UK
Underwriting Exposure Management	UK
Operational task of the SII Internal Audit function	UK
Investment services	UK
Reinsurance structuring	UK
Operational task of the SII Risk Management function	UK
Credit Control	UK
Accounting & Reporting	UK

Table 13

Additionally, HSA relies on services provided intragroup, as outlined below:

- Hiscox Underwriting Group Services Ltd (HUGS)  
IT services, actuarial services, investment management services, as well as capital modelling and capital management support services, exposure management support services, outwards reinsurance support services and support services to other functions including Risk and Compliance and Internal Audit.

## **B.8. Any other material information**

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

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

## C. Risk profile

The risk profile information presented in Section C is based on an analysis of the Standard Formula SCR at 31 December 2025. For further details please see Sections C.1 – C.7 below.

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

The regulatory capital risk profile of HSA for 2025 has remained in line with the prior year in aggregate.

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

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

The composition of HSA's capital requirement under the Standard Formula SCR for the year ended 31 December 2025 is shown in figure 9 :

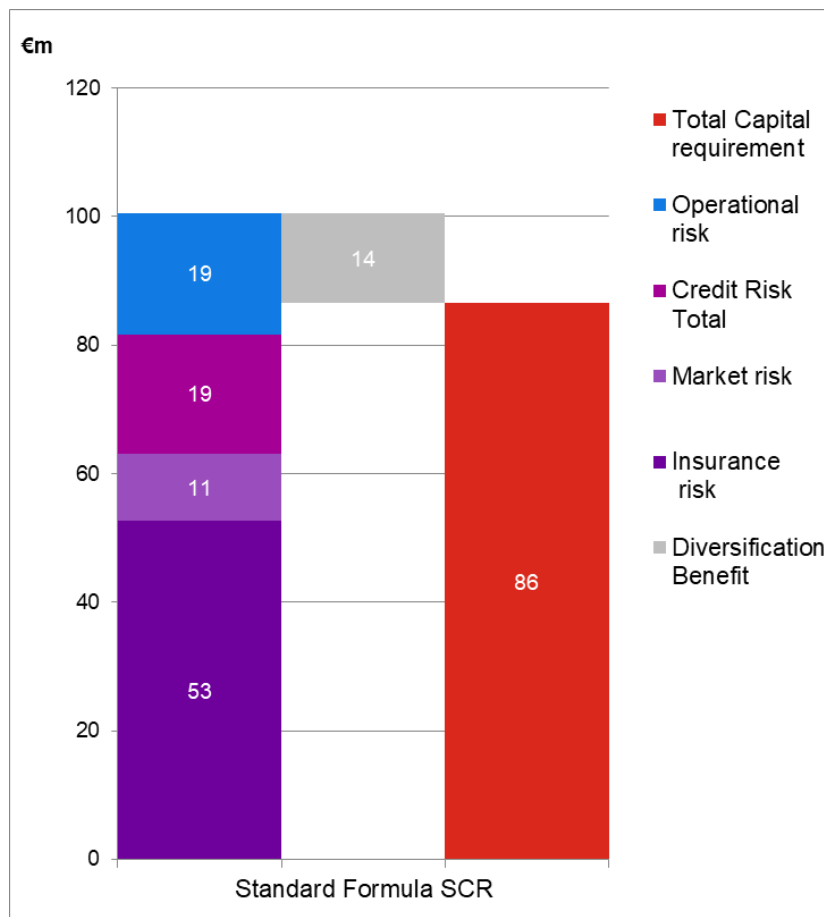


Figure 9

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

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

## C.1. Underwriting risk

### C.1.1. Risk description

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

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

#### Underwriting risk

The Underwriting risk is defined as the risk that insurance premiums will not be sufficient to cover future insurance claims and associated expenses.

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

Key underwriting risk exposures include:

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

Table 14

#### Reserve risk

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

Reserve risk arises as a result of HSA's core underwriting business in that it needs to make financial provisions for unpaid claims, defence costs, and related expenses to cover its ultimate liability both from reported claims and from Incurred But Not Reported (IBNR) claims. There is the possibility that the financial provisions or claims reserves held to cover the earned ultimate liabilities are not sufficient for its exposures, which could affect HSA's earnings, capital and ultimately solvency.

In addition, a risk arises in relation to unearned and future business including Bound But Not Incepted (BBNI) contracts which is termed a premium provision risk. Premium provision risk is considered as part of HSA's Reserves risk, which is described in Table 14. HSA makes financial provision for these unearned and future losses by applying the expected loss ratio to the unearned and future premium. An estimate of additional Solvency II expenses and Unallocated Loss Adjustment Expense (ULAE) in relation to these claims is also included, as is a bad debt provision in relation to recoveries that may not be received. Unearned and future premiums receivable and unearned and future ceded premiums payable are included within the premium provision.

Key reserve risk exposures include:

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

Table 15

### C.1.2. Risk mitigation

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

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

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

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

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

Regular monitoring of performance helps spot trends to inform adjustments to underwriting strategy and

pricing as necessary.

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

### **C.1.3. Measures used to assess risk**

Underwriting risk and reserve risk are both explicitly modelled within the risk profile (see Table 13 and Table 14).

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

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

### **C.1.4. Risk concentration**

HSA writes a focused book of commercial and personal insurance risks. The portfolio concentrates on professionals and small and medium sized businesses as well as mid net worth and high net worth individuals. The geographic spread during 2025 in Europe was predominantly in France and Germany, and the type of risks are mainly first party property exposures and third-party liability. Concentration of underwriting exposure may exist across counterparties, industries and geographic locations.

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

### **C.1.5. Material changes over the reporting period**

On a Solvency II Standard Formula basis, Underwriting risk has increased from €47.7m at year-end 2024 to €52.6m at year-end 2025, primarily driven by an increase in exposure on the Liability portfolio, resulting in an increase in the Man Made Catastrophe Liability Risk.

## C.2. Market risk

### C.2.1. Risk description

Market risk is the threat of unfavourable or unexpected movements in the value of HSA's assets and/or the income expected from them owing to movements in market prices (e.g. generating negative investment returns).

Within the Risk and Control Register, market risk is sub-categorised into i) foreign exchange risk, and ii) investment risk.

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

Table 16

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

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

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

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

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

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

### **C.2.3. Risk mitigation**

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

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

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

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

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

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

### **C.2.4. Measures used to assess risk**

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

### **C.2.5. Risk concentration**

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

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

The majority of assets held by HSA, approximately 92%, comprise cash and bonds. In the bond portfolios, the largest exposures are to European governments bonds and corporate bonds issued in EUR. These exposures vary over time within the limits set in the investment guidelines. The largest individual exposure is to the government of Germany at 13% of bond exposure. For corporate bonds, there is a wide range of holdings, covering multiple sectors and in excess of 115 issuers. The bond portfolios are actively managed and so individual positions and exposures are subject to change over time depending on the decisions of the investment managers. Whilst the exposures shown in table 17 may change over the coming year, concentrations are limited by the portfolio restrictions applied to each mandate.

### **C.2.6. Material changes over the reporting period**

On a Solvency II Standard Formula basis, Market Risk has decreased from €31.4m at year-end 2024 to €10.5m at year-end 2025, mostly due to the allowance for Market Risk mitigation by CAA in 2025.

## C.3. Credit risk

### C.3.1. Risk description

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

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

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

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

Table 17

### C.3.2. Risk mitigation

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

- Collateral requirements for reinsurers;
- Cash, Capital and Credit Committee;
- Reinsurance Credit Committee;
- Reinsurance counterparty limits;
- Broker exposure monitoring; and
- Bank exposure monitoring.

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

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

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

### C.3.3. Measures used to assess risk

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

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

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

### C.3.4. Risk concentration

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

An analysis of HSA's current exposure to credit risk (at market value) as of 31 December 2025 is detailed in Table 17:

Credit risk exposure €000		
	2025	2024
Bonds	549,449	498,657
Collective Investments Undertakings	54,732	47,230
Derivatives	29	
Deposits other than cash equivalents	54	(0)
Reinsurance Recoverables	76,211	73,756
Gross receivables arising from insurance and reinsurance contracts	21,746	17,447
Trade receivables	47,795	28,884
Cash and cash equivalents	74,540	57,608
<b>Total</b>	<b>824,556</b>	<b>723,581</b>

Table 18

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

### C.3.5. Material changes over the reporting period

On a Solvency II Standard Formula basis, Credit Risk increased from €10.5m at year-end 2024 to €18.5m at year-end 2025, driven by a rise in broker balances outstanding for more than 90 days, which in turn resulted in an increase in Type 2 Counterparty Risk.

## C.4. Liquidity risk

### C.4.1. Risk description

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

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

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

Table 19

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

### C.4.2. Risk mitigation

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

- Minimum cash limits
- Cash-Flow projections and monitoring
- Solvency II monitoring and quarterly projections
- Cash, Capital and Credit Committee meetings
- Divisional Investment Group meetings

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

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

### C.4.3. Measures used to assess risk

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

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

#### **C.4.4. Expected profit included in future premiums**

The expected profit included in future premiums is €47,434 thousands (2024: €49,784 thousands). This represents the profit that is expected to materialise from contracts which have been bound by HSA but the company is yet to go through the risk exposure period to which the premium relates. The variance year on year is driven by a change in mix of business of future premiums at 31 December 2025.

#### **C.4.5. Risk concentration**

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

The bond portfolios typically hold a proportion of their assets in European government bonds, which are highly liquid, particularly for the governments predominantly held. The corporate bond exposures are to over 115 issuers. At least 95% of which have investment grade credit ratings as the investment guidelines allow the manager to hold up to 5% in sub investment grade corporates, should appropriate return opportunity arise. HSA's exposure to risk assets is held via units in either open ended or closed ended vehicles. The underlying exposures of all vehicles are diversified. The open ended vehicles deal on at least a quarterly basis, and therefore can be expected to be realised in a reasonable time frame. The closed ended vehicles are not immediately realisable but sales in the growing secondary market are becoming more common. There is also the option for the units to be sold to another Group entity.

#### **C.4.6. Material changes over the reporting period**

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

### **C.5. Operational risk**

#### **C.5.1. Risk description**

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

Key operational risk exposures include:

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

Table 20

## C.5.2. Risk mitigation

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

### People risks

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

### System risks

- IT DR (disaster recovery)
- Data back-up
- IT access protocols
- IT security (e.g. firewalls, email scanning and content filter)
- IT security training (e.g. phishing, best practices)
- IT security policies
- Privacy and AI training
- Exit strategies from critical and important outsourcers

### Processes risks

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

## C.5.3. Measures used to assess risk

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

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

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

## C.5.4. Risk concentration

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

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

### C.5.5. Material changes over the reporting period

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

## C.6. Other material risks

### C.6.1. Description of other material risks

#### Strategic risk

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

Key strategic risk exposures include:

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

Table 21

#### Regulatory and legal risk

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

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

Table 22

### Group risk

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

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

Table 23

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

## C.6.2. Risk mitigation

### Strategic risk

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

- HSA Leadership team and HSA Board review of business plans and operating budgets;
- Business planning process and business plan monitoring;
- Steering committees with regular reporting to the Board for large scale projects;
- Technology Roadmap;

- Stress and scenario testing; and
- Board training.

### **Regulatory and legal risk**

Examples of some key controls in place for HSA's regulatory and legal risks include:

- Local legal and compliance expertise and dedicated Legal & Compliance forums in each EU jurisdictions;
- EU Compliance meetings with all local Compliance Control Coordinators;
- Management and oversight of regulatory engagement by the Chief Risk Officer of Europe;
- Compliance monitoring plan operated at HSA and Branch level,
- Dedicated 1<sup>st</sup> line privacy team,
- Risk and Compliance event reporting process, and
- Group wide mandatory regulatory compliance training.

### **Group risk**

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

- Arms-length structure to reinsurance transactions;
- Annual review of the register of shared reinsurance purchases by the ARC; and
- Entity-specific governance.

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

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

### **Climate risk**

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

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

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

### **C.6.3. Measures used to assess risk**

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

### **C.6.4. Material changes over the reporting period**

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

## **C.7. Any other information**

### **C.7.1. Stress and Scenario testing**

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

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

- Stress tests assess the impact on the business of a change in an individual factor (e.g. standalone/individual basis stresses);
- Scenario tests assess the impact of a change in the overall operating environment resulting from a number of factors or a particular event;
- Reverse stress testing assesses scenarios and circumstances that would render the business model unviable. HSA defines unviability as when the business is no longer willing or able to write premium or at the point when crystallising risks cause the market to lose confidence in the business and, therefore, the projected business plan targets cannot be met. This will not necessarily be the point where the business runs out of capital entirely; and
- High level, forward-looking scenarios consider the impact of events on a multi-year basis (e.g. from 2026 to 2028). These are typically based on less severe scenarios than are used for stress and scenario testing including an 'expected' scenario (i.e. in which there are no positive or negative shocks to the market).

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

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

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

- Trade war;

- Cyber O/S Wiper attack;
- Multiple European Natural catastrophe events;
- Casualty reserve deterioration & RI Default (reverse stress test)

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

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

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

Test	Risk category	SCR (€000)	Change in SCR (€000)	Change in SCR %
Base	Base	86,495		
Overall premium up 10%	Premium Risk	87,531	1,036	1.2%
Overall premium down 10%		85,494	(1,001)	(1.2)%
Overall claims provisions and reinsurance recoverables up 10%	Reserve Risk	87,948	1,453	1.7%
Overall claims provisions and reinsurance recoverables down 10%		85,088	(1,406)	(1.6)%
Intermediary counterparty default up 10%	Default Type 2	87,305	810	0.9%
Intermediary counterparty default down 10%		85,699	(796)	(0.9)%
Cash + Bonds + Equities up 10%	Market Risk and Default Risk	86,862	368	0.4%
Cash + Bonds + Equities down 10%		86,139	(355)	(0.4)%

Table 24

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

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

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

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

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

## D. Valuation for solvency purposes

### D.1. Assets

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

Table 24 provides an analysis of HSA's total assets on a Solvency II basis compared to the amounts shown in the statutory financial statements as of 31 December 2025.

Balance Sheet €000			
	Solvency II	LUX GAAP	Difference
Deferred acquisition costs	0	73,126	(73,126)
Intangible assets	0	72,272	(72,272)
Deferred tax assets	9,370	(0)	9,370
Property, plant & equipment held for own use	19,522	2,878	16,643
Bonds	549,449	547,106	2,343
Government Bonds	161,737	162,266	(529)
Corporate Bonds	387,712	384,840	2,871
Collective Investment Undertakings	54,732	45,803	8,930
Derivatives	29	0	29
Deposits other than cash equivalents	54	54	0
Reinsurance recoverables	76,211	794,598	(718,388)
Insurance & intermediaries receivables	21,746	106,786	(85,040)
Reinsurance receivables	0	400,338	(400,338)
Receivables (trade, not insurance)	47,795	57,132	(9,336)
Cash and cash equivalents	74,540	74,540	0
<b>Total assets</b>	<b>853,448</b>	<b>2,174,632</b>	<b>(1,321,184)</b>

Table 25

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

#### Goodwill

Under Solvency II these assets are valued at zero.

#### DAC (Deferred Acquisition Costs)

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

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

#### Intangible Assets

Under Lux GAAP, intangible assets are recognised where they can be identified separately, measured reliably and it is probable that they will be recovered by directly related future profits. These assets are held

at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the useful economic life which is deemed to be 5 years in accordance with Luxembourg requirements.

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

### **Deferred Tax Assets**

The valuation of deferred tax is determined based on the differences between the values attributed to assets and liabilities under Solvency II and the values recognised for tax purposes. Assets and liabilities are offset to the extent permitted under IAS 12.

All deferred tax balances are calculated on a country-by-country basis and are subject to a recoverability assessment to ensure that sufficient future taxable profits will be available to utilise the deferred tax assets recognised.

Following this approach, a net deferred tax asset of €9.4 million has been recognised. The deferred tax asset arises mainly from:

- Timing differences in Germany, including claims and equalisation reserves, as well as share-based payments calculated in accordance with local tax GAAP;
- Timing differences in France and Spain relating to the recognition of technical income and expenses;
- Timing differences on the deductibility of accrued employee remuneration.

Based on current profit projections, the net deferred tax asset is expected to be fully utilised within the next three years. The asset is included as Tier 3 basic own funds and represents 11% of the SCR.

### **Property Plant and Equipment**

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

### **Investment in bonds and collective investment undertakings**

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

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

### **Reinsurance recoverables**

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

### **Insurance and intermediaries receivables**

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

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

When assessing the amount of past due receivables at the valuation date, the Company assessed on a look through basis the internal agencies brokers past due amounts of €21.7m (2024: €17.4m). Thus, the difference between the LUX GAAP and the Solvency II balance sheet relates to the past due amounts at the

valuation date. Also, the amounts past due were not considered in the calculation of Solvency II technical provisions (as described in sub-section D.2).

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

#### **Reinsurance receivables**

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

#### **Receivables (trade, not insurance)**

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

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

#### **Cash and cash equivalents**

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

## D.2. Technical provisions

### D.2.1. Valuation of technical provisions

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

The best estimate liabilities are calculated as:

- i) the discounted best estimate of all future cash flows from gross and reinsurance claims, premium and expenses relating to claim events prior to the valuation date (claims provisions), and
- ii) the discounted best estimate of all future cash flows; future gross and reinsurance claims, premium and expenses relating to future exposure arising from policies that the insurer is obligated to at the valuation date including unearned premium and policies that are bound but not incepted ('BBNI') (premium provisions).

The valuation of the claims provision and the premium provision is carried out separately. Both the claims and premium provision are calculated gross of outwards reinsurance and for outwards reinsurance. The risk margin is only calculated net of reinsurance.

Table 25 shows the value of the discounted technical provisions as of 31 December 2025 for HSA's material Solvency II lines of business. The technical provisions have increased during the year as a result of the growth in business written.

Solvency II line of business €000					
	Best estimate technical provisions	Best estimate reinsurance recoverables	Risk margin	Net technical provisions 2025	Net technical provisions 2024
General liability	437,267	59,128	5,294	383,432	260,244
Fire and other damage to property	127,103	2,619	1,743	126,227	162,167
Credit and suretyship	22,539	8,799	192	13,932	11,753
Other	21,384	5,664	220	15,940	14,914
<b>Total</b>	<b>608,293</b>	<b>76,211</b>	<b>7,449</b>	<b>539,531</b>	<b>449,078</b>

Table 26

#### Bases, methods and main assumptions used for valuation

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

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

Ultimate premium and claim estimates, gross of reinsurance, are calculated using actuarial projection techniques. The projection method selected for a particular class of business depends on various factors, including the characteristics of the class and the length of the claims development. Where there is limited history, consideration has been given to peer benchmark experience from across the Hiscox Group. The benchmark experience is judgmentally weighted with the Company experience as is felt appropriate based on the relevance of the benchmark and the volume and stability of the company experience.

Information on new or potentially material claims which are not included in the current incurred position is provided by the Claims team. The Reserving team reviews this information, and where appropriate, will incorporate it into the analysis. For large and complex events that lead to an accumulation of losses, an exposure assessment is made by the underwriting and claims teams, with a view to estimating the ultimate claims cost for that event. As losses develop, these assessments are reviewed and updated through a process coordinated by the claims team, with input by the underwriting and reserving teams, known as the 'Large Loss Process'.

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

Events not in data (ENID) are potential events which are not adequately contained within HSA's historical claims experience. An allowance for ENIDs is included within the Technical Provision calculations, such that the mean technical provisions represent the probability-weighted average of all future cash flows.

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

HSA routinely reviews and adjusts the assumptions which underly the calculation of the technical provisions to reflect emerging risks or trends in the data as well as any other relevant information. Many of these changes only have a minor impact. In 2025 the main changes made were reacting to evolving economic uncertainty and allowing for development as per the latest experience. In our valuation of the profit from unaccepted business HSA has revised the approach to the calculation of reinsurance commissions (intra-group). HSA now also recognises the recoveries on the claims handling expenses as stated in the relevant reinsurance contract. There were no other material changes to assumptions in 2025.

### *Risk margin*

Risk margin is the amount that insurers and/or reinsurers would require over and above the best estimate liabilities in order to take over and meet the insurance and reinsurance obligations over the lifetime of the policies (i.e. the amount required to transfer liability to a third party). The HSA risk margin is calculated using a cost of capital approach which involves calculating the cost of holding the regulatory capital requirement implied by the Standard Formula capital assessment model at each future time period based on a run-off approach. The amounts are then discounted back to the current time period. This regulatory capital requirement calculation excludes new business and market risk. The cost of capital for Solvency II firms is currently set at 6%.

### *Assumptions*

Assumptions and parameters are set by members of the Reserving team with the relevant knowledge and understanding, and with adequate experience. Assumptions are set in a consistent way across the Group and where this is not possible, the differences are understood. Where sufficient, quality data is not available, benchmark information is used overlaid with expert judgement to determine suitable assumptions. The input of expert judgement allows for specific knowledge and experience to be utilised.

All assumptions and parameters are subject to regular review to ensure that they are appropriate for their intended purpose. Sensitivity testing of key assumptions is carried out to identify key areas of uncertainty. Validation of the different assumptions is carried out at the reserving class level. The frequency of the validation takes account of the materiality of the assumption. Many assumptions are validated quarterly, while other assumptions are validated annually with quarterly monitoring.

## D.2.2. Key Uncertainties in the valuation of the technical provisions

There is an inherent uncertainty in estimating claims reserves for the eventual outcome of outstanding claims as well as in estimating the value of claims which are yet to be notified and it is possible that actual claims experience will differ from actuarial projections.

Key uncertainties include economic and political instability, future legislative change having a retrospective impact on open claims, the emergence of latent exposures and events emerging which are not included in the historical data, as well as changes in the approach to claim handling which could lead to patterns based on historical data no longer being appropriate for future claims payment patterns. New and growing classes of business also introduces further uncertainty as there is a limited amount of historical data on which to base the analysis. In these cases, a blend of internal data is used together with benchmark patterns. Climate risk poses an evolving, persistent and long-term risk which needs to be reflected appropriately in underwriting and reinsurance strategy. This risk is particularly pronounced in the unearned provisions as there is significant volatility in the range of weather events that could emerge. Changing inflation impacts the settlement cost of existing claims, as well as the expected profitability of unearned and unaccepted business. The link between core inflation metrics and the drivers of claims cost is uncertain and will differ depending on the type of claim and duration to settlement, among other factors. Tough economic conditions can also lead to increased instances of claims fraud, including exaggeration of genuine claims as well as wholly fraudulent claims that inflate reported claims frequency. The technical provisions include an allowance for changing inflation in both these aspects, but changes in the duration or severity of the inflationary impact could affect the ultimate cost of claim settlement.

The assumed loss ratios also incorporate a large degree of expert judgement particularly where significant changes have been made to the underwriting, as well as being impacted by the uncertainties highlighted. The Initial Expected Loss Ratio is a key driver of HSA's technical provision estimates for the most recent years of account and adds uncertainty in the premium provisions.

## D.2.3. Explanation of material differences between Solvency II and Lux GAAP

The following table summarised the bridge between the Lux GAAP provisions and the SII net technical provisions for each material Solvency II line of business.

<b>Conversion from Lux GAAP to Solvency II basis net of reinsurance €000</b>					
	<b>Total</b>	<b>General liability</b>	<b>Fire and other damage to property insurance</b>	<b>Credit and suretyship insurance</b>	<b>Other</b>
Lux GAAP Technical Provisions (net of DAC)	109,724	82,851	21,104	1,759	4,011
Removal of UPR	(22,796)	(15,002)	(7,167)	16	(643)
Include Future Premium (Incepted)	427,227	305,175	99,818	11,050	11,184
Removal of prudence margin	(4,445)	(4,173)	(211)	(50)	(11)
Include Future Premium (Unincepted)	(27,237)	(20,199)	(5,834)	(4)	(1,199)
Net future claim cost (unearned + unincepted)	17,140	9,748	6,078	468	846
Include Expenses Allowance	40,946	26,658	11,940	661	1,687
Include ENIDs	2,031	1,396	457	64	115
RI bad debt adjustment	257	185	55	9	8
Apply Discounting	(10,543)	(8,368)	(1,688)	(218)	(269)
Include Risk Margin	7,449	5,294	1,743	192	220
Other	(222)	(132)	(67)	(15)	(9)
<b>SII Technical provisions</b>	<b>539,531</b>	<b>383,432</b>	<b>126,227</b>	<b>13,932</b>	<b>15,940</b>

Table 27

The material differences between the Solvency II and Lux GAAP valuation bases are summarised below:

- Removal of UPR: the unearned premium reserve held under Lux GAAP is replaced with a best estimate premium provision which includes the expected costs of claims and expenses on the unearned exposure.
- Future Premium: Solvency II considers all future cash flows, therefore allows for the future premium payables and receivables.
- Future Premium (Unincepted): Solvency II allows for the future premium on business that is unincepted but legally bound at the valuation date as well as the corresponding unincepted claims (captured in Net future claim cost (unearned + unincepted)).
- Net future claim cost: Solvency II considers the claims on unearned incepted business and unincepted but legally bound business at the valuation date.
- Include Expenses allowance: Solvency II allows for future expenses required to fully run off all future liabilities.
- Allowance for events not in data ('ENIDs'): An allowance is made for events or circumstances that are not contained in historical data to ensure SII Technical Provisions reflect the mean of the full probability distribution of potential outcomes.
- Reinsurance bad debt adjustment: this is an allowance made for non-recovery of reinsurance recoverables
- Discounting of future cash flows: Solvency II considers the time value of money and thus the best estimate cash flows are discounted using the payment patterns, and the yield curves as provided by EIOPA.
- Risk Margin: This is calculated as the cost of capital of transferring the insurance obligations of the business at the balance sheet date to a third party who places that business in run off.
- Other: This is a reconciling item between Lux GAAP and Solvency II. The need for this is largely a result of the foreign exchange rate impact when calculating the Technical Provisions.

#### **D.2.4. Recoverables from reinsurance contracts and SPVs (Special purpose vehicles)**

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

Reserves are calculated on both gross and net (post intra-Group quota share) bases. The net figures are produced in two stages:

- Firstly applying all external reinsurance; and
- Secondly applying the intra-Group quota share reinsurance.

There are no Special Purpose Vehicles on HSA's portfolio.

#### **D.2.5. Validation of Solvency II technical provisions**

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

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

## **D.2.6. Transitional measures**

HSA does not apply the matching adjustment (Article 77b of the Solvency II Directive 2009/138/EC), volatility adjustment (Article 77d of the Solvency II Directive 2009/138/EC), transitional interest rate term structure (Article 308c of the Solvency II Directive 2009/138/EC) or the transitional deduction (Article 308d of the solvency II Directive 2009/138/EC) on technical provisions and therefore no adjustments have been made to technical provisions relating to these transitional measures.

## D.3. Other liabilities

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

Table 27 provides an analysis of HSA's total liabilities on a Solvency II basis compared to the amounts shown in the Lux GAAP financial statements as of 31 December 2025.

<b>Balance Sheet €000</b>			
	<b>Solvency II</b>	<b>LUX GAAP</b>	<b>Difference</b>
Liabilities			
Technical provisions - non-life (excluding health)	615,742	906,103	(290,362)
Best Estimate	608,293	0	608,293
Risk margin	7,449	0	7,449
Contingent liabilities	17,461	0	17,461
Provisions other than technical provisions	20,696	20,696	0
Pension benefit obligations	138	138	0
Deposits from reinsurers	0	151,436	(151,436)
Insurance & intermediaries payables	0	10,372	(10,372)
Reinsurance payables	0	750,808	(750,808)
Payables (trade, not insurance)	79,407	79,407	0
Any other liabilities, not elsewhere shown	0	71,345	(71,345)
<b>Total liabilities</b>	<b>733,444</b>	<b>1,990,306</b>	<b>(1,256,862)</b>

Table 28

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

#### **Technical provisions – non-life (excluding health)**

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

#### **Contingent Liabilities**

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

#### **Provisions other than technical provisions**

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

#### **Insurance and intermediaries payables**

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

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

### **Reinsurance payables**

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

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

### **Payables (trade, not insurance)**

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

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

### **Any other liabilities, not elsewhere shown**

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

## **D.4. Alternative methods of valuation**

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

## **D.5. Any other information**

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

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

## **E. Capital management**

### **E.1. Own funds**

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

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

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

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

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

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

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

- a. Reduction in or cancellation of planned dividends;
- b. Seeking an injection of new capital from the Hiscox Group; and
- c. Actions to reduce HSA's risk profile and therefore its capital requirement.

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

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

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

Table 28 provides an analysis of basic own funds by Tier compared to the prior year:

<b>Basic own funds by tier €000</b>		
	<b>Total Own Funds 2025</b>	<b>Total Own Funds 2024</b>
Ordinary share capital (gross of own shares)	126,730	114,730
Share premium account related to ordinary share capital	57,986	57,986
Reconciliation reserve	(74,082)	(56,466)
Net deferred tax asset	9,370	12,078
<b>Total excess of assets over liabilities (EAL)</b>	<b>120,004</b>	<b>128,328</b>
<b>Total basic own funds after deductions</b>	<b>120,004</b>	<b>128,328</b>
<b>Available and eligible own funds</b>		
Total available and eligible own funds to meet the SCR	120,004	128,328
Total available and eligible own funds to meet the MCR	110,633	116,250

*Table 29*

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

Table 29 provides the calculation of the reconciliation reserve.

<b>Reconciliation reserve €000</b>		
	<b>2025</b>	<b>2024</b>
Total Solvency II assets (sub-section D.1.1)	853,448	758,030
Total Solvency II liabilities (sub-section D.3.1)	733,444	629,702
<b>Solvency II Excess of assets over liabilities</b>	<b>120,004</b>	<b>128,328</b>
Ordinary share capital	126,730	114,730
Share premium	57,986	57,986
Deferred Tax asset	9,370	12,078
Reconciliation reserve	(74,082)	(56,466)

*Table 30*

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

Majority of HSA's Own Funds are unrestricted Tier 1 own funds items and do not have any eligibility restrictions. The net deferred tax asset of €9.4 million is also eligible to cover the SCR, as shown in Table 30.

<b>€000</b>	<b>2025</b>	<b>2024</b>
Total eligible own funds to meet the SCR	120,004	128,328

*Table 31*

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

HSA holds a deferred tax asset of €9.4 million which is not eligible to cover the MCR. All other assets are unrestricted Tier 1 own funds and are therefore eligible to cover the MCR, as shown in Table 31.

€000	2025	2024
the MCR	110,633	116,250

Table 32

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

Differences between HSA's shareholders' equity per the financial statements and the Solvency II EAL per the Solvency II balance sheet relate to valuation differences as shown in Table 32 and explained in subsections D.1 to D.3 this document.

€000	2025	2024
Shareholders' equity as shown in the financial statements	184,326	171,326
Solvency II valuation adjustments to assets	(1,321,184)	(1,089,357)
Solvency II valuation adjustments to technical provisions	290,362	274,883
Solvency II valuation adjustments to other liabilities	966,500	771,476
<b>Solvency II EAL</b>	<b>120,004</b>	<b>128,328</b>

Table 33

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

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

#### E.1.7. Ancillary own funds

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

#### E.1.8. Own funds restrictions

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

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

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

HSA's standard formula SCR and MCR for the year ended 31 December 2025 and 2024 are shown in Table 33.

€000		
	2025	2024
SCR	86,717	86,826
MCR	39,022	39,072

Table 34

### E.2.2. Standard formula SCR split by modules

Table 34 shows HSA's SCR for the year ended 31 December 2025 and 2024, split by risk module.

€000		
Risk category	2025	2024
Non-Life Underwriting Risk	52,606	47,717
Counterparty Risk	18,524	10,469
Market Risk	10,546	31,413
<b>Undiversified total SCR</b>	<b>81,676</b>	<b>89,599</b>
Diversification benefit	(14,065)	(20,413)
<b>Basic SCR</b>	<b>67,612</b>	<b>69,186</b>
Operational Risk	19,105	17,640
<b>SCR</b>	<b>86,717</b>	<b>86,826</b>

Table 35

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

### E.2.3. Standard formula simplifications

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

### E.2.4. Use of undertaking specific parameters

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

### E.2.5. Capital add-ons

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

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

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

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

Table 35 and Table 36 show the movements in the SCR and MCR between 31 December 2025 and 31 December 2024 as well as movements in the constituent components of the SCR.

### Movements in SCR and MCR over the reporting period

€000				
	2025	2024	Movement €000	Movement %
SCR	86,717	86,826	(331)	0%
MCR	39,022	39,072	(149)	0%

Table 36

### Movements in components of the SCR over the reporting period

€000				
	2025	2024	Movement €000	Movement %
Non-Life Underwriting Risk	52,606	47,717	4,889	10%
Counterparty Risk	18,524	10,469	8,055	77%
Market Risk	10,546	31,413	(20,867)	(66%)
<b>Undiversified total SCR</b>	<b>81,676</b>	<b>89,599</b>	<b>(7,923)</b>	<b>(9%)</b>
Diversification benefit	(14,065)	(20,413)	6,348	(31%)
<b>Basic SCR</b>	<b>67,612</b>	<b>69,186</b>	<b>(1,575)</b>	<b>(2%)</b>
Operational Risk	19,105	17,640	1,243	7%
<b>SCR</b>	<b>86,717</b>	<b>86,826</b>	<b>(331)</b>	<b>(0%)</b>

Table 37

The following sections highlight the main drivers of movement in the SCR since year-end 2024.

#### *Non-Life Underwriting risk*

- The increase in Non-Life Underwriting risk is primarily due to business growth, resulting in increases in reserve and premium volumes.

#### *Counterparty risk*

- There has been an increase in counterparty risk due to higher reinsurance recoveries, cash, and broker balances throughout the year, all in line with overall business growth.

#### *Market risk*

- Market risk has decreased significantly, primarily due to the reversal of a methodology change that had removed market risk mitigation in the YE 2024 position.

#### *Operational risk*

- Operational risk has increased due to the increase in gross earned premiums, which aligns with overall business growth.

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

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

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

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

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

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

### **E.6. Any other information**

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

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

## Appendix A: QRTs

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

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	0
R0040	Deferred tax assets	9,370
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	19,522
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	604,265
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	549,449
R0140	<i>Government Bonds</i>	161,737
R0150	<i>Corporate Bonds</i>	387,712
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	54,732
R0190	<i>Derivatives</i>	29
R0200	<i>Deposits other than cash equivalents</i>	54
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	76,211
R0280	<i>Non-life and health similar to non-life</i>	76,211
R0290	<i>Non-life excluding health</i>	76,211
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	21,746
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	47,795
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	74,540
R0420	Any other assets, not elsewhere shown	0
R0500	<b>Total assets</b>	<b>853,448</b>

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	615,742
R0520	<i>Technical provisions - non-life (excluding health)</i>	615,742
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	608,293
R0550	<i>Risk margin</i>	7,449
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	17,461
R0750	Provisions other than technical provisions	20,696
R0760	Pension benefit obligations	138
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	79,407
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	<b>Total liabilities</b>	<b>733,444</b>
R1000	<b>Excess of assets over liabilities</b>	<b>120,004</b>



S.05.01.02

Premiums, claims and expenses by line of business

Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
<b>Premiums written</b>																	
R0110 Gross - Direct Business				785	19,205		180,816	401,133	8,236			14,344					624,519
R0120 Gross - Proportional reinsurance accepted				0	0		235	11,992	0			87					12,313
R0130 Gross - Non-proportional reinsurance accepted																	0
R0140 Reinsurers' share				706	17,296		161,638	369,783	7,413			13,056					569,892
R0200 Net				79	1,909		19,412	43,342	823			1,375					66,941
<b>Premiums earned</b>																	
R0210 Gross - Direct Business				700	18,608		179,316	393,173	9,067			14,373					615,237
R0220 Gross - Proportional reinsurance accepted				0	0		219	10,202	0			87					10,508
R0230 Gross - Non-proportional reinsurance accepted																	0
R0240 Reinsurers' share				630	16,707		160,140	362,793	7,927			12,962					561,158
R0300 Net				70	1,901		19,395	40,582	1,141			1,498					64,587
<b>Claims incurred</b>																	
R0310 Gross - Direct Business				180	4,650		65,462	140,413	3,144			4,048					217,898
R0320 Gross - Proportional reinsurance accepted				0	0		239	599	0			2					840
R0330 Gross - Non-proportional reinsurance accepted																	0
R0340 Reinsurers' share				162	4,141		58,614	126,904	2,837			3,643					196,302
R0400 Net				18	509		7,086	14,108	307			407					22,436
R0550 Expenses incurred				23	1,147		13,259	25,020	838			868					41,154
R1210 Balance - other technical expenses/income																	
R1300 Total technical expenses																	41,154

## S.17.01.02

## Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance				Total Non-Life obligation		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance		Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole				0	0		0	0	0			0					0
R0050	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																	0
<b>Technical provisions calculated as a sum of BE and RM</b>																		
<b>Best estimate</b>																		
<b>Premium provisions</b>																		
R0060	Gross				-20	1,726		22,854	-5,253	3,476			2,083					24,865
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-77	-2,055		-7,649	-63,307	4,449			-897					-69,536
R0150	Net Best Estimate of Premium Provisions				57	3,781		30,503	58,054	-973			2,980					94,402
<b>Claims provisions</b>																		
R0160	Gross				163	6,472		104,249	442,658	18,925			10,960					583,427
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				157	1,733		10,268	122,436	4,350			6,803					145,747
R0250	Net Best Estimate of Claims Provisions				5	4,739		93,982	320,223	14,575			4,157					437,681
R0260	Total best estimate - gross				143	8,198		127,103	437,405	22,400			13,043					608,293
R0270	Total best estimate - net				62	8,520		124,484	378,277	13,602			7,137					532,082
R0280	Risk margin				1	119		1,743	5,296	190			100					7,449
R0320	Technical provisions - total				144	8,317		128,846	442,701	22,591			13,143					615,742
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				81	-323		2,619	59,128	8,799			5,906					76,211
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total				63	8,640		126,227	383,572	13,792			7,237					539,531

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

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

Year	Development year											In Current year	Sum of years (cumulative)
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											1,997	1,997
R0160	-9	0	0	0	-27,420	6,394	3,408	2,725	1,601	1,563	890	890	-10,838
R0170	-8	0	0	-55,766	10,875	3,256	2,615	4,013	2,843	1,828		1,828	-30,337
R0180	-7	0	-33,932	16,155	8,341	6,883	7,182	5,093	5,949			5,949	15,672
R0190	-6	17,794	48,186	32,072	14,953	5,273	4,423	4,678				4,678	127,379
R0200	-5	22,282	77,342	30,063	9,122	10,371	3,841					3,841	153,021
R0210	-4	32,042	55,339	35,641	18,109	5,418						5,418	146,549
R0220	-3	24,949	61,769	31,891	15,484							15,484	134,093
R0230	-2	23,761	57,531	29,564								29,564	110,856
R0240	-1	26,626	54,986									54,986	81,611
R0250	0	26,789										26,789	26,789
R0260													
	<b>Total</b>											151,424	756,791

Gross Undiscounted Best Estimate Claims Provisions  
(absolute amount)

Year	Development year											Year end (discounted data)	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											15,890	14,012
R0160	-9	0	0	0	26,827	18,127	13,748	9,488	6,574	5,266	6,441	6,441	6,069
R0170	-8	0	0	45,764	33,156	20,907	16,560	9,628	6,458	5,603		5,603	5,270
R0180	-7	0	65,794	47,074	39,240	27,942	24,281	23,626	17,064			17,064	16,017
R0190	-6	84,237	107,960	60,421	40,200	26,891	24,907	28,430				28,430	26,376
R0200	-5	146,978	130,732	68,877	50,614	33,093	29,365					29,365	27,413
R0210	-4	119,425	123,660	65,856	41,978	37,172						37,172	35,045
R0220	-3	132,381	132,653	86,577	67,365							67,365	63,540
R0230	-2	139,208	141,797	105,691								105,691	99,532
R0240	-1	146,028	154,145									154,145	145,224
R0250	0	152,867										152,867	144,931
R0260													
	<b>Total</b>											583,427	583,427



S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk  
 R0020 Counterparty default risk  
 R0030 Life underwriting risk  
 R0040 Health underwriting risk  
 R0050 Non-life underwriting risk  
 R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

R0130 Operational risk  
 R0140 Loss-absorbing capacity of technical provisions  
 R0150 Loss-absorbing capacity of deferred taxes  
 R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC  
 R0200 Solvency Capital Requirement excluding capital add-on  
 R0210 Capital add-ons already set  
 R0211 of which, capital add-ons already set - Article 37 (1) Type a  
 R0212 of which, capital add-ons already set - Article 37 (1) Type b  
 R0213 of which, capital add-ons already set - Article 37 (1) Type c  
 R0214 of which, capital add-ons already set - Article 37 (1) Type d  
 R0220 Solvency capital requirement

Other information on SCR

R0400 Capital requirement for duration-based equity risk sub-module  
 R0410 Total amount of Notional Solvency Capital Requirements for remaining part  
 R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds  
 R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios  
 R0440 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
10,546		
18,524		
0		
0		
52,606		
-14,065		

0
67,612

C0100
19,105
0
0
86,717
0
0
0
0
0
86,717

USP Key

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

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

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

Yes/No
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C0109

0
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LAC DT

C0130

0
0
0
0
0

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

C0010

R0010 MCR<sub>NL</sub> Result

62,599
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
0	
0	
0	
62	79
8,520	1,909
0	
124,484	19,412
378,138	43,342
13,740	823
0	
0	
7,137	1,375
0	
0	
0	
0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

C0040

R0200 MCR<sub>L</sub> Result

0
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

62,599
86,717
39,022
21,679
39,022
4,000
39,022