



TOKIO MARINE
HCC

Tokio Marine Europe S.A.
Audited Annual Accounts
For the year ended 31 December 2021

Registered address: 26, Avenue de la Liberté, L-1930 Luxembourg
R.C.S. Luxembourg: B221975
Subscribed capital: \$ 1,159,060



TOKIO MARINE
HCC

TOKIO MARINE EUROPE S.A.
CONTENTS

Company Information	2
Directors' Report	3
Audit Report	16
Balance Sheet	20
Profit and Loss Account	22
Notes to the Annual Accounts	24



TOKIO MARINE
HCC

TOKIO MARINE EUROPE S.A.
COMPANY INFORMATION

Directors:

B J Cook (Non-Executive Director)
P Engelberg (*Chairman*) (Non-Executive Director)
TJ G Hervy
C Kanu
K L Letsinger (Non-Executive Director)
P Méresse (Non-Executive Director)
H Mishima

Company Secretary:

J L Holliday

Registered Number:

B221975

Registered Office:

26, Avenue de la Liberté, L-1930 Luxembourg

Independent Auditors:

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

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

The Directors present their annual report together with the audited annual accounts for the period ended 31 December 2021.

Business Structure

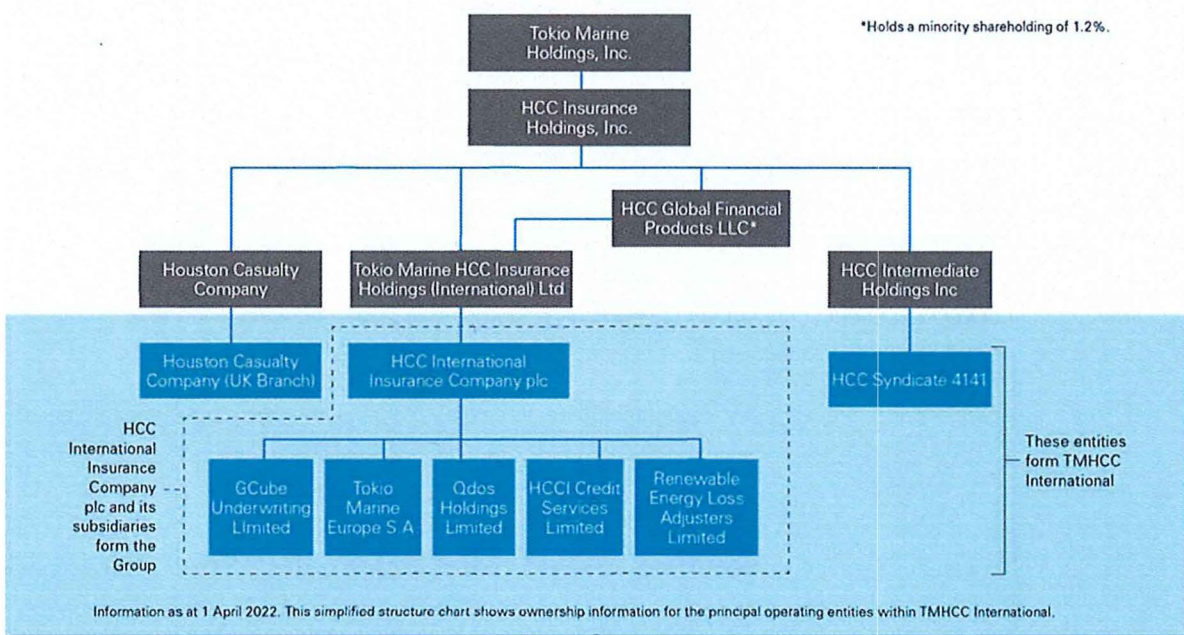
Tokio Marine Europe S.A. ('TME') is a non-life insurance company incorporated on 8 February 2018 as a public limited liability company ("Société Anonyme") subject to the general company law of Luxembourg. TME is registered with the Registre de Commerce et des Sociétés ('RCS') in Luxembourg with a RCS number B221975. TME is authorised under the law on the insurance sector of 7 December 2015 and supervised by the Commissariat Aux Assurances ('CAA').

TME is a wholly owned subsidiary of HCC International Insurance Company plc ('HCCII'), a UK Insurance Company, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA").

HCCII and its subsidiaries, including TME, form part of the Tokio Marine Group ('Tokio Marine'), whose ultimate holding company is Tokio Marine Holdings, Inc. Tokio Marine is a leading international insurance group located in Tokyo, Japan which has 249 subsidiaries, and 22 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate). As of 31 December 2021, Tokio Marine had total assets of ¥27.1 trillion (December 2020: ¥25.6 trillion) and shareholders' equity of ¥2.1 trillion (December 2020: ¥1.9 trillion). Tokio Marine and a number of its major insurance companies have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC (S&P).

HCC Insurance Holdings, Inc. ('TMHCC') is a subsidiary within Tokio Marine based in the United States and is a leading international specialty insurance group with more than 100 classes of specialty insurance, underwriting risks located in approximately 180 countries. Given its financial strength and track record of excellent results, it benefits from an S&P rating of A-. TMHCC International (illustrated by the simplified structure chart below) is comprised of the following four insurance platforms: HCCII, TME, HCC Syndicate 4141 (a wholly aligned Lloyd's syndicate) and Houston Casualty Company (London Branch). The platform used is based on prescribed rules and if licensing permits, client choice. Located in the United Kingdom and Continental Europe, TMHCC International is TMHCC's operating segment outside of the United States.

TME's parent HCCII is the flagship carrier for TMHCC International and. HCCII and TME have standalone S&P ratings of A+. TME is well capitalised and HCCII is the flagship entity of TMHCC International. HCCII and TME have standalone S&P ratings of A+.



M

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

TME was established in response to the United Kingdom's vote to leave the European Union (EU) in June 2016 which has resulted in the UK's exit from the EU on 31 January 2020. In 2018 HCCII established and received regulatory authorisation for TME and its European branches. A legal Part VII portfolio transfer process between HCCII, Tokio Marine Kiln Insurance ('TMKI') and TME transferred insurance and reinsurance contracts from HCCII and TMKI European branches to TME effective as at 1 January 2019 together with the transfer of all branch employees. The transfer was affected through TME issuing one share each to TMKI and HCCII. Since 2019 TME has underwritten new and renewal business and continues to be well positioned to continue to support TMHCC International, as a strong underwriting platform to support EEA risks across multiple classes of business.

Branches and Subsidiaries

TME's business is underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. Following the UK's exit from the European Union on 31 January 2020 and the end of the transition period on 31 December 2020, (from 1 January 2021) any European Economic Area (EEA) risks presented in the London Market and/or previously written by the UK branch, have been written by TME's EEA branches from 1 January 2021, utilising the expertise of the specialist underwriters in the UK through the TME UK branch.

Strategic and Operational Initiatives

During 2021 TME completed a number of strategic and operational initiatives in respect of its underwriting and operations. The material initiatives are detailed below:

GCube

In 2020 HCCII acquired specialist renewable energy underwriter GCube. TMHCC International had previously participated on GCube business as part of our broader Energy portfolio, however from January 2021 GCube has been managed as a separate book of business writing business across multiple TMHCC International platforms, including TME.

Marine Cargo

From 2021 TM HCC International has begun underwriting Marine Cargo business, which complements our existing Marine Hull and Marine Liability lines, across all our platforms including TME.

Risk and Control Framework

After its establishment in 2018, the Company implemented its governance structure, and established its systems, controls and processes. Significant progress was achieved in integrating the branches, historically part of TMKI, into TME. Further progress was made in embedding TMHCC International processes, procedures and controls and in the alignment of the IT and Finance systems.

Capital Increase

In Q4 2021 TME received a capital contribution of \$50m (2020: \$20m) from its parent company, HCCII to ensure that the Standard Formula Solvency Capital Requirement ('SF SCR'), inclusive of the internal buffer, remains at a level that is deemed appropriate by the Board, whilst at all times maintaining a coverage ratio, excluding buffer, that is greater than 100%.

Principal activity

TME's principal activity is to underwrite non-life insurance and reinsurance business. In 2021, TME underwrote business through three core underwriting segments: International Specialty; London Market and Japanese Business ('J Business').

The International Specialty segment is comprised of:

- Financial Lines;
- Professional Risks;
- Credit and Political Risk;
- Surety;
- Contingency (including Disability); and
- Marine Transport business.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

The London Market segment includes the following lines of business:

- Marine & Energy;
- Property Treaty;
- Property Direct and Facultative;
- Accident and Health (A&H); and
- Delegated Property.

The J Business segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests, including:

- J Business Property;
- J Business Marine & Aviation; and
- J Business Liability.

Reinsurance programme

TME places external and intercompany reinsurance arrangements on lines of business that would otherwise fall outside TME's risk appetite, due to business mix, volatility, or line sizes. External reinsurance is purchased by line of business on a shared basis for the TM HCC insurance platforms, and reinsurance premiums for excess of loss programmes are allocated across the platforms based on gross written premium. Reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. The reinsurance programme is a key element of TME's risk mitigation and capital management strategy. The reinsurance structure is submitted to and approved by the Board of Directors annually.

Strategy and Market Conditions

TME's business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings which will increase shareholder value. In order to achieve this, TME's strategy is centred on selective and focused management of a diversified portfolio of businesses; continued expansion of its brand throughout Europe; identification and development of opportunities to grow its business; and maintenance of the management, organisational and governance structure which is appropriate for and supports the growing business.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Business Performance and Position

Financial Key Performance Indicators (KPIs)

The directors have defined the following KPIs for the business:

	2021	2020
	\$m	\$m
Gross premiums written	588.3	454.6
Underwriting profit/(loss) (excl. investment return)	5.7	(0.2)
Profit before taxation	6.0	2.8
Net loss ratio	62.4%	64.1%
Combined ratio	96.4%	100.1%
Investment return	4.5	5
Cash and investments	367.1	362.0
Total Shareholder's funds	209.0	154.6

Results and Performance - Financial year

TME made a profit before tax for the financial year of \$6.0m (2020 \$2.8m) and includes a balance on the technical account for general business of \$10.2m (2020 \$4.8m) which includes investment income of \$4.5m (2020 \$5.0m). Investment income transferred to the technical account is comprised principally of earned investment income reflecting TME's approach to managing earned income.

The balance on the technical account excluding investment income is \$5.7m (2020 \$0.2m loss), showing a combined ratio of 96.4% (2020 100.1%).

The Specialty segment benefitted from organic growth and excellent rating conditions in particular impacting our Financial Lines business. While this business is not retained by TME it contributes to pre tax profit primarily through ceding commissions on the internal reinsurance. This, combined with growth in our European Surety portfolio has resulted in a profit of \$25.4m in 2021 (2020 loss of \$7.8m), with the prior year impacted by Surety loss activity.

The London Market segment incurred a loss of \$16.8m (2020 \$6.9m profit), primarily from Property Treaty which was heavily impacted by CAT losses from European Flooding and the accompanying reinstatement premiums.

J Business segment contributed \$3.6m (2020 \$3.1m) to the technical results. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded to TMNF and the contribution to the technical result represents the override which is set to achieve a profit for TME, covering the acquisition and operating costs of the business. The result on other run-off business was a loss of \$6.5m (2020 \$3.0m loss) driven by reserve strengthening on the runoff French TMSL business.

The non-technical account includes other charges valuing \$4.2m (2020 \$1.9m) including \$5.1m corporate oversight charges (2020 \$2.1m) and a foreign exchange gain of \$0.9m (2020 loss of \$0.2m).

Overall, the directors are satisfied with TME's operations and its financial position at 31 December 2021.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Gross Premium Written

Gross Premium Written was \$588.3m (2020: \$454.6m, \$389.6m excluding a reporting adjustment in respect of the Part VII transfers of \$117.6m). Gross premium written for the principal lines of business compared to 2020 are presented below:

	2021	2020
	\$m	\$m
Financial Lines	191.3	141.1
Surety	48.5	39.7
Contingency (incl Disability)	39.2	40.7
Marine Transport	34.3	30.1
Credit and Political Risk	15.0	10.4
Professional Risks	10.4	8.2
Other Specialty	2.1	0.4
Total Specialty	340.8	270.6
Marine & Energy	76.0	35.6
Property Treaty	31.2	27.8
Delegated Property	4.1	3.5
Property Direct & Facultative/Accident & Health	6.3	1.4
Total London Market	117.6	68.3
J Business	129.9	115.7
Gross Premium Written	588.3	454.6

Gross premium written totalled \$588.3m compared to \$454.6m in 2020 across all lines of business. This was driven by a combination of the new business written, in particular the GCube and Marine Cargo initiatives within Marine & Energy, together with improved market conditions on existing business, most notably Financial Lines.

Specialty

Financial Lines gross premium written increased to \$191.3m (2020 \$141.1m), driven by significantly improved market conditions in our core D&O business, growth in Cyber and the recover of TRI business which in 2020 was adversely impacted by Covid 19.

Surety gross premiums written was \$48.5m (2020 \$39.7m) reflecting significant premium growth in our European Surety book which commenced in 2020 (\$17.3m) and this year grew to \$27.4m.

Contingency gross premiums written decreased to \$39.2m (2020 \$40.7m). The bulk of this portfolio remains event cancellation business and growth has therefore been limited by a lack of events, particularly in the small to medium range, as a result of the Covid-19 pandemic.

Marine Transport includes Intellectual Property and Marine Cargo totalling \$34.3m (2020 \$30.1m).

Credit & Political Risk gross premiums written was \$15.0m (2020 \$10.4m). Underwriting conditions improved somewhat as the uncertainty around Covid-19 has reduced but we have maintained a cautious approach to risk selection.

Professional Risks includes Professional Indemnity and Liability business totalling \$10.4m (2020 \$8.2m), which has seen organic growth during the year.

London Market

Marine & Energy gross premiums written was \$76.0m (2020 \$35.6m) and includes \$37.3m from the new GCube line which commenced writing in 2021. This business consists of risk attaching binders and is expected to continue to grow in 2022 and beyond. Other business comprises 60% Marine and 40% Energy which increased in 2021 driven primarily by the new Marine Cargo book which wrote \$2.4m.

Property Treaty gross premiums written was \$31.2m (2020 \$27.8m) and the portfolio is comprised principally of Non-US excess of loss reinsurance business. The strategy of participation on high programme layers and strong client relationships creates a competitive advantage and combined with a sustainable reinsurance programme is producing profitable results. The year on year growth reflects a positive impact of FX and modest improvements in the rating environment.

Delegated Property was a new line of business in 2020, writing \$4.1m in 2021 (2020 \$3.5m) of premium on TME. This business primarily consists of risk attaching binders and is expected to continue to grow.

Japanese Business (J Business) gross premiums written was \$129.9m (2020 \$115.7m) of Japanese Property; Marine & Aviation; and Liability business, which is the commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests. The movement in the year reflects organic growth in the existing portfolio.

Future Outlook

TME's strategy for 2022 includes:

- continue expansion of its brand throughout Europe; and the identification and development of opportunities to grow its business;
- continue to support TMHCC International, as a strong underwriting platform to support EEA risks across multiple classes of business; and
- completion of the IT integration and infrastructure projects which are necessary to support business growth.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Investment Performance

The investments of TME are managed by New England Asset Management (NEAM). The investment function is overseen by the Investment Committee which operates under terms of reference set by TME's Board. The Committee is responsible for preparing, in conjunction with TME's Investment Managers, the Investment Policy for approval by the Board. It is also responsible for monitoring investment performance and recommending the appointment of investment managers. Also, the risk appetite statements relating to the investment portfolios are monitored and reported at the quarterly Board meetings and the financial investments are managed in accordance with the Investment Policy of the TMHCC Group and TME's investment guidelines which ensures compliance with regulatory requirements.

TME's investment strategy is to invest in investment grade fixed and variable interest rate debt securities and units in unit trusts. TME has invested cash in excess of liquidity needs in accordance with the investment strategy.

For the period ended 31 December 2021, the investment result is a net gain amounting to \$4.5m (2020 - \$5.0m). As at 31 December 2021 TME holds European, UK, Japanese and US corporate bonds and other fixed income securities.

Balance sheet

TME balance sheet shows total assets of \$1,449m (2020 \$1,233m) and shareholder's equity of \$209.0m (2020 \$154.6m). Of the total assets, \$367.1m, i.e. 25.3% (2020 \$362.0m 29.4%) is represented by financial investments and cash at bank. Net technical liabilities from insurance contracts were \$202.1m (2020 \$174.0m).

Capital and reserves

Capital and reserves amount to \$209.0m (2020 \$154.6m), an increase of \$54.4m. The profit for 2021 is \$4.4m (2020 loss of \$3.9m). TME's issued share capital as at the date of this Directors' Report is comprised of a single class of 1,159,060 Ordinary Shares of \$1.00 each. TME received a capital contribution from its parent of \$50.0m during the year (2020 \$20.0m) effected by increasing TME's share premium account.

Principal Risks and Uncertainties

TME has identified the principal risks arising from its activities and has established policies, procedures and mitigation frameworks to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Credit; Liquidity; and Operational. These risk areas, along with the actions taken by TME to manage and mitigate, are discussed below and further detail is provided in Note 5.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

The Board has established risk appetites covering the amount and type of risk TME is prepared to seek, accept or tolerate and these risk appetites are embedded in policies, authorities and limits across TME.

Risk	Description	Mitigating Actions/Factors
Insurance Risk	<p>TME's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are:</p> <ul style="list-style-type: none"> • Premium Risk; • Reinsurance Risk; • Claims Management Risk; • Reserving Risk. 	<ul style="list-style-type: none"> • An underwriting strategy that seeks a diverse and balanced portfolio of risks. • A reserving policy to produce accurate and reliable estimates that are consistent over time and across classes of business • Setting and regularly monitoring risk appetites. • Individual authority limits for all employees authorised to underwrite and business plans for each line of business. • Claims teams focused on delivering quality, reliability and timely service to both internal and external clients. • Using reinsurance to protect TME's balance sheet. • Monitoring aggregated exposures using catastrophic modelling tools.
Strategic, Regulatory and Group	<p>Risks which arise from:</p> <ul style="list-style-type: none"> • Appropriateness of TME's strategy or TME's ability to implement its strategy; • TME's compliance with regulatory and legal requirements in the markets in which TME operates; • Potential impacts on TME arising from the actions of other members of the TMHCC (and TM) Group. 	<ul style="list-style-type: none"> • Setting and regularly monitoring key strategic performance indicators and associated risk metrics. • A management structure that encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. • Operating across the TMHCC Group with clear and open lines of communication to ensure all TMHCC Group entities are well informed and working towards common goals.
Market	<p>Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.</p>	<ul style="list-style-type: none"> • Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and are localised; and iii) broadly match the liabilities. • Adhering to an investment risk appetite which form part of TME's overall risk appetites. • Setting and regularly monitoring investment key performance indicators and associated risk appetites. • Independent investment experts assist with the implementation of the investment strategy and monitoring of the economic environment and investment performance. • Foreign exchange risk is mitigated by the fact that most of our premiums and claims are paid in Euros. Additionally, our Finance department regularly monitor and address where necessary currency mismatches between assets and liabilities.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Credit	Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for TME are from reinsurers; brokers and coverholders; investments; and financial institutions holding cash.	<ul style="list-style-type: none"> • Setting and regularly monitoring counterparty exposure risk appetites. • Limiting exposure to a single counterparty or a group of counterparties, outside of TMHD Group Companies. • Established guidelines and approval procedures for counterparties.
Liquidity	Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. TME is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In most cases, these claims are settled from premiums received.	<ul style="list-style-type: none"> • TME maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. • TME can also draw on parental funds to bridge short-term cash flow requirements, should the need arise.
Operational	Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.	<ul style="list-style-type: none"> • Performing business activities in a fair, honest and transparent manner that complies fully with applicable Luxembourg and European markets' local legal and regulatory requirements, and internal policies and procedures. • Setting and regularly monitoring operational risk appetites and metrics. • Scenario testing and modelling operational risk exposure. • Management review of operational activities, including IT and IT security. • Documented policies and procedures. • Ensuring key processes include preventative and detective controls. • Business Continuity and contingency planning. • Established and embedded systems controls.

Given the nature of TME's business, the largest risks fall under the category of Insurance risk, reflecting the potential for unexpected losses - either catastrophe or systemic - that may fall outside business plan parameters. These risks are closely monitored and robustly managed. Risks that are more imminently likely to crystallise are also monitored.

The following risks have developed to the extent that their impact on future strategic objectives has to be addressed and mitigated:

- Sustainability risk;
- Post-Brexit risks;
- Operational resilience;
- Inflation risk;
- Outsourcing and supplier management; and
- Covid-19 risk



Sustainability risk

The issue of sustainability, whether it relates to the strategic and operational risks of addressing environmental, social and governance concerns, including climate change, or our social responsibilities to both our external and internal stakeholders, is not a new risk. However, its profile has raised significantly over recent years, in part driven by the published expectations of various regulators around the world.

TME recognises sustainability in a holistic context, primarily through the Sustainability Committee, which articulates TME's strategy and risk appetite and coordinating the advancement and implementation of sustainability initiatives. Recognising the breadth of sustainability risk, various sub-groups (e.g. the Workplace Group and the Charity Committee) also report into the Sustainability Committee, ensuring a coordinated approach to addressing these closely linked topics.

During 2021, specifically in relation to climate change risk, TME continued to formally articulate how it assesses the risk within its risk and governance frameworks, building on the work done during 2020. Particular areas of development included: 1) further governance changes, such as amending the terms of reference of boards and relevant committees to include climate change risks as a regular agenda item, creating a specific Climate Risk Committee and board training; 2) building a dedicated sub-risk register to deal with specific climate change risks; 3) further input into the future strategic direction related to the underwriting of renewable energy and the support provided to existing lines of business related to transition activities; 4) developing additional stress testing and scenario analysis; and 5) identifying how the information, required to be disclosed under the new requirements, will be sourced. The progress made to date leads TME to expect the requirements in the various areas described to be embedded in accordance with regulatory requirements and best practice.

Post-Brexit risks

The United Kingdom left the EU on 31 January 2020 and entered a Brexit Transition Period which ended on 31 December 2020. Late in 2020, the European Union and the UK government signed an EU-UK Trade and Cooperation Agreement that came into provisional force as the transition period ended. Uncertainties related to the future reciprocal market access rights of financial services companies leaves some residual post Brexit risk for TME.

To mitigate this risk, TME is keeping in close contact with both the market and European regulators, including the CAA, to ensure that any issues are identified early and appropriate action is taken. From 1 January 2021, the TME UK Branch is no longer permitted to stamp EEA business but UK branch underwriters are still allowed to work on EEA risks so long as they do so in a manner compliant with the Insurance Distribution Directive. The TME UK Branch is in the process of applying for third country branch authorisation in the UK, so that it can continue to operate following the end of the post Brexit transition period.

Inflation Risk

Inflation risk, particularly social inflation, has become a hot topic in the industry, where concerns have arisen over supply chains, transport costs and recruitment/retention as the world moves on from the Covid pandemic.

The impact of inflation will vary widely by line of business, market segment and geography. In the context of TME, it is noted that a significant proportion of the business comprises short-tail, non-US business, where inflation poses relatively little risk. However, there are some lines of business (e.g. Financial Lines) where inflation has a greater impact. The impact of inflation is being considered by the business, including areas such as underwriting, claims handling, reserving and capital modelling.

Outsourcing & Supplier Management

As the organisation grows, reliance on outsourcing and supplier management also increases, through the ever greater use of cloud service providers to ensure system/data back-up capabilities, or the increased use of coverholders, arising from new lines of business such as Delegated Property and Marine Cargo.

The use of third parties brings additional risks to an organisation and strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. While the residual rating of this risk is considered to be low, in light of the increased dependencies on third parties, as noted above, we continue to review our control framework in this area, to ensure it remains comprehensive and robust to appropriately mitigate the increased reliance.

Covid-19 risk

Since March 2020, TME has been monitoring and addressing the potential financial and operational risks created with the advent of the global Covid-19 pandemic.

What was flagged at a very early stage, and has been borne out in practice is that Covid-19 has not had a material impact to date on TME, and it was an earnings event rather than a capital event, with neither the capital requirements nor the held capital currently materially impacted. This was due to: 1) the strong solvency regulatory capital position; 2) the diversified book of business; 3) limited direct losses, seen in the context of overall budgeted net profit after tax, across TMHCC International; 4) strong liquidity position and cautious allocation of investment portfolio; 5) good reinsurance security with longstanding reinsurers; and 6) robust initial reserves set up for Covid claims, with very little movement in gross or net ultimates seen during 2021.

The level of uncertainty relating to Covid has receded during 2021. It is noted that, beyond the advent of future threatening mutations of the virus, one of the remaining areas of uncertainty, arising indirectly from Covid, relates to potential future volatility in the world financial markets that could occur in 2022, as governments around the world continue to withdraw their national structural support. This could impact various lines of business, such as Financial Lines, and our investment portfolio.

Partially as a result of the Covid pandemic, TME introduced a new dynamic working policy in September 2021, when staff transitioned back to the office. This policy allows staff (with appropriate approval) to work from home for some of the week. Coming back to the office and the new policy bring several potential risks, including: 1) ensuring staff are appropriately operating in the office environment, including adhering to all local authority guidelines and maintaining staff safety and welfare; 2) ensuring that within the new working model there is robust training, appropriate mechanisms to provide ongoing professional development of staff, the correct technology in place to support productivity (whether working remotely or in the office) and minimising any disadvantages that might transpire if certain demographic groups need to work remotely with more regularity than others. The initial assessment of the transition back to the office is that it has been a success, but it is recognised that the return is still in its infancy and the potential risks will continue to be monitored during 2022.

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Future Outlook

TME continues to consider profitable opportunities in complementary and new lines of business, through expansion of teams, venturing into new territories and potential acquisitions. TME also continues to be well placed to support TMHCC International, as a strong underwriting platform to support EEA risks across multiple classes of business.

The Board continue to monitor the evolving Ukraine/Russia conflict and considers the impact on TME is limited as many classes of business do not have exposure or have the appropriate exclusions in place and indirect exposures are limited by TME's cautious investment strategy and robust operational frameworks.

Subsequent events

There are no significant post balance sheet events to be disclosed.

Other items

TME did not acquire any of its own shares during the year ended 31 December 2021.

TME did not carry out any activities in the field of research and development during the year under review.

Appropriation of profit

At the Annual General Meeting, the Board of Directors will propose to bring forward TME's 2021 profit of \$3.7m and to allocate \$0.7m to other reserves. There will be no allocation to the legal reserve (2020 nil).

TOKIO MARINE EUROPE S.A.
DIRECTORS' REPORT
For the year ended 31 December 2021

Board of Directors

The directors who held office during the financial period and to the date of this report were as follows:

B J Cook (Non-Executive Director)
P Engelberg (*Chairman*) (Non-Executive Director)
TJ G Hervy
C Kanu
K L Letsinger (Non-Executive Director)
P Méresse (Non-Executive Director)
H Mishima

No directors had any interest in the shares of TME during the period ended 31 December 2021.

Independent Auditors

PwC Luxembourg (PricewaterhouseCoopers Société Coopérative) acted as auditors of TME for the period from 1 January 2021 to 31 December 2021.

Luxembourg,

On behalf of the Board of Directors



C Kanu
Director



Audit report

To the Shareholder of
Tokio Marine Europe S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Tokio Marine Europe S.A. (the “Company”) as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2021;
 - the profit and loss account for the year then ended; and
 - the notes to the annual accounts, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period.

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of incurred but not reported (IBNR) loss reserves

As at 31 December 2021, IBNR loss reserves included within the “claims outstanding” represent a significant accounting estimate in the annual accounts, as set out in Note 3.7.2.

The methodologies and assumptions used by the Management to estimate the IBNR loss reserves involve a significant degree of judgement.

Especially, the volatility attached to the estimate for the larger classes of insurance risks, such as Financial Lines and Liability, where small changes in the assumptions adopted in the estimation process and methodology, can lead to significant impact on the IBNR loss reserves estimate.

We have gained an understanding, evaluated and tested the design and operational effectiveness of the relevant controls in place with respect to the valuation of IBNR loss reserves.

In performing our work over the valuation of IBNR loss reserves, we used our own actuarial specialists, to assist us in the following procedures:

- Developing independent re-projections for selected classes of insurance risks considered to be higher risk, particularly focusing on the largest and most uncertain estimates. For these classes, we compared our re-projected estimates to those booked by the Company;
- For the other classes of insurance risks, performing a combination of testing of the methodology and assumptions, used by the Company to derive the IBNR loss reserve estimates, as well as analytical procedures, to assess whether the booked reserves reflect reasonable estimates based on underlying facts and circumstances;
- Additionally, agreeing to supporting documentation, on a sample basis, the underlying source data used in the computation of the loss reserves.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the “Réviseur d'entreprises agréé” for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;



- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 1 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 March 2022

Sylvia Pucar



TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2021

ASSETS

	<i>Notes</i>	2021	2020
		\$'000	\$'000
<i>Investments</i>			
Other financial investments			
Shares and other variable yield transferable securities and units in unit trusts	6	1,910	369
Debt securities and other fixed income transferable securities	7	241,718	211,835
Deposits with credit institutions		11,147	11,042
		<u>254,775</u>	<u>223,246</u>
<i>Reinsurers' share of technical provisions</i>			
Provision for unearned premiums	8	134,921	107,621
Claims outstanding	9	645,714	514,648
		<u>780,635</u>	<u>622,269</u>
Subrogation and Salvages	10,24	<u>76</u>	<u>1,002</u>
		76	1,002
<i>Debtors</i>			
Debtors arising out of direct insurance operations			
Intermediaries	11	147,590	121,186
Debtors arising out of reinsurance operations	11	78,420	80,224
Other debtors	11	31,388	10,971
		<u>257,398</u>	<u>212,381</u>
<i>Other assets</i>			
Tangible assets	12	2,027	2,014
Cash at bank and in hand	12	112,308	138,794
		<u>114,335</u>	<u>140,808</u>
<i>Prepayments and accrued income</i>			
Deferred acquisition costs	13	39,931	30,916
Other prepayments and accrued income	14	2,100	1,771
		<u>42,031</u>	<u>32,687</u>
Total assets		<u>1,449,250</u>	<u>1,232,393</u>

The accompanying notes form an integral part of the annual accounts.



TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2021

LIABILITIES

	<i>Notes</i>	2021 \$'000	2020 \$'000
Capital and reserves			
Subscribed capital or equivalent funds	15	1,159	1,159
Share premium account	15	211,232	161,232
Legal reserve	15	15	15
Other reserve	15	285	285
Profit and loss brought forward		(8,104)	(4,164)
Profit and loss for the financial year	15	4,410	(3,940)
		<u>208,997</u>	<u>154,587</u>
Technical provisions			
Provision for unearned premiums	8	218,571	178,248
Claims outstanding	9	764,171	618,008
		<u>982,742</u>	<u>796,256</u>
Subrogation and Salvages, reinsurers' share	10	5	(31)
		<u>5</u>	<u>(31)</u>
Creditors			
Creditors arising out of direct insurance operations	16	23,935	22,240
Creditors arising out of reinsurance operations	16	140,075	133,936
Other creditors, including taxation and social security	16	17,515	55,445
		<u>181,525</u>	<u>211,621</u>
Accruals and deferred income	17	75,981	69,960
Total liabilities		<u>1,449,250</u>	<u>1,232,393</u>

The accompanying notes form an integral part of the annual accounts.



TOKIO MARINE EUROPE S.A.
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2021

TECHNICAL ACCOUNT

Non-Life Insurance

	<i>Notes</i>	Year ending 31 December 2021 \$'000	Year ending 31 December 2020 As restated \$'000
<i>Earned premiums</i>			
Gross premiums written	18	588,337	454,563
Outward reinsurance premiums	19	(410,134)	(305,842)
Change in the provision for unearned premiums		(55,552)	(30,476)
Change in the provision for unearned premiums, Reinsurers' share		36,734	12,912
		159,385	131,157
<i>Allocated investment return transferred from the non-technical account</i>	21	4,495	4,964
<i>Other technical income, net of reinsurance</i>	22	2,490	735
<i>Claims incurred, net of reinsurance</i>			
Claims paid			
- gross amount		(227,564)	(206,452)
- reinsurers' share		147,566	119,128
Change in the provision for claims outstanding	9		
- gross amount		(189,843)	(106,018)
- reinsurers' share		166,858	64,666
Change in subrogation and salvages			
- gross amount	10	3,647	51,564
- reinsurers' share		(102)	(6,900)
	23	(99,438)	(84,012)
<i>Net operating expenses</i>			
Acquisition costs	25	(100,630)	(76,672)
Change in deferred acquisition costs	13	10,824	3,661
Administrative expenses	26	(73,763)	(66,597)
Reinsurance commissions and profit participation	27	106,863	91,552
		(56,706)	(48,056)
<i>Balance on the technical account for non-life insurance business</i>		10,226	4,788

The accompanying notes form an integral part of the annual accounts.



TOKIO MARINE EUROPE S.A.
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2021

NON-TECHNICAL ACCOUNT

	<i>Notes</i>	Year ending 31 December 2021 \$'000	Year ending 31 December 2020 \$'000
<i>Balance on the technical account non-life insurance business</i>		10,226	4,788
<i>Investment income</i>			
Income from other investments		5,723	5,933
Gain on realisation of investments		224	559
		5,947	6,492
Investment management charges, including interest		(1,452)	(1,528)
Investment charges		(1,452)	(1,528)
		4,495	4,964
<i>Allocated investment return transferred to the non-technical account</i>	21	(4,495)	(4,964)
<i>Other charges, including value adjustments</i>	28	(4,226)	(1,952)
<i>Profit on ordinary activities before tax</i>		6,000	2,837
<i>Tax on Profit on ordinary activities</i>	29,33	(1,590)	(6,777)
<i>Profit / (Loss) on ordinary activities after tax</i>		4,410	(3,940)
<i>Profit / (Loss) for the financial year</i>		4,410	(3,940)

The accompanying notes form an integral part of the annual accounts.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

1. General information

Tokio Marine Europe S.A. ('TME') was incorporated on 8 February 2018 and is organised under the "Commercial Companies" laws of the Grand Duchy of Luxembourg as a public limited liability company (Société Anonyme). TME is registered with the Register of Commerce and Companies of Luxembourg under section B221975.

On 10 April 2018, an insurance licence was granted to TME by the Minister of Finance.

On 1st of June 2020 TME changed the registered office to 26, Avenue de la Liberté L-1930 Luxembourg.

The financial year of TME begins on 1 January and ends on 31 December of each year.

2. Presentation of the annual accounts

The annual accounts of TME have been prepared in accordance with the Law of 8 December 1994 on the annual accounts of insurance and reinsurance undertakings, as amended from time to time, and with the generally accepted accounting policies for the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and the valuation rules, apart from those defined by Luxembourg law or by the Commissariat aux Assurances are determined and applied by the Board of Directors.

All amounts in these annual accounts are presented in US Dollars.

3. Summary of significant accounting policies

The significant accounting policies applied by TME are as follows:

3.1. Translation of items expressed in foreign currencies

TME's accounting records are maintained in US Dollars, which is TME's functional and presentation currency. Foreign currency transactions are recorded using the spot exchange rates at the dates of the transactions into the functional currency. At each period end, foreign currency monetary assets and liabilities are revalued using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Exchange differences arising on the revaluation of foreign currency amounts to the functional currency are recognised in the profit and loss account.

3.2 Other financial investments

3.2.1 Shares and other variable yield transferable securities and units in unit trusts

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost, including expenses incidental thereto and calculated based on the specific identification method or market value. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

3.2.2 Debt securities and other fixed income transferable securities

Debt securities and other fixed income transferable securities are valued at amortised cost with premiums and discounts amortised over the period to maturity.

The amortised cost of debt securities and other fixed income transferable securities are evaluated periodically and adjusted for credit risk in cases where a decrease in the ultimate recovery value is considered to be of a durable nature. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Discounts and premiums represent the positive and negative differences, respectively, between the amounts repayable at maturity compared to the purchase price of these securities and are accrued or amortised in instalments over the period until maturity.

3.3 Reinsurer's share of technical provisions

The share of technical provisions for ceded business is determined with reference to the contractual agreement and calculated by underlying gross business.

3.4 Debtors

Debtors are valued at their nominal value, less deductions for impairment, if applicable.

3.5 Other assets

Other assets includes cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts and are valued at nominal value. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3.6 Prepayments and accrued income

3.6.1 Deferred acquisition cost

Acquisition costs related to non-life insurance policies are deferred and amortised consistent with the recognition of unearned premiums.

3.6.2 Other prepayments and accrued income

Other prepayments and accrued income include other expenditure incurred during the financial period which relates to a subsequent financial year and income relating to the current financial period, but which is not receivable until a subsequent financial period.

3.7 Technical provisions

3.7.1 Provision for unearned premiums and unexpired risks

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis.

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial year, computed separately for each insurance contract using the daily pro rata method. The proportion attributable to subsequent periods are deferred as a provision for unearned premiums.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

The provision for unexpired risks is recognised when the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision. In determining the need for an unexpired risk provision the different classes of business have been regarded as business that is managed together.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision would be included within 'Other technical provisions'.

3.7.2 Provision for claims outstanding and related reinsurance recoveries

Claims provisions and related reinsurance recoveries

A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to TME. The estimated cost of claims includes expenses to be incurred in settling claims and deduction for expected value of salvage and other recoveries. TME takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Gross loss provisions are calculated gross of any reinsurance recoveries.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, TME has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis and projected separately, in order to allow for the possible distortive effect of the development and incidence of these large claims.

The estimate of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to TME, where more information about a claim event is generally available. Claims IBNR may not become known to the insurer until many years after the event giving rise to the claim. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims TME uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Where possible, TME adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Outstanding claims comprise provisions for the estimated costs of settling all claims incurred up to but not paid at the balance sheet whether reported or not, together with related claims handling expenses. Claims incurred includes all claims payments made in respect of the financial period, claims handling expenses and the movement in provision for outstanding claims and claims handling expenses.

3.8 Insurance contracts

i. Classification of insurance contracts

TME issues insurance contracts that transfer significant insurance risk.

ii. Insurance contracts

Results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

a. Premiums written

Premiums written relates to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Premiums are presented gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for unreported, or pipeline, premiums representing amounts due to TME not yet notified. Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related inwards business.

b. Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

c. Claims incurred

Claims incurred comprise of claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related loss adjustment expenses, together with any other adjustments to claims for previous years. Where applicable, deductions are made for salvage and other recoveries.

Credit and Surety, London Market and European P&C

The majority of this business is "short tail", that is, where claims are usually made during the term of the policy or shortly after the policy has expired. The cost of claims notified to TME at the balance sheet date is estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous years have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Professional Risks and Financial Lines

These claims are longer tail than those of the other classes of business described above and so a larger element of the claims provision relates to IBNR. Claims estimates for TME's Professional Risks and Financial Lines businesses, as with other lines, are derived initially from a combination of loss ratio based estimates followed after a period of time reflecting the longer tail by estimates based upon actual claims experience. Alternative projection methods may be employed. The initial estimate of the loss ratio is based on the experience of previous years, adjusted for factors such as premium rate changes, claims inflation and market environment. The estimate of claims inflation and anticipated market environment is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract.

Reinsurance

Reinsurance to cover catastrophe exposed lines or lines with unbalanced line size to premium is purchased on a shared basis for the international insurance entities. Reinsurance premiums on excess of loss programmes are allocated across the International platforms based on gross premiums written. Reinsurance recoveries are allocated based on the share of gross losses suffered by each carrier. Additionally, TME purchases quota share reinsurance to balance line size and premium where it is prudent to do so.

The reinsurers' share of claims incurred in the profit and loss account reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Profit and Loss Account as "outwards reinsurance premiums" over the expected exposure period.

Subrogation and salvage

Recoveries arising out of subrogation or salvage are estimated on a prudent basis and included within "Debtors arising out of direct insurance operations".

3.9 Provision for other risk and charges

Provisions are recognised when:

- TME has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small. Provisions for levies are recognised on the occurrence of the event identified by legislation that triggers the obligation to pay the levy.

Provision for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts are indeterminable.

3.10 Taxation

Provision for taxation includes estimated income tax liabilities for financial periods for which a definitive taxation assessment has not yet been received from the fiscal authorities and unpaid final tax liabilities. Advance tax payments are recognised under the position "Other debtors".

Taxation expense for the period comprises current tax recognised in the year. Current tax is the amount of income tax payable in respect of the taxable profit for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

3.11 Creditors

Creditors include intercompany balances, tax and social security payables and are valued at their nominal value.

3.12 Accruals and deferred income

This item includes income received during the financial year but relating to a subsequent financial year, and charges that relate to the current financial year but payable in a subsequent financial year.

3.13 Allocated investment return transferred to the non-technical account

The allocated investment return represents a transfer of investment results from the non-technical account to the technical account. The calculation of allocated investment return is based on the actual return generated by the investments covering technical provisions.

3.14 Administrative expenses

The administrative expenses are allocated by nature and destination to the insurance business, the investment business and to other charges on an imputed basis.

3.15 Value adjustments

Value adjustments are deducted from the related individual asset category.

A value adjustment is the amount by which the carrying value exceeds another lower value attributed to the asset.

Value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. A reversal of a value adjustment is recognised in the profit and loss account.

4. Judgements and key sources of estimation uncertainty

Estimation of the ultimate net claims incurred from the issuance of insurance contracts involves assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims made under insurance contracts is TME's most critical accounting estimate. There are many sources of uncertainty that need to be considered in the estimate of the liability that TME will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims, historical experience, case law and legislative and judicial actions (note 3.8.2).

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

ii. Pipeline premium

TME makes an estimate of premiums written during the year that have not yet been notified by the financial year end ('pipeline premiums') based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

5. Risk management

TME has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit; and Liquidity. The sections below outline TME's risk appetite and explain how it defines and manages each category of risk.

5.1 Insurance risk

TME's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting including delegated authorities, reinsurance purchasing, claims management and reserving. Each element is considered below.

5.1.1 Underwriting risk

Underwriting risk relates to the potential claims arising from inadequate underwriting. There are four elements that apply to all insurance products offered by TME:

- cycle risk – the risk that business is written without full knowledge as to the (in) adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

TME manages and models these four elements in the following three categories; attritional claims, large claims and catastrophe events.

TME's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

To manage underwriting exposures, TME has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process are in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates, are recorded and reported.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

The annual corporate budgeting process comprises a three year Plan which incorporates TME's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The Plan is approved by the directors and monitored by the underwriting committees on a monthly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

TME also recognises that insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, TME sets out its risk appetite (expressed as Probable Maximum Loss estimates ('PML') and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which TME is exposed.

TME uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, TME measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

TME's catastrophe risk appetite set by the directors is limited to a gross PML aggregate of no more than 200% of Capital and for a probability of gross catastrophe event exceeding 50% of Capital of less than 5%.

Additionally, the appetite for non-modelled risk and other potential non-Natural Catastrophe perils is included within the Catastrophe appetites noted above.

i. Reinsurance risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section. See Note 5.5.

The purchase of reinsurance is a key tool utilised to manage underwriting risk. TME's reinsurance programme is comprised predominantly of excess of loss cover and intergroup quota share 100% reinsurance net of facultative with TM HCCI (Financial Lines) and TMNF (J business). Prior to placement of the programme, it is modelled against significant historic and modelled events across the peak exposure areas. The programme is purchased on a class of business basis, modelling catastrophe, large and attritional losses separately.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Consideration is given to a number of factors when setting minimum retention including the Annual Aggregate Loss ('AAL') for catastrophe exposed lines. Where market opportunity allows, additional reinsurance is purchased. Quota share and facultative reinsurance is also utilised where considered appropriate. A Tokio Marine HCC Group reinsurance approval group examines and approves all reinsurers to ensure that they possess suitable security. TME's reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates TME's responses to any erosion of the reinsurance programmes.

ii. Claims management risk

Claims management risk may arise within TME in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage TME brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claim life cycle.

TME's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

iii. Reserving risk

Reserving risk occurs within TME where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

The objective of TME's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. TME's reserving process is governed by the IBNR Committee, a subcommittee of the Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates (described in further detail below) and management's best estimate of IBNR is recorded. It is the policy of TME to carry, at a minimum, the actuarial best estimate. It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing.

5.2 Strategic, regulatory and group risk

TME manages strategic, regulatory and group risks together. Each element is considered below:

i. Strategic risk

This is the risk that TME's strategy is inappropriate or that TME is unable to implement its strategy. Where an event exceeds TME's strategic plan, this is escalated at the earliest opportunity through TME's monitoring tools and governance structure.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

On a day-to-day basis, TME's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and TME as a whole.

ii. Regulatory risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of TME are subject to legal and regulatory requirements within the jurisdictions in which it operates, and TME's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk.

Capital management

TME estimates its economic capital requirements using an internal model (the Economic Capital Model ('ECM')) which, the Directors believe, is the most appropriate tool to determine TME's medium term capital needs. For Solvency purposes, TME measures its regulated capital requirement using the Standard Formula Solvency Capital Requirement ('SF SCR'). The Board has reviewed the SF SCR against the ECM and has concluded that the SF SCR is appropriate. The SF SCR is measured against TME's Solvency II Own Funds to monitor its Solvency. Given the inherent volatility of the SF SCR and Solvency II Own Funds, TME carries an amount in excess of the regulatory minimum solvency requirement. As at 31 December 2021 Solvency II Own Funds are in excess of 133% (2020 - 133%) of the regulatory minimum solvency requirement.

iii. Group risk

Group risk occurs where business units fail to consider the impact of other parts of a group on TME, as well as the risks arising from these activities. There are two main components of group risk which are explained below.

a. Contagion

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. TME is a member of the Tokio Marine group and therefore may be impacted by the actions of any other group company. This risk is managed by operating with clear and open lines of communication across the group to ensure all group entities are well informed and working to common goals.

b. Reputation

Reputation risk is the risk of negative publicity as a result of the Tokio Marine group's contractual arrangements, customers, products, services and other activities. TME's preference is to minimise reputation risks, but it is not possible or beneficial to avoid them, as the benefits of being part of the group brand are significant.

TME considers reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

5.3 Market risk

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices. Managing investment risk as a whole is fundamental to the operation and development of TME's investment strategy key to the investment of Company assets.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

The investment strategy is developed by reference to an investment risk budget, which is reviewed annually by the directors as part of the overall risk budgeting framework of the business.

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis. The internal model includes an asset risk module, which uses an Economic Scenario Generator ('ESG') to simulate multiple simulations of financial conditions, to support stochastic analysis of investment risk. Internal model output is used to assess potential investment downsides, at different confidence levels, including '1 in 200' year event, which reflects Solvency II modelling requirements. In addition, TME undertakes regular scenario tests (which look at shock events such as yield curve shifts, credit spread widening, or the repeat of historic events) to assess the impact of potential investment losses.

ESG outputs are regularly validated against actual market conditions, but (as noted above) TME also uses a number of other qualitative measures to support the monitoring and management of investment risk.

i. Foreign exchange risk

TME's functional and reporting currency is the US Dollar and when possible TME generally hedges currency monetary liabilities (excluding unearned premium and deferred acquisition costs) with assets in those same currencies. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that TME is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar denominated positions.

FX risk exposure	AUD \$	CAD \$	CHF Fr	EUR €	GBP £	Subtotal	USD \$	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	15,760	423	4,520	935,386	26,433	982,521	466,729	1,449,250
Total liabilities	(12,680)	(514)	(4,213)	(966,395)	(31,760)	(1,015,562)	(224,691)	(1,240,253)
Net assets	3,080	(92)	307	(31,009)	(5,327)	(33,041)	242,038	208,997
Profit/(loss) for the financial year	3,783	151	(3,699)	(38,559)	15,954	(22,369)	26,779	4,410
FX risk exposure	AUD \$	CAD \$	CHF Fr	EUR €	GBP £	Subtotal	USD \$	Total
31 December 2020 restated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	18,121	569	4,005	805,696	21,822	850,213	382,180	1,232,393
Total liabilities	(18,825)	(812)	-	(798,147)	(43,103)	(860,887)	(216,919)	(1,077,806)
Net assets	(704)	(243)	4,005	7,549	(21,281)	(10,674)	165,261	154,587
Profit/(loss) for the financial year	719	(266)	6,042	25,946	(9,582)	22,859	(26,799)	(3,940)

Investments and cash – foreign exchange exposure sensitivity	Impact on profit after tax		Impact on net assets	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Dollar weakens 30% against other currencies	(5,436)	5,555	(9,912)	(3,202)
Dollar weakens 20% against other currencies	(3,624)	3,703	(6,608)	(2,134)
Dollar weakens 10% against other currencies	(1,812)	1,852	(3,304)	(1,067)
Dollar strengthens 10% against other currencies	1,812	(1,852)	3,304	1,067
Dollar strengthens 20% against other currencies	3,624	(3,703)	6,608	2,134
Dollar strengthens 30% against other currencies	5,436	(5,555)	9,912	3,202



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

ii. Interest rate risk

Some of TME's financial instruments, including cash and certain financial assets are exposed to movements in market interest rates.

TME manages interest rate risk by investing in financial assets along with cash. The Investment Committee monitors the duration of these assets on a regular basis.

Changes in interest rates also impact the present values of estimated Company liabilities, which are used for solvency calculations. TME's investment strategy reflects the nature of TME's liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following table shows the average duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. Duration is a commonly used measure of volatility and TME believes this gives a better indication than maturity of the likely sensitivity of TME's investment portfolio to changes in interest rates.

Investments and cash - duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	>10 yrs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2021								
Shares and other variable yield securities	1,910	-	-	-	-	-	-	1,910
Debt Securities	15,047	40,506	41,804	16,423	30,962	72,348	24,628	241,718
Deposits with credit institutions	11,147	-	-	-	-	-	-	11,147
Sub Total	28,104	40,506	41,804	16,423	30,962	72,348	24,628	254,775
Cash at bank and in hand	112,308	-	-	-	-	-	-	112,308
Total	140,412	40,506	41,804	16,423	30,962	72,348	24,628	367,083
Investments and cash - duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	>10 yrs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2020								
Shares and other variable yield securities	369	-	-	-	-	-	-	369
Debt Securities	39,027	19,726	32,080	23,573	17,633	53,468	26,328	211,835
Deposits with credit institutions	11,042	-	-	-	-	-	-	11,042
Sub Total	50,437	19,726	32,080	23,573	17,633	53,468	26,328	223,246
Cash at bank and in hand	138,794	-	-	-	-	-	-	138,794
Total	189,231	19,726	32,080	23,573	17,633	53,468	26,328	362,040



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

5.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

TME actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. TME regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of TME's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. TME's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and TME's Conduct Risk Policy broadly defines conduct risk as "...the risk that detriment is caused to TME, our customers, clients or counterparties because of the inappropriate execution of our business activities."

TME therefore seeks at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable Luxembourg and International laws and regulations and internal policies and procedures. TME ensures that this ethos is clearly communicated from the Board of directors downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the International Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

5.5 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for TME are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by TME;
- brokers and coverholders - whereby counterparties fail to pass on premiums or claims collected or paid on behalf of TME;
- investments – whereby issuer default results in TME losing all or part of the value of a financial instrument; and
- financial institutions holding cash.

TME's core business is to accept insurance risk and the appetite for other risks is low. This protects TME's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

TME limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and TME's credit control function frequently assesses the ageing and collectability of debtor balances. Any large aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

The Investment Committee has established comprehensive guidelines for TME's Investment Managers regarding the type, duration and quality of investments acceptable to TME to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of TME's Investment Managers are regularly reviewed to confirm adherence to these guidelines.

TME has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, Moody's and Standard & Poor's ('S&P') ratings are used. TME's concentrations of credit risk on investments have been categorised by these ratings in the following table.

Investment and cash - credit ratings 31 December 2021

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not Rated \$'000	Total \$'000
Shares and variable yield securities	-	1,910	-	-	-	-	1,910
Debt security	8,566	74,658	116,194	42,300	-	-	241,718
Deposits with credit institutions	-	11,147	-	-	-	-	11,147
Total other financial investments	8,566	87,715	116,194	42,300	-	-	254,775
Cash at bank and in hand	112,308	-	-	-	-	-	112,308
Total	120,874	87,715	116,194	42,300	-	-	367,083

Investment and cash - credit ratings 31 December 2020

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not Rated \$'000	Total \$'000
Shares and variable yield securities	-	369	-	-	-	-	369
Debt security	8,551	77,531	104,150	21,105	498	-	211,835
Deposits with credit institutions	-	11,042	-	-	-	-	11,042
Total other financial investments	8,551	88,941	104,150	21,105	498	-	223,246
Cash at bank and in hand	138,794	-	-	-	-	-	138,794
Total	147,345	88,941	104,150	21,105	498	-	362,040

TME's largest investment counterparty exposure is US government mortgage backed security pools of \$26.1m (2020 - \$35.4m).

An ageing analysis of TME's insurance and reinsurance receivables that are past due at the reporting date is presented below.

Financial assets - ageing 31 December 2021

	Not yet due \$'000	Up to 3 months past due \$'000	3 to 6 months past due \$'000	7 to 12 months past due \$'000	>1 year past due \$'000	Total \$'000
Reinsurer share of claims outstanding	645,703	-	-	-	-	645,703
Insurance debtors	92,558	44,561	3,055	6,203	1,213	147,590
Reinsurance debtors	75,519	2,194	489	165	53	78,420
Other debtors	31,388	-	-	-	-	31,388
Total	845,168	46,755	3,544	6,368	1,266	903,101



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Financial assets - ageing 31 December 2020	Not yet due \$'000	Up to 3 months past due \$'000	3 to 6 months past due \$'000	7 to 12 months past due \$'000	>1 year past due \$'000	Total \$'000
Reinsurer share of claims outstanding	514,648	-	-	-	-	514,648
Insurance debtors	102,515	5,475	6,483	6,450	263	121,186
Reinsurance debtors	65,929	9,898	2,423	1,662	311	80,224
Other debtors	10,971	-	-	-	-	10,971
Total	694,064	15,373	8,907	8,111	574	727,029

5.6 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. TME is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

TME's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of TME's management of its exposure to loss scenarios are provided in Note 5.1.1 This means that TME maintains sufficient liquid assets, or assets that can be readily converted into liquid assets at short notice, to meet expected cash flow requirements.

The following table is an analysis of the contractual cash outflows based on all the liabilities held at 31 December 2021:

Financial liabilities - projected cash flows 31 December 2021	Within 1 year \$'000	1-3 years \$'000	3-5 years \$'000	> 5 years \$'000	Total \$'000
Net claims outstanding	48,398	40,306	15,926	13,838	118,468
Creditors from direct insurance operations	23,935	-	-	-	23,935
Creditors from reinsurance operations	140,075	-	-	-	140,075
Other creditors	17,515	-	-	-	17,515
Total	229,923	40,306	15,926	13,838	299,993

Financial liabilities - projected cash flows 31 December 2020	Within 1 year \$'000	1-3 years \$'000	3-5 years \$'000	> 5 years \$'000	Total \$'000
Net claims outstanding	46,190	37,830	11,454	5,881	101,355
Creditors from direct insurance operations	22,240	-	-	-	22,240
Creditors from reinsurance operations	133,937	-	-	-	133,937
Other creditors	55,445	-	-	-	55,445
Total	257,812	37,830	11,454	5,881	312,977

TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

The next table summarises the carrying amount at the reporting date of financial instruments analysed by maturity date.

Investments and cash - maturity	Within 1 yr	1-3 yrs	3-5 yrs	>5 yrs	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities	1,910	-	-	-	1,910
Debt securities	11,844	57,823	36,167	135,884	241,718
Deposits with credit institutions	11,147	-	-	-	11,147
Total other financial investments	24,901	57,823	36,167	135,884	254,775
Cash at bank and in hand	112,308	-	-	-	112,308
Total	137,209	57,823	36,167	135,884	367,083

Investments and cash - maturity	Within 1 yr	1-3 yrs	3-5 yrs	>5 yrs	Total
31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities	369	-	-	-	369
Debt securities	14,276	39,035	34,803	123,721	211,835
Deposits with credit institutions	11,042	-	-	-	11,042
Total other financial investments	25,687	39,035	34,803	123,721	223,246
Cash at bank and in hand	138,794	-	-	-	138,794
Total	164,481	39,035	34,803	123,721	362,040

6. Fair value estimation

The following table presents TME's financial investments measured at fair value at 31 December 2021 categorised into levels 1, 2 and 3. No liabilities were measured at fair value at 31 December 2021.

Financial investments – pricing basis	Level 1	Level 2	Level 3	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities	1,910	-	-	1,910

Financial investments – pricing basis	Level 1	Level 2	Level 3	Total
31 December 2020	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities	369	-	-	369

- Level 1 – Inputs are based on quoted prices in active markets for identical instruments:

Company's Level 1 investments consist of, money market funds and equity securities traded in an active exchange market. TME uses unadjusted quoted prices for identical instruments to measure fair value.

- Level 2 – Inputs are based on observable market data (other than quoted prices) or are derived from or corroborated by observable market data:

TME would measure fair value for its Level 2 investments using matrix pricing and observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures. TME would measure fair value for structured securities using observable market data in cash flow models.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

TME is responsible for the prices used in its fair value measurements. TME would use independent pricing services to assist itself in determining fair value for its Level 2 investments. The pricing services would provide a single price or quote per security. TME would also use data provided by TME's third-party investment managers to value the other Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, TME would perform various quantitative and qualitative procedures, including:

- 1) evaluation of the underlying methodologies;
 - 2) analysis of recent sales activity;
 - 3) analytical review of TME's fair values against current market prices; and
 - 4) comparison of the pricing services' fair value to other pricing services' fair value for the same investment.
- Level 3 – use of a valuation technique where there is no active market of other transactions which is a good estimate of fair value.
These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such are Level 2 securities is impractical. In these circumstances fair value would be established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. TME has no Level 2 or 3 securities.

7. Other financial investments

As of 31 December 2021, the book and actual values of other financial investments were as follows:

	2021	2020	2021	2020
	Book	Book	Market	Market
	value	value	value	value
	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities and units in unit trusts	1,910	369	1,910	369
Debt securities and other fixed-income transferable securities	241,718	211,835	245,140	224,790
Deposits with credit institutions	11,147	11,042	11,147	11,042
Total	254,775	223,246	258,197	236,201

The actual value of debt securities and other fixed income transferable securities generally represents their quoted market value. Where no such quoted market values exist, the actual values are based on other observable market data.

The amortisation of discounts and premiums on debt securities and other fixed income transferable securities is disclosed under "Income from other investments" and "Investment management charges, including interest", respectively, and is as follows:

	2021	2020
	\$'000	\$'000
Amortisation of discounts	146	127
Amortisation of premiums	(1,123)	(1,030)
	(977)	(904)



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

8. Provision for unearned premium

As of 31 December 2021, unearned premiums are detailed as follows:

	Unearned premium gross	Unearned premium reinsurer share	Unearned premium net
	\$'000	\$'000	\$'000
At 1 January 2021	178,248	(107,621)	70,627
Change for the year	55,552	(36,734)	18,818
Foreign currency revaluation	(15,229)	9,434	(5,795)
At 31 December 2021	218,571	(134,921)	83,650
	Unearned premium gross	Unearned premium reinsurer share	Unearned premium net
	\$'000	\$'000	\$'000
At 1 January 2020	138,315	(88,681)	49,634
Change for the year	30,476	(12,912)	17,564
Foreign currency revaluation	9,457	(6,028)	3,429
At 31 December 2020	178,248	(107,621)	70,627

9. Claims outstanding

As of 31 December 2021, provisions for claims outstanding are detailed as follows:

	Claims outstanding gross	Claims outstanding reinsurer share	Claims outstanding net
	\$'000	\$'000	\$'000
At 1 January 2021	618,008	(514,648)	103,360
Change for the year	189,843	(166,858)	22,985
Foreign currency revaluation	(43,680)	35,792	(7,888)
At 31 December 2021	764,171	(645,714)	118,457
	Claims outstanding gross	Claims outstanding reinsurer share	Claims outstanding net
	\$'000	\$'000	\$'000
At 1 January 2020	463,434	(407,768)	55,666
Change for the year	106,018	(64,666)	41,352
Foreign currency revaluation	48,556	(42,214)	6,342
At 31 December 2020	618,008	(514,648)	103,360



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

10. Subrogation and Salvages

As of 31 December 2021, provisions for claims outstanding are detailed as follows

	Subrogation and Salvages gross	Subrogation and Salvages reinsurer's share	Subrogation and Salvages net
	\$'000	\$'000	\$'000
At 1 January 2021	(31)	1,002	971
Change for the year	(35)	860	825
Foreign currency revaluation	71	(1,786)	(1,715)
At 31 December 2021	5	76	81
	Subrogation and Salvages gross	Subrogation and Salvages reinsurer's share	Subrogation and Salvages net
	\$'000	\$'000	\$'000
At 1 January 2020	(132)	1,135	1,003
Change for the year	(125)	203	78
Foreign currency revaluation	226	(336)	(110)
At 31 December 2020	(31)	1,002	971

The gross and reinsurer's share change in subrogation and salvages of \$3.6m (2020 - \$51.5m) and \$(0.1)m (2020 - \$(6.9)m), respectively, disclosed under "Claims incurred, net of reinsurance" include the subrogation and salvage payments and recoveries of \$4.5m (2020 - \$51.7m) and \$0.1m (2020 - \$6.7m), respectively.

11. Debtors

As of 31 December 2021, debtors arising out of direct insurance operations of \$147.6m (2020 - \$121.2m) are balances due and unbilled on inward direct insurance business placed mainly via brokers and other intermediaries. Debtors arising out of reinsurance operations of \$78.4m (2020 - \$80.2m) includes balances due and unbilled on inward reinsurance business of \$35.0m (2020 - \$32.9m) and reinsurer share of paid losses of \$43.4m (2020 - \$47.3m).

Other debtors of \$31.4m (2020 - \$11.0m) mainly comprise debtors with affiliate companies and tax recoveries.

	2021 Affiliate companies	2021 Other companies	2021 Total
	\$'000	\$'000	\$'000
Debtors arising out of direct insurance operations	-	147,590	147,590
Debtors arising out of reinsurance operations	10,949	67,471	78,420
Other debtors	7,247	24,141	31,388
Total	18,196	239,202	257,398

TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

	2020 Affiliate companies	2020 Other companies	2020 Total
	\$'000	\$'000	\$'000
Debtors			
Debtors arising out of direct insurance operations	-	121,186	121,186
Debtors arising out of reinsurance operations	30,570	49,654	80,224
Other debtors	-	10,971	10,971
Total	30,570	181,811	212,381

12. Other assets

As of 31 December 2021, TME held cash of \$112.3m (2020 - \$138.8m). Tangible assets of \$2.0m (2020 - \$2.0m) is mainly furniture and fixtures.

	Computer, equipment	Fixtures, fittings and office equipment	Total
	\$'000	\$'000	\$'000
Gross book value			
At 1 January 2021	267	3,011	3,278
Additions	-	307	307
At 31 December 2021	267	3,318	3,585
Accumulated depreciation			
At 1 January 2021	(159)	(1,105)	(1,264)
Charge for the year	(49)	(245)	(294)
At 31 December 2021	(208)	(1,350)	(1,558)
Net book value			
31 December 2021	59	1,968	2,027
31 December 2020	108	1,906	2,014

Fixtures, fittings and office equipment are depreciated over their useful life.

13. Deferred acquisition costs

As of 31 December 2021, deferred acquisition costs are detailed as follows:

	Deferred acquisition costs gross	Deferred acquisition costs reinsurers' share(*)	Deferred acquisition costs Net
	\$'000	\$'000	\$'000
At 1 January 2021	30,916	(37,801)	(6,885)
Change for the year	10,824	(7,692)	3,132
Foreign currency revaluation	(1,809)	3,468	1,659
At 31 December 2021	39,931	(42,025)	(2,094)



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

	Deferred acquisition costs gross	Deferred acquisition costs reinsurers' share(*)	Deferred acquisition costs Net
	\$'000	\$'000	\$'000
At 1 January 2020	25,661	(39,007)	(13,346)
Change for the year	3,661	3,566	7,227
Foreign currency revaluation	1,594	(2,360)	(766)
At 31 December 2020	30,916	(37,801)	(6,885)

* Deferred acquisition costs reinsurer's share is reported within accruals and deferred income (Note 17)

14. Prepayment and accrued income

As at 31 December 2021, other prepayment and accrued income amount to \$2.1m (2020 - \$1.8m).

15. Capital and reserves

The movements during the financial period in respect of capital and reserves may be broken down as follows:

Year ending 31 December 2021	Subscribed capital	Share premium	Other reserves	Legal reserve	Profit and loss brought forward	Profit for the year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2021	1,159	161,232	285	15	(8,104)	-	154,587
Additions during the year	-	50,000	-	-	-	-	50,000
Profit for the year	-	-	-	-	-	4,410	4,410
Total	1,159	211,232	285	15	(8,104)	4,410	208,997

Year ending 31 December 2020	Subscribed capital	Share premium	Other reserves	Legal reserve	Profit and loss brought forward	Loss for the year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	1,159	141,232	285	15	(4,164)	-	138,527
Additions during the year	-	20,000	-	-	-	-	20,000
Loss for the year	-	-	-	-	-	(3,940)	(3,940)
Total	1,159	161,232	285	15	(4,164)	(3,940)	154,587

On 21 December 2021, HCCII, TME's sole shareholder resolved to increase the capital of TME by \$50,000,000 through an increase to TME's share premium.

As of 31 December 2021, the capital and reserves amounts to \$208,997,000 and is represented by \$1,159,060 share capital divided into 1,159,060 shares fully paid up with a nominal value of \$1, by \$211,232,000 share premium including an increase to TME's share premium by \$50,000,00, other reserves of \$285,000, legal reserve of \$15,000, a prior year cumulative loss of \$8,104,000 and a profit for 2021 of \$4,410,000.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Legal reserve

Under Luxembourg company law, TME is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed capital. The legal reserve may not be distributed to shareholders, except upon the dissolution of TME.

Other reserves

TME has allocated to the non-distributable reserves an amount corresponding to five times the amount of reduction of the Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was reduced.

16. Creditors

	2021	2021	2021
	Affiliate	Other	Total
Creditors	companies	companies	
	\$'000	\$'000	\$'000
Creditors arising out of direct insurance operations	-	23,935	23,935
Creditors arising out of reinsurance operations	54,952	85,123	140,075
Other creditors	5,373	12,142	17,515
Total	60,325	121,200	181,525
	2020	2020	2020
	Affiliate	Other	Total
	companies	companies	
	\$'000	\$'000	\$'000
Creditors arising out of direct insurance operations	-	22,240	22,240
Creditors arising out of reinsurance operations	54,951	78,985	133,936
Other creditors	47,899	7,546	55,445
Total	102,850	108,771	211,621

As of 31 December 2021, creditors arising out of direct insurance operations of \$23.9m (2020 - \$22.2m) is mainly represented by approved claims payments of \$10.2m (2020 - \$7.2m) and profit commissions payable on inwards business of \$11.4m (2020 - \$9.6m).

	2021	2020
	\$'000	\$'000
Approved claims payments	10,177	7,176
Profit commissions payable on inwards business	11,387	9,603
Amounts due under co-insurance arrangements	537	2,620
Other insurance payables	1,834	2,840
Creditors arising out of direct insurance operations	23,935	22,240



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

All creditors have a duration within 5 years.

Creditors arising out of reinsurance operations of \$140.1m (2020 - \$133.9m) comprise reinsurance premiums payable.

Other creditors of \$17.5m (2020 - \$55.5m) includes deposits on Surety business of \$5.9m (2020 - \$6.3m), HCC international company creditors of \$5.4m (2020 - \$47.9m) and other creditors of \$6.2m (2020 - \$1.2m).

17. Accruals and deferred income

As of 31 December 2021, accruals and deferred income of \$76.0m (2020 - \$70.0m) includes reinsurer's share of deferred acquisition costs of \$42.0m (2020 - \$37.8m) in addition to accruals and deferred income of \$34.0m (2020 - \$32.2m) comprising \$23.9m (2020 - \$18.7m) of premium taxes and \$10.1m (2020 - \$13.5m) of other accrued expenses.

18. Breakdown of gross premiums written

For the year ended 31 December 2021, non-life insurance gross premiums written can be split as follows:

	2021	2020
	\$'000	\$'000
Inward direct insurance	517,011	380,922
Inward reinsurance assumed	71,326	73,641
	<u>588,337</u>	<u>454,563</u>
	2021	2020
	\$'000	\$'000
Direct insurance - Line of business		
Specialty	295,039	213,250
London Market Marine and Property	71,725	34,372
European Property and Casualty	150,247	133,300
	<u>517,011</u>	<u>380,922</u>

19. Reinsurance balance

For the year ended 31 December 2021, the reinsurance balance is an income of \$5m (2020 - \$(0.2m)) out of which the outward reinsurance premium is an expense of \$410.1m (2020 - \$305.8m).



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

20. Geographic analysis of gross premiums written - Direct Insurance

For the year ended 31 December 2021, gross direct insurance premiums amounting to \$517.0m (2020 - \$380.9m) may be broken down into country of risk location:

Country	2021 \$'000	2020 \$'000
Austria	9,027	3,554
Belgium	13,630	13,593
Cyprus	2,955	1,279
Czech Republic	3,463	1,571
Denmark	13,629	7,255
Finland	1,902	612
France	110,493	111,594
Germany	126,048	82,132
Greece	6,390	5,540
Hungary	2,790	1,313
Ireland	27,116	15,025
Italy	40,041	30,506
Luxembourg	7,951	5,109
Netherlands	37,723	25,571
Norway	4,922	7,330
Poland	5,843	2,825
Romania	1,860	661
Slovenia	1,448	713
Spain	29,609	16,136
Other EU	4,368	3,618
United Kingdom	17,519	23,842
Other Non EEE	48,284	21,143
	517,011	380,922

The principal technical result before allocation of investment return of the insurance business may be broken down between direct insurance and reinsurance acceptances as follows:

2021 Line of business	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims \$'000	Gross acquisition costs \$'000	Gross operating expenses \$'000	Reinsurance balance \$'000	Technical result \$'000
Accident	6,040	3,511	(2,229)	(2,440)	(168)	2,717	1,391
Health	27,923	25,577	(12,078)	(7,427)	(3,118)	267	3,221
Aviation insurance (hull)	11,564	11,229	(5,925)	(1,232)	-	(4,184)	(112)
Maritime insurance (hull)	31,318	30,679	(14,090)	(5,811)	(13,454)	(291)	(2,967)
Goods in transport	66,897	62,582	(44,539)	(11,047)	(445)	3,016	9,567
Fire insurance (commercial and industrial property)	81,684	76,216	(50,335)	(10,685)	(8,410)	6,999	13,785
Other risks to property	2,516	2,083	(1,881)	(772)	(982)	(594)	(2,146)
Maritime liability	3,653	3,163	(2,960)	(439)	(343)	(42)	(621)
General liability other than domestic	187,326	169,361	(117,136)	(23,746)	(27,876)	26,940	27,543
Credit insurance	14,968	14,140	(4,278)	(2,469)	(1,402)	1,703	7,694
Surety insurance	48,838	38,406	(5,160)	(8,322)	(9,888)	(1,145)	13,891
Miscellaneous loss insurance	34,285	33,265	(18,685)	(4,803)	(4,833)	(5,859)	(915)
Reinsurance assumed	71,325	62,573	(134,464)	(10,613)	(354)	18,258	(64,600)
Total	588,337	532,785	(413,760)	(89,806)	(71,273)	47,785	5,731



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

2020	Gross	Gross	Gross	Gross	Gross	Reinsurance	Technical
Line of business	premiums	premiums	claims	acquisition	operating	balance	result
	written	earned		costs	expenses		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accident	1,563	3,797	(2,448)	(943)	(1,275)	5,435	4,566
Health	32,145	27,615	(20,804)	(8,005)	(2,982)	(2,606)	(6,782)
Aviation insurance (hull)	11,144	6,320	(4,389)	(508)	(118)	(3,410)	(2,105)
Maritime insurance (hull)	26,299	22,195	2,021	(3,065)	(9,417)	(8,087)	3,647
Goods in transport	53,857	52,725	(38,420)	(8,781)	(443)	5,688	10,769
Fire insurance (commercial and industrial property)	45,774	42,255	516	(5,553)	(5,458)	1,056	32,816
Other risks to property	2,396	2,019	1,188	(235)	-	(657)	2,315
Maritime liability	4,456	2,067	(771)	(483)	(279)	(125)	409
General liability other than domestic	140,180	135,449	(92,793)	(21,353)	(23,204)	(28,417)	(30,318)
Credit insurance	7,947	7,057	(11,076)	(1,847)	(775)	703	(5,938)
Surety insurance	31,457	28,390	20,085	(7,201)	(6,324)	(2,901)	32,049
Miscellaneous loss insurance	23,704	21,303	(42,586)	(3,254)	(2,305)	(4,302)	(31,144)
Reinsurance assumed	73,641	72,895	(71,429)	(11,783)	(13,282)	13,139	(10,460)
Total	454,563	424,087	(260,906)	(73,011)	(65,862)	(24,484)	(176)

21. Investment return - allocated from non-technical account

For the year ended 31 December 2021, the total net investment return of \$4.5m (2020 - \$5.0m) was allocated from the non-technical account to the technical account.

22. Other technical income, net of reinsurance

For the year ended 31 December 2021, other technical income amounting to \$2.5m (2020 - \$0.7m) is fee income.

23. Claims incurred, net of reinsurance

For the year ended 31 December 2021, claims incurred net of reinsurance was \$99.4m (2020 - \$84.0m) and the amount relating to direct insurance amounted to \$(11.3)m (2020 - \$27.5m).

24. Subrogation and Salvages

For the year ended 31 December 2021, the gross subrogation and salvages amount was \$0.1m (2020 - \$1.0m), the ceded subrogation and salvage amounted to \$nil (2020 - \$(0.31)m).

25. Acquisition costs

For the year ended 31 December 2021, total written commissions to intermediaries was \$100.6m (2020 - \$76.7m) and the amount relating to written direct insurance amounted to \$89.7m (2020 - \$71.6m).

TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

26. Administrative expenses

For the year ended 31 December 2021, administrative expenses of \$73.8m (2020 - \$66.6m) includes employee related costs (see note 30) of \$27.9m (2020 - \$27.4m) and other operating expenses including audit fees (see note 34) of \$0.5m (2020 - \$0.4m).

27. Reinsurance commissions and profit participations

For the year ended 31 December 2021, reinsurance commissions and profit participation amounting to \$106.9m (2020 - \$91.6m) is income received from reinsurers relating to their contribution to the commissions and operating expenses resulting from premiums ceded.

28. Other charges including value adjustments

For the year ended 31 December 2021, other charges including value adjustment of \$4.2m (2020 - \$1.9m) comprises the impact of foreign exchange translation gains amounting to \$0.9m (2020 - \$0.2m) and corporate oversight costs of \$5.1m (2019 - \$2.1m.)

29. Taxation

For the year ended 31 December 2021, the tax charge amounted to \$1.6m (2019 - \$6.8m).

30. Personnel employed during the year

	Year ending 31 December 2021	Year ending 31 December 2020
Average number of employees	318	292
Year end number of employees	329	303
	Year ending 31 December 2021	Year ending 31 December 2020
Managerial staff	1	2
Administrative staff	328	301
Total	329	303



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

Employee related costs are included in administrative expenses and are broken down as follows:

	Year ending 31 December 2021	Year ending 31 December 2020
	\$'000	\$'000
Wages and salaries	22,439	22,295
Social security costs	6,943	7,490
<i>of which pensions</i>	<i>2,684</i>	<i>2,391</i>
	29,382	29,785

31. Advances to supervisory staff

No advances were granted to members of the supervisory staff during 2021 (2020 – nil).

32. Remuneration granted to members of supervisory bodies and commitments entered into in respect of retirement pensions for former members of those bodies.

Emoluments granted in respect of the 2021 financial period to the members of the Board of Directors in fulfilment of their responsibilities amounted to \$1.5m (2020 - \$1.2m).

33. Taxes

TME is subject to the general tax regulations applicable to all companies in Luxembourg. The branches of TME are subject to the tax regulation in the respective countries.

34. Fees to the auditor

The audit fees (excluding VAT) for the period ended 31 December 2021 amounted to \$519k (2020 \$423K).

	Note	2021	2020
		\$'000	\$'000
Audit fees	1	519	423
Other permissible non-audit services		-	-
Total		519	423

1. Audit fees represent fees for the audit of the annual accounts and related regulatory reports. The fees to the auditor are included in the administrative expenses in the profit and loss account.

35. Subsequent events

The Directors confirm that there are no significant post balance sheet events to disclose.



TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2021 (continued)

36. Parent company and ultimate controlling party

Tokio Marine Europe S.A. is included in the consolidated financial statements of Tokio Marine Holdings Inc., its ultimate parent company, and also included in the consolidated financial statement of its sole parent company, HCC Insurance Holdings (International) Limited which is incorporated in England and has a head office in 1 Aldgate, London, EC3N 1RE. The registered office, where the consolidated financial statements are available is located at Tokio Marine Nichido Building Shinkan, 2-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005,

37. Off balance sheet commitments

At 31 December 2021, TME has entered into a pledge agreement where assets amounting to \$340k (2020 342k) were pledged in relation to rent obligations.