Tokio Marine Europe S.A.

Audited Annual Accounts

For the year ended 31 December 2022

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

TOKIO MARINE EUROPE S.A.
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TOKIO MARINE EUROPE S.A.
COMPANY INFORMATION

Directors:	B J Cook (Non-Executive Director) P Engelberg (Chair) (Non-Executive Director) V Herrero (appointed 1 April 2022) T J G Hervy C Kanu (resigned 24 January 2023) K L Letsinger (Non-Executive Director) P Méresse (Non-Executive Director) (resigned 3 May 2022) H Mishima R de Pressigny (Non-Executive Director) (appointed 1 June 2022)
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

The Directors present their annual report together with the audited annual accounts for the period ended 31 December 2022.

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).

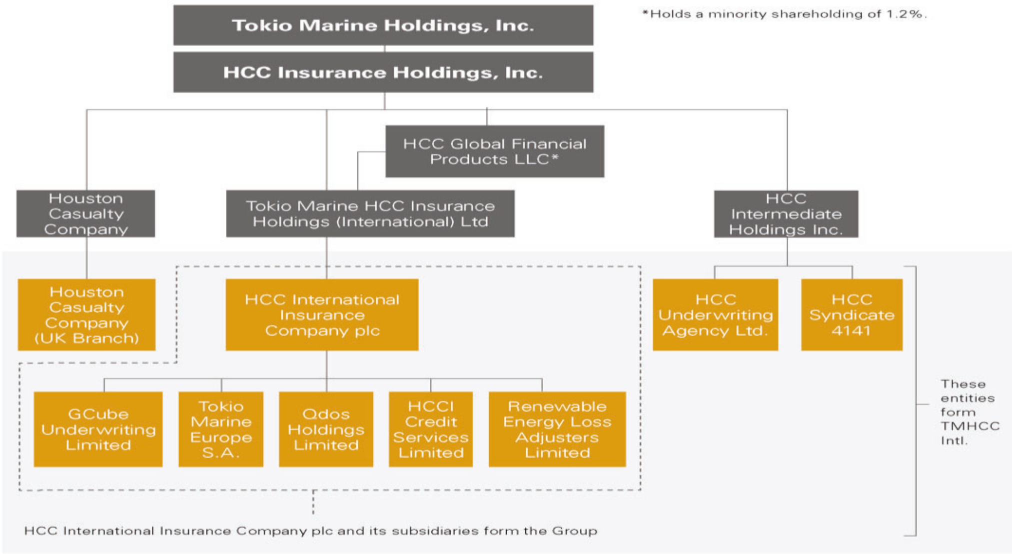
TME is a wholly owned subsidiary of HCC International Insurance Company plc ('HCCII'), a UK Insurance Company, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA").

HCCII and its subsidiaries, including TME, form part of the Tokio Marine Group (TM Group), whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 268 subsidiaries, and 26 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 2022, TM Group had total assets of ¥28.6 trillion (December 2021: ¥27.1 trillion) and shareholders' equity of ¥2.1 trillion (December 2021: ¥2.1 trillion). TM Group 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 Group) is a subsidiary within the TM Group 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-.

Located in the United Kingdom (UK) and Europe, TMHCC International (illustrated by the simplified structure chart below) is TMHCC Group's operating segment outside of the US. TMHCC International underwrites business on four different insurance platforms: HCCII, its wholly owned subsidiary 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 client choice if licensing permits.

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



Information as at 1 March 2023. This simplified structure chart shows ownership information for the principal operating entities within TMHCC International.

TME was established in response to the United Kingdom's vote to leave the European Union (EU) which 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 effected 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

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. With effect from 29 September 2022, TME UK has been authorised as a third country branch.

Strategic and Operational Initiatives

Following a period of business growth, TME's focus during 2022 has been to continue to develop and embed its operating model to ensure it aligns with TMHCC International's long-term strategy and business model and continues to strengthen its operational functions through increased resources and transformation initiatives which will strengthen systems and processes.

As part of the development of its operating model, TME established a number of new Senior Manager positions based in Luxembourg which provide additional support to the Board and CEO. This includes the appointment of the Chief Actuary who is a key function holder for TME.

The TME Board also strengthened its skills, knowledge and experience during 2022, following the appointment of Renaud de Pressigny who brings additional experience of the European insurance market.

In Q4 2022, TME received a capital contribution of $20m (2021: $50m) 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 2022, 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.

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 International insurance platforms and is comprised of excess of loss, quota share and facultative covers. Reinsurance premiums for excess of loss programmes are allocated across the platforms based on gross written premium, while reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. To protect TME from large loss volatility a whole account excess of loss cover is in place with HCCII. 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.

Business Performance and Position

Financial Key Performance Indicators (KPIs)
The directors have defined the following KPIs for the business:

	2022	2021
	$m	$m
Gross premiums written	607.6	588.3
Underwriting profit (excl. investment return)	17.4	5.7
Profit before taxation	4.7	6.0
Net loss ratio	59.7%	62.4%
Combined ratio	91.3%	96.4%
Investment return	6.5	4.5
Cash and investments	530.1	367.1
Total Shareholder's funds	224.4	209.0

Results and Performance - Financial year
TME made a profit before tax for the financial year of $4.7m (2021: $6.0m) and includes a balance on the technical account for general business of $23.9m (2021: $10.2m) which includes investment income of $6.5m (2021: $4.5m). Investment income transferred to the technical account is comprised principally of earned investment income.

The balance on the technical account excluding investment income is $17.4m (2021: $5.7m), with TME achieving a combined ratio of 91.3% (2021: 96.4%).

The Specialty segment benefitted from continued organic growth in Financial Lines and Professional Risks. Foreign exchange has been a net benefit for the segment, somewhat limiting the underwriting margin but having a more significant impact on operating expenses. This has resulted in a profit of $17.4m in 2022 (2021: $25.4m), with the current year impacted adversely by Surety loss activity.

The London Market segment incurred a loss of $3.9m (2021: loss of $16.8m), reflecting significant reserve strengthening in the fourth quarter, following heavy attritional loss experience in the year, particularly in Property Treaty and GCube. The significant improvement from prior year reflects the impact of EU Floods on the 2021 result.

The J Business segment contributed $5.8m (2021: $3.6m) 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 Tokio Marine Nichido Fire & Marine (TMNF) and the contribution to the technical result represents the overrider which is set to achieve a profit for TME, covering the acquisition and operating costs of the business. The growth in the year reflects a shift in business mix towards treaties where TME received a higher internal commission. The result on other run-off business was a loss of $1.9m (2021: loss of $6.5m) with the prior year result driven by reserve strengthening on the French TMSL business.

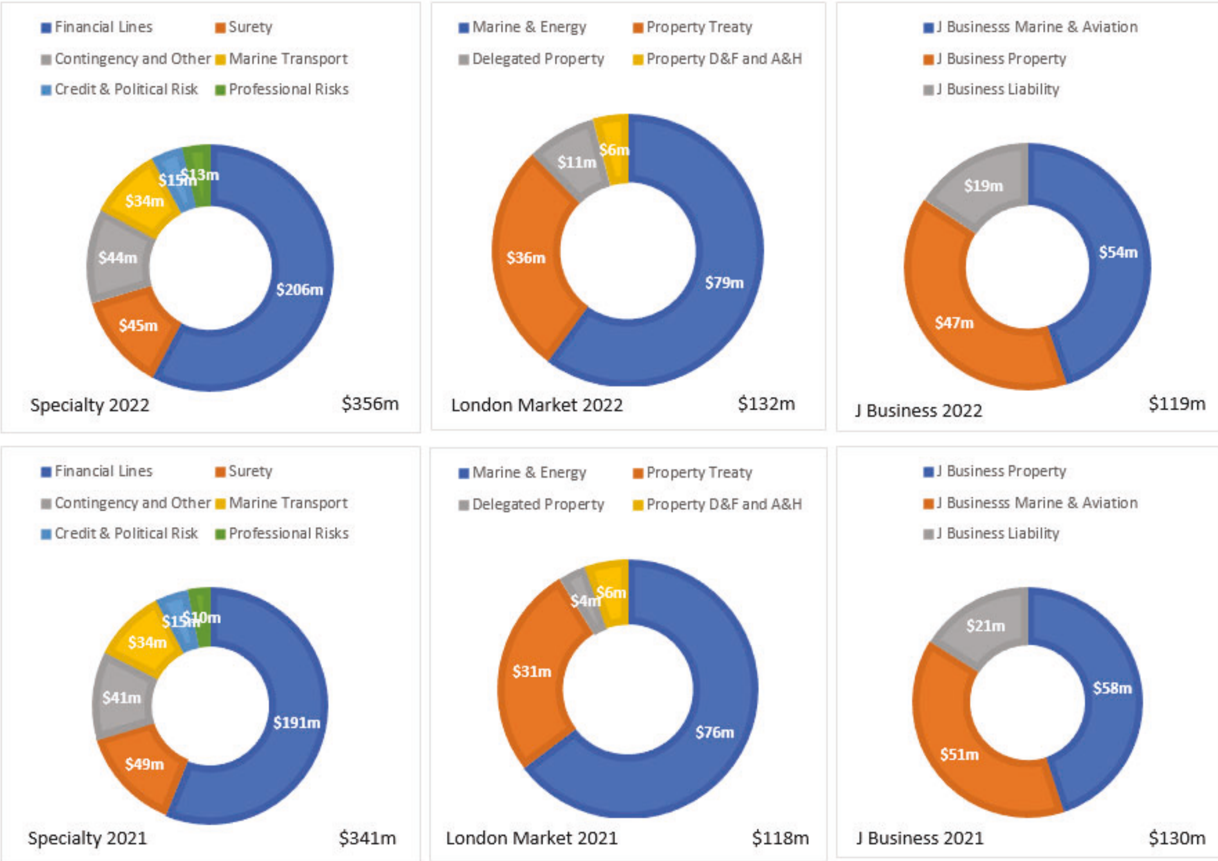
The non-technical account includes other charges valuing $19.1m (2021: $4.2m) including a foreign exchange loss of $12.8m (2021 gain of $0.9m) and $6.3m corporate oversight charges (2021: $5.1m).

TME made a loss after tax for the financial year of $4.6m (2021: profit of $4.4m). This is primarly related to timing differences, reflecting losses, reported in different jurisdictions where the company operates, which cannot be offset against deferred tax under local regulations.

Overall, the directors are satisfied with TME's operations and its financial position at 31 December 2022.

Gross Premium Written

Gross Premium Written was \$607.6m (2021: \$588.3m). Gross premium written for the principal lines of business compared to 2021 are presented below:



Specialty

Financial Lines Gross premium written increased to \$205.8m (2021: \$191.3m) driven by significant growth in the Cyber book with the rating environment in the rest of the book beginning to look less favourable.

Surety gross premiums written was \$44.8m (2021: \$48.5m). The reduction reflects the impact of foreign exchange on top line in the year in addition to the challenging economic climate.

Contingency gross premiums written increased to \$40.8m (2021: \$39.2m) reflecting a slight recovery from the impact of the Covid-19 pandemic.

Marine Transport includes Intellectual Property and Marine Cargo totalling \$33.5m (2021: \$34.3m) with the slight decline reflecting the impact of foreign exchange.

Credit & Political Risk gross premiums written was \$14.8m (2021: \$15.0m) which is broadly unchanged from the previous year with a slight negative impact from foreign exchange.

Professional Risks includes Professional Indemnity and Liability gross premiums written totalling \$12.8m (2021: \$10.4m) which has seen organic growth during the year.

London Market

Marine & Energy gross premiums written was $79.3m (2021: $76.0m). This business includes Marine Hull, Cargo and Liability along with traditional and renewable (GCube) Energy lines. The majority of lines have benefited from modest premium growth as a result of a favourable ratings environment. GCube has declined slightly due to increased competition in this market.

Property Treaty gross premiums written was $36.4m (2021: $31.2m) 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 improvements in the rating environment.

Delegated Property was a new line of business in 2020, writing $10.9m in 2022 (2021: $4.1m) of premium on TME. This business primarily consists of risk attaching binders and is expected to continue to grow, with significant new business wins in 2022.

Japanese Business (J Business) gross premiums written was $119.4m (2021: $129.9m) of Japanese Property; Marine & Aviation; and Liability business, with the reduction primarily driven by foreign exchange.

Future Outlook
TME's strategy for 2023 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.

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.

For the period ended 31 December 2022, the investment result is a net gain amounting to $6.5m (2021: $4.5m). As at 31 December 2022 TME holds mainly European, UK and US corporate bonds and other fixed income securities.

Balance sheet
TME's balance sheet shows total assets of $1,712.1m (2021: $1,449.3m) and shareholder's equity of $224.4m (2021: $209.0m). Of the total assets, $530.1m, i.e. 31.7% (2021: $367.1m, 25.3%) is represented by financial investments and cash at bank. Net technical liabilities from insurance contracts were $231.0m (2020: $202.1m).

Capital and reserves
Capital and reserves amount to $224.4m (2021: $209.0m), an increase of $15.4m. The loss for 2022 is $4.6m (2021: profit of $4.4m). TME received a capital contribution from it's parent of $20.0m during the year (2021: $50.0m) effected by increasing TME's share premium account. 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 (2021: single class of 1,159,060 Ordinary Shares of $1.00 each).

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. 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	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: • Premium Risk; • Reinsurance Risk; • Claims Management Risk; • Reserving Risk.	• 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	Risks which arise from: • 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.	• 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	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.	• Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby assets: i) 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.
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.	• Setting and regularly monitoring counterparty exposure risk appetites. • Limiting exposure to a single counterparty or a group of counterparties, outside of Tokio Marine Holdings, Inc. 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.	• 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.	• 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.

This section identifies risks that have the potential to materially impact the existing risk profiles. It should be noted that, in addition to monitoring TME's existing and established principal risks, the risk management framework is designed to support the identification of developing and emerging risks; those which have the potential to impact, or require a review of, the existing strategic objectives. Risks which are more imminently likely to crystallise are also monitored.

Risk	**Description**
Sustainability risk	Sustainability risk, including climate change risk, continues to be recognised as a key risk for TME. 2022 has seen further work in terms of finalising the inclusion of Sustainability risk within its governance and risk frameworks, which included: 1) development of a Sustainability strategy; 2) drafting of a Sustainability Risk Policy; 3) initial scoping of risk appetites, and risk metrics to monitor them; 4) further development of the specific climate risk sub-risk register; 5) implementation of Environmental Social & Governance (ESG) metrics to apply to the current investment portfolios; and 6) further initial work on potential quantitative impacts of climate change, including capital assessments and impacts from Reverse Stress Tests.
Inflation risk	The issue of Inflation, including social inflation, is a current hot topic in the industry. The impact of inflation will vary widely, noting that for a significant proportion of the business inflation poses relatively little risk, although for some lines of business (e.g. Energy) inflation has a greater impact. Management, therefore, looked at the how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling and concluded that the mitigations are appropriate. The explicit inflation adjustment on reserves, which was introduced for year-end 2022, is not considered to be material. In the current inflationary environment, the risk is being kept under close review.
Post-Brexit risks	From 1 January 2021, 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 (IDD). It is noted that the Post-Brexit environment continues to generate uncertainty within the market, with, for example, the interpretation of IDD by different EEA regulators remaining unclear. Discussions have been had with the CAA who have expressed agreement with TME's proposed interpretation and strategy. However, Post-Brexit risk is still uncertain and will continue to be given close attention over the coming months.
Covid-19 risk	Although Covid-19 continues to bring some uncertainty to the world at large, from a TME business perspective, the pandemic has developed broadly in line with expectations and the uncertainty has generally reduced. A potential indirect impact from Covid related to potential market volatility, as governments around the world continued to withdraw their national structural support during 2022. This has, to a certain extent, been superseded by the market volatility attributable to the Russia/Ukraine crisis, which is further discussed in Note 5.1. From an operational perspective, an additional potential risk was recognised during 2022, associated with the return to the office and new hybrid operating model. This was reflected by elevated statuses on two risks on the risk register during 2022, but with the successful implantation of the new operating model, these risks had returned to stable by the end of 2022.

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 continues 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 2022.

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 2022 loss of $4.6m (2021: profit of $4.4m). There will be no allocation to the legal reserve (2021 nil).

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 (Chair) (Non-Executive Director)
V Herrero (appointed 1 April 2022)
T J G Hervy
C Kanu (resigned 24 January 2023)
K L Letsinger (Non-Executive Director)
P Méresse (Non-Executive Director) (resigned 3 May 2022)
H Mishima
R de Pressigny (Non-Executive Director) (appointed 1 June 2022)

No directors had any interest in the shares of TME during the period ended 31 December 2022.

Independent Auditors
PwC Luxembourg (PricewaterhouseCoopers Société Coopérative) acted as auditors of TME for the period from 1 January 2022 to 31 December 2022.

Luxembourg,

On behalf of the Board of Directors

V Herrero
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 2022, 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 2022;
- 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.

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 2022, IBNR loss reserves included within the "claims outstanding" represent a significant accounting estimate in the annual accounts, as set out in Note 3.8.2. 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 21 April 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 March 2023

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2022

ASSETS

	Notes	2022 $'000	2021 $'000
Investments			
Other financial investments			
Shares and other variable yield transferable securities and units in unit trusts	6	25,311	1,910
Debt securities and other fixed income transferable securities	7	397,694	241,718
Deposits with credit institutions	7	61,860	11,147
		484,865	254,775
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	138,972	134,921
Claims outstanding	9	731,047	645,714
		870,019	780,635
Subrogation and Salvages	10	1,053	76
		1,053	76
Debtors			
Debtors arising out of direct insurance operations			
Intermediaries	11	147,776	147,590
Debtors arising out of reinsurance operations	11	92,985	78,420
Other debtors	11	22,459	31,388
		263,220	257,398
Other assets			
Tangible assets	12	1,913	2,027
Cash at bank and in hand	3.5	45,218	112,308
		47,131	114,335
Prepayments and accrued income			
Deferred acquisition costs	13	42,361	39,931
Other prepayments and accrued income		3,490	2,100
		45,851	42,031
Total assets		**1,712,139**	**1,449,250**

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

TOKIO MARINE EUROPE S.A.
BALANCE SHEET
As at 31 December 2022

LIABILITIES

	Notes	2022 $'000	2021 $'000
Capital and reserves			
Subscribed capital or equivalent funds	14	1,159	1,159
Share premium account	14	231,232	211,232
Legal reserve	14	15	15
Other reserve	14	1,019	285
Profit and loss brought forward	14	(4,428)	(8,104)
Profit and loss for the financial year	14	(4,626)	4,410
		224,371	208,997
Technical provisions			
Provision for unearned premiums	8	229,250	218,571
Claims outstanding	9	871,757	764,171
		1,101,007	982,742
Subrogation and Salvages, reinsurers' share	10	5	5
		5	5
Creditors			
Creditors arising out of direct insurance operations	15	29,592	23,935
Creditors arising out of reinsurance operations	15	181,094	140,075
Other creditors, including taxation and social security	15	95,159	17,515
		305,845	181,525
Accruals and deferred income	16	80,911	75,981
Total liabilities		**1,712,139**	**1,449,250**

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 2022

TECHNICAL ACCOUNT Non-Life Insurance	*Notes*	**Year ending 31 December 2022 $'000**	**Year ending 31 December 2021 $'000**
Earned premiums			
Gross premiums written	17	607,636	588,337
Outward reinsurance premiums	18	(401,703)	(410,134)
Change in the provision for unearned premiums		(4,596)	(55,552)
Change in the provision for unearned premiums, Reinsurers' share	18	(323)	36,734
		201,014	**159,385**
Allocated investment return transferred from the non-technical account		**6,457**	**4,495**
Other technical income, net of reinsurance	20	**1,267**	**2,490**
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(254,677)	(227,564)
- reinsurers' share	18	136,884	147,566
Change in the provision for claims outstanding	9		
- gross amount		(141,193)	(189,843)
- reinsurers' share	18	114,734	166,858
Change in subrogation and salvages			
- *gross amount*	10	29,067	3,647
- *reinsurers' share*	18	(4,861)	(102)
		(120,046)	**(99,438)**
Net operating expenses			
Acquisition costs	21	(99,085)	(100,630)
Change in deferred acquisition costs	13	1,594	10,824
Administrative expenses	22	(81,145)	(73,763)
Reinsurance commissions and profit participation	18,23	113,797	106,863
		(64,839)	**(56,706)**
Balance on the technical account for non-life insurance business		**23,853**	**10,226**

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 2022

NON-TECHNICAL ACCOUNT

	Notes	Year ending 31 December 2022 $'000	Year ending 31 December 2021 $'000
Balance on the technical account non-life insurance business		**23,853**	**10,226**
Investment income			
Income from other investments		8,070	5,723
Gain on realisation of investments		77	224
		8,147	**5,947**
Investment management charges, including interest		(1,690)	(1,452)
Investment charges		**(1,690)**	**(1,452)**
		6,457	**4,495**
Allocated investment return transferred to the non-technical account		**(6,457)**	**(4,495)**
Other charges, including value adjustments	24	(19,141)	(4,226)
Profit on ordinary activities before tax		**4,712**	**6,000**
Tax on Profit on ordinary activities	25	(9,338)	(1,590)
(Loss)/Profit on ordinary activities after tax		**(4,626)**	**4,410**
(Loss)/Profit for the financial year		**(4,626)**	**4,410**

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

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.

The 2021 comparative disclosed at Note 18 has been restated to amend the reinsurance balance from $5.0m to $47.8m where the former represented the technical income.

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.

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 in line with the underlying gross business.

3.4 Debtors

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

3.5 Cash at bank and in hand

Cash at bank and in hand includes deposits held at call with banks.

3.6 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment expense/losses. Cost includes the original price and costs directly attributable to bringing the assets to their working condition for the intended use.

Depreciation

Tangible assets are depreciated from the time when they are available for use and are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Fixtures, fittings and office equipment	5 years
Leasehold improvements	12 years

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Non-technical account and included in 'Other charges, including value adjustments'.

3.7 Prepayments and accrued income

3.7.1 Deferred acquisition cost

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

3.7.2 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.

3.8 Technical provisions

3.8.1 Provision for unearned premiums and unexpired risks

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 and are recorded as a provision for unearned premiums.

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 and included within 'Other technical provisions'.

3.8.2 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. The estimated cost of claims includes expenses to be incurred in settling claims. 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 are generally assessed separately, being measured on a case by case basis, in order to allow for the possible distortive impact of the development and incidence of these large claims on attritional 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 TME 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.

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.

3.9 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

As set out in more detail in Note 3.8.2, claims incurred is comprised 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.

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.

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.

d. 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.

The reinsurers' share of claims incurred in the Technical 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 Technical account as 'Outward reinsurance premiums' over the expected exposure period.

e. 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'.

3.10 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.

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, and recognised in the Non-technical account

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 Non-technical account .

4. Judgements and key sources of estimation uncertainty
Estimation of the ultimate net premium written and 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.

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 and acquisition costs 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.

i. 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 catastrophe losses 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.

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.

TME continues to monitor geopolitical tensions around the world, including the military conflict in Ukraine and the potential hostilities between China and Taiwan. With regard to the Ukraine conflict, the impact on TME continues to be limited with only a few classes of business having direct exposure. The main indirect exposure has been market volatility driven by the continuing economic impacts arising from the crisis, However, TME's cautious investment strategy, long-term focus and a general policy of holding investments to maturity mean that the impact has been limited. Other indirect exposures are limited by TME's robust operational frameworks. The impact of the conflict on future business is expected to remain limited.

ii. 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 HCCII (Financial Lines) and the Tokio Marine affiliate 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.

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 TMHCC Group reinsurance approval examines and approves all reinsurers to ensure that they possess suitable security. TME's reinsurance team ensures that these guidelines are followed, they undertake the administration of reinsurance contracts and monitor and instigate TME's responses to any erosion of the reinsurance programmes.

iii. 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.

iv. 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.

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 2022 Solvency II Own Funds are in excess of 124% (2021 - 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 having 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.

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. In 2022, the investment risk budget was re-confirmed as the amount of an investment loss, at the 1-in-200 Tail Value at Risk (TVaR) level, and would be no more than TME's excess capital (above the regulatory minimum). The investment risk appetite for 2023 is consistent with 2022.

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 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.

Economic Scenario Generator 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 non-functional 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.

TME operates in six main currencies: US Dollars; Sterling; Canadian Dollars; Swiss Francs; Australian Dollars and Euros. Transactions in all currencies are converted to the US Dollars functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollars spot rate. The following table summarises the carrying value of total assets and total liabilities and net profit, converted to US Dollars, categorized by TME's main currencies.

FX risk exposure	**AUD $**	**CAD $**	**CHF Fr**	**EUR €**	**GBP £**	**Subtotal**	**USD $**	**Total**
31 December 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	9,871	407	1,755	1,102,637	33,309	1,147,979	564,160	**1,712,139**
Total liabilities	(6,708)	(485)	(599)	(1,142,794)	(49,809)	(1,200,395)	(287,373)	**(1,487,768)**
Net assets/(liabilities)	**3,163**	**(78)**	**1,156**	**(40,157)**	**(16,500)**	**(52,416)**	**276,787**	**224,371**
Profit/(loss) for the financial year	**83**	**13**	**849**	**(9,147)**	**(11,173)**	**(19,375)**	**14,749**	**(4,626)**

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/(liabilities)	**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**

Sensitivity analysis

Fluctuations in TME's operating currencies against US Dollars, with everything else staying the same, would result in a change to net profit after tax and net asset value. The table below gives an indication of the impact on net profit and net assets of a percentage change in the relative strength of the US Dollar against the value of the Australian Dollar, Canadian Dollar, Swiss Franc, the Euro, and Sterling, simultaneously.

Investments and cash - foreign exchange exposure sensitivity	**Impact on profit after tax**		**Impact on net assets**	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
US Dollar weakens 30% against other currencies	(4,708)	(5,436)	(15,725)	(9,912)
US Dollar weakens 20% against other currencies	(3,139)	(3,624)	(10,483)	(6,608)
US Dollar weakens 10% against other currencies	(1,569)	(1,812)	(5,242)	(3,304)
US Dollar strengthens 10% against other currencies	1,569	1,812	5,242	3,304
US Dollar strengthens 20% against other currencies	3,319	3,624	10,483	6,608
US Dollar strengthens 30% against other currencies	4,708	5,436	15,725	9,912

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 aged 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. Whilst fixed income securities are valued in the balance sheet on an amortised cost basis, fair value is a measure of TME's ability to realise assets in order to settle claims and is used for regulatory capital purposes.

Investments and cash - duration	**<1 yr**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-10 yrs**	**>10 yrs**	**Total**
31 December 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	25,311	-	-	-	-	-	-	25,311
Debt Securities	34,051	55,495	47,949	82,475	54,586	98,939	24,199	397,694
Deposits with credit institutions	61,860	-	-	-	-	-	-	61,860
Sub Total	**121,222**	**55,495**	**47,949**	**82,475**	**54,586**	**98,939**	**24,199**	**484,865**
Cash at bank and in hand	45,218	-	-	-	-	-	-	45,218
Total	**166,440**	**55,495**	**47,949**	**82,475**	**54,586**	**98,939**	**24,199**	**530,083**

Investments and cash - duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	>10 yrs	Total
31 December 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**

Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the market value of debt securities as well as subsequent interest receipts and payments. This would affect reported profits after tax and net assets as indicated in the table below:

Investments and cash - interest rate sensitivity	**Impact on profit after tax**		**Impact on net assets**	
Shift in yield (basis points)	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
200 basis point increase	(28,070)	(23,031)	(28,070)	(23,031)
100 basis point increase	(14,478)	(11,819)	(14,478)	(11,819)
50 basis point increase	(7,349)	(5,967)	(7,349)	(5,967)
50 basis point decrease	7,558	5,816	7,558	5,816
100 basis point decrease	15,313	11,077	15,313	11,077
200 basis point decrease	31,315	18,696	31,315	18,696

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.

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 is reviewed regularly 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 2022	**AAA $'000**	**AA $'000**	**A $'000**	**BBB $'000**	**Total $'000**
Shares and variable yield securities	-	25,311	-	-	25,311
Debt security	17,322	105,400	187,294	87,678	397,694
Deposits with credit institutions	-	61,860	-	-	61,860
Total other financial investments	**17,322**	**192,571**	**187,294**	**87,678**	**484,865**
Cash at bank and in hand	45,218	-	-	-	45,218
Total	**62,540**	**192,571**	**187,294**	**87,678**	**530,083**

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NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2022 (continued)

Investment and cash - credit ratings
31 December 2021

	AAA $'000	AA $'000	A $'000	BBB $'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**

TME's largest investment counterparty exposure is US government mortgage backed security pools of $22.4m (2021 - $26.1m).

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 2022

	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	731,047	-	-	-	-	731,047
Insurance debtors	82,161	46,962	13,216	3,866	1,571	147,776
Reinsurance debtors	90,744	1,593	164	93	391	92,985
Other debtors	22,459	-	-	-	-	22,459
Total	**926,411**	**48,555**	**13,380**	**3,959**	**1,962**	994,267

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	645,714	-	-	-	-	645,714
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	**845,179**	**46,755**	**3,544**	**6,368**	**1,266**	**903,112**

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. 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 incurred at 31 December 2022:

Financial liabilities - projected cash flows 31 December 2022	**Within 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross claims outstanding	351,499	287,481	116,780	115,997	871,757
Creditors from direct insurance operations	29,592	-	-	-	29,592
Creditors from reinsurance operations	181,094	-	-	-	181,094
Other creditors	95,159	-	-	-	95,159
Total	**657,344**	**287,481**	**116,780**	**115,997**	**1,177,602**

Financial liabilities - projected cash flows 31 December 2021	**Within 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross claims outstanding	306,008	256,439	103,608	98,116	764,171
Creditors from direct insurance operations	23,935	-	-	-	23,935
Creditors from reinsurance operations	140,075	-	-	-	140,075
Other creditors	17,515	-	-	-	17,515
Total	**487,533**	**256,439**	**103,608**	**98,116**	**945,696**

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

Investments and cash - maturity 31 December 2022	**Within 1 yr $'000**	**1-3 yrs $'000**	**3-5 yrs $'000**	**>5 yrs $'000**	**Total $'000**
Shares and other variable yield securities	25,311	-	-	-	25,311
Debt securities	23,777	90,058	110,053	173,806	397,694
Deposits with credit institutions	61,860	-	-	-	61,860
Total other financial investments	**110,948**	**90,058**	**110,053**	**173,806**	**484,865**
Cash at bank and in hand	45,218	-	-	-	45,218
Total	**156,166**	**90,058**	**110,053**	**173,806**	**530,083**

Investments and cash - maturity 31 December 2021	**Within 1 yr $'000**	**1-3 yrs $'000**	**3-5 yrs $'000**	**>5 yrs $'000**	**Total $'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**

6. Fair value estimation

The following table presents TME's financial investments measured at fair value at 31 December 2022 categorised into levels 1, 2 and 3. No liabilities were measured at fair value at 31 December 2022.

Financial investments – pricing basis 31 December 2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Shares and other variable yield securities	25,311	-	-	25,311

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

- 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 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:

- evaluation of the underlying methodologies;
- analysis of recent sales activity;
- analytical review of TME's fair values against current market prices; and
- 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 2022, the book and actual values of other financial investments were as follows:

	2022 Book value	2021 Book value	2022 Market value	2021 Market value
	$'000	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts	25,311	1,910	25,311	1,910
Debt securities and other fixed-income transferable securities	397,694	241,718	364,845	245,140
Deposits with credit institutions	61,180	11,147	61,180	11,147
Total	**484,865**	**254,775**	**451,136**	**258,197**

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:

	2022	2021
	$'000	$'000
Amortisation of discounts	429	146
Amortisation of premiums	(1,199)	(1,123)
	(770)	**(977)**

8. Provision for unearned premium

As at 31 December 2022, unearned premiums are detailed as follows:

	Unearned premium gross	Unearned premium reinsurer share	Unearned premium net
	$'000	$'000	$'000
At 1 January 2022	218,571	(134,921)	83,650
Change for the year	4,596	323	4,919
Foreign currency revaluation	6,083	(4,374)	1,709
At 31 December 2022	**229,250**	**(138,972)**	**90,278**

	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**

9. Provision for claims outstanding

As at 31 December 2022, provisions for claims outstanding are detailed as follows:

	Claims outstanding gross	Claims outstanding reinsurer share	Claims outstandingg net
	$'000	$'000	$'000
At 1 January 2022	764,171	(645,714)	118,457
Change for the year	141,193	(114,734)	26,459
Foreign currency revaluation	(33,607)	29,401	(4,206)
At 31 December 2022	**871,757**	**(731,047)**	**140,710**

	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**

10. Subrogation and salvages

As at 31 December 2022, provisions for subrogation and salvages are detailed as follows:

	Subrogation and Salvages gross	Subrogation and Salvages reinsurer's share	Subrogation and Salvages net
	$'000	$'000	$'000
At 1 January 2022	76	(5)	71
Change for the year	970	-	970
Foreign currency revaluation	7	-	7
At 31 December 2022	**1,053**	**(5)**	**1,048**

	Subrogation and Salvages gross	Subrogation and Salvages reinsurer's share	Subrogation and Salvages net
	$'000	$'000	$'000
At 1 January 2021	1,002	31	1,033
Change for the year	(860)	(35)	(895)
Foreign currency revaluation	(66)	(1)	(67)
At 31 December 2021	**76**	**(5)**	**71**

For the year ended 31 December 2022, the gross and reinsurer's share change in subrogation and salvages of $29.1m (2021 - $3.6m) and $(4.9)m (2021 - $(0.1)m), respectively, disclosed under 'Claims incurred, net of reinsurance' include the subrogation and salvage payments and recoveries of $28.1m (2021 - $4.5m) and $4.9m (2021 - $0.1m), respectively.

11. Debtors

As of 31 December 2022, debtors arising out of direct insurance operations of $147.8m (2021 - $147.6m) are balances due and unbilled on inward direct insurance business placed mainly via brokers and other intermediaries. Debtors arising out of reinsurance operations of $92.9m (2021 - $78.4m) includes balances due and unbilled on inward reinsurance business of $31.7m (2021 - $35.0m) and reinsurer share of paid losses of $61.3m (2021 - $43.4m).Other debtors of $22.5m (2021 - $31.4m) mainly comprise debtors with affiliate companies.

Debtors	2022 Affiliate companies	2022 Other companies	2022 Total
	$'000	$'000	$'000
Debtors arising out of direct insurance operations	-	147,776	147,776
Debtors arising out of reinsurance operations	30,908	62,077	92,985
Other debtors	5,560	16,899	22,459
Total	**36,468**	**226,752**	**263,220**

Debtors	**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**

12. Tangible assets

As at 31 December 2022, tangible assets are detailed as follows:

	Computer, equipment	**Fixtures, fittings and office equipment**	**Total**
	$'000	**$'000**	**$'000**
Gross book value			
At 1 January 2022	**267**	**3,318**	**3,585**
Additions	106	92	198
Disposals	(75)	(316)	(391)
At 31 December 2022	**298**	**3,094**	**3,392**
Accumulated depreciation			
At 1 January 2022	**(208)**	**(1,350)**	**(1,558)**
Charge for the year	(54)	(253)	(307)
Disposals	75	311	386
At 31 December 2022	**(187)**	**(1,292)**	**(1,479)**
Net book value			
31 December 2022	**111**	**1,802**	**1,913**
31 December 2021	**59**	**1,968**	**2,027**

13. Deferred acquisition costs

As at 31 December 2022, 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 2022	39,931	(42,025)	(2,094)
Change for the year	1,594	1,226	2,820
Foreign currency revaluation	836	(1,469)	(633)
At 31 December 2022	**42,361**	**(42,268)**	**93**

	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)**

*Deferred acquisition costs reinsurer's share is reported within accruals and deferred income (Note 16).

14. 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 2022	Subscribed capital	Share premium	Legal reserve	Other reserves	Profit and loss brought forward	Loss for the year	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2022	1,159	211,232	15	285	(3,694)	-	208,997
Additions during the year	-	20,000		734	(734)	-	20,000
Loss for the year	-		-	-	-	(4,626)	(4,626)
Total	**1,159**	**231,232**	**15**	**1,019**	**(4,428)**	**(4,626)**	**224,371**

Year ending 31 December 2021	Subscribed capital	Share premium	Legal reserve	Other reserves	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	15	285	(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**	**15**	**285**	**(8,104)**	**4,410**	**208,997**

On 21 December 2022, HCCII, TME's sole shareholder resolved to increase the capital of TME by $20.0m through a contribution to TME's share premium.

As of 31 December 2022, the capital and reserves amounts to $224,370,000 and is represented by $1,159,060 share capital divided into 1,159,060 shares fully paid up with a nominal value of $1.

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.

15. Creditors

As at 31 December 2022, creditors are detailed as follows:

Creditors	2022 Affiliate companies	2022 Other companies	2022 Total
	$'000	$'000	$'000
Creditors arising out of direct insurance operations	-	29,592	29,592
Creditors arising out of reinsurance operations	76,390	104,704	181,094
Other creditors	25,232	69,927	95,159
Total	101,622	204,223	305,845

	2021 Affiliate companies	2021 Other companies	2021 Total
	$'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

Creditors arising out of direct insurance operations comprise;

	2022	2021
	$'000	$'000
Approved claims payments	18,506	10,177
Profit commissions payable on inwards business	7,693	11,387
Amounts due under co-insurance arrangements	1,664	537
Other insurance payables	1,729	1,834
Creditors arising out of direct insurance operations	**29,592**	**23,935**

All creditors have a duration within 5 years.

Creditors arising out of reinsurance operations of $181.1m (2021 - $140.1m) comprise reinsurance premiums payable. The Affiliate balance of $76.4m (2021 - $55.0m) is in relation mainly to quota share arrangements with TMNF and HCCII.

Other creditors of $95.2m (2021 - $17.5m) includes deposits on Surety business of $57.3m (2021 - $5.9m), HCC and US company creditors of $25.2m (2021 - $5.4m), unsettled investment trades of $9.0m (2021 - $0.8m) and miscellaneous creditors of $3.7m (2021 - $5.4m).

16. Accruals and deferred income

As at 31 December 2022, accruals and deferred income of $80.9m (2021- $76.0m) includes reinsurer's share of deferred acquisition costs of $42.3m (2021 - $42.0m) in addition to accruals and deferred income of $38.6m (2021 - $34.0m) comprising $23.7m (2021 - $23.9m) of accrued premium taxes and $14.9m (2021 - $10.1m) of accrued expenses.

17. Breakdown of gross premiums written

For the year ended 31 December 2022, non-life insurance gross premiums written can be split as follows:

	2022	2021
	$'000	**$'000**
Inward direct insurance	528,927	517,011
Inward reinsurance assumed	78,709	71,326
	607,636	588,337

	2022	2021
Direct insurance - Line of business	**$'000**	**$'000**
Specialty	296,759	295,039
London Market	88,096	71,725
J Business	144,072	150,247
	528,927	517,011

18. Reinsurance balance

For the year ended 31 December 2022, the reinsurance balance is an expense of $41.5m (2021 - income of $47.8m) detailed as follows:

	2022	2021
	$'000	**$'000**
Reinsurance premiums earned	(402,026)	(373,400)
Reinsurer share of claims	246,757	314,322
Reinsurance commissions and profit participation	113,797	106,863
Reinsurance balance	(41,472)	47,785

19. Geographic analysis of gross premiums written - Direct Insurance

For the year ended 31 December 2022, gross direct insurance premiums amounting to $528.9m (2021 - $517.0m) may be broken down into country of risk location:

Country	**2022 $'000**	**2021 $'000**
Austria	5,029	9,027
Belgium	16,211	13,630
Cyprus	1,561	2,955
Czech Republic	2,439	3,463
Denmark	7,056	13,629
Finland	1,586	1,902
France	105,887	110,493
Germany	122,098	126,048
Greece	9,814	6,390
Hungary	828	2,790
Ireland	27,664	27,116
Italy	42,923	40,041
Luxembourg	8,279	7,951
Netherlands	45,033	37,723
Norway	9,774	4,922
Poland	3,275	5,843
Romania	977	1,860
Slovenia	473	1,448
Spain	52,332	29,609
Other EU	3,677	4,368
United Kingdom	-	17,519
Other Non EEE	62,011	48,284
	528,927	517,011

TOKIO MARINE EUROPE S.A.
NOTES TO THE ANNUAL ACCOUNTS
For the year ended 31 December 2022 (continued)

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:

2022 Line of business	Gross premiums written	Gross premiums earned	Gross claims	Gross acquisition costs	Gross operating expenses	Reinsurance balance	Technical result
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accident	4,535	4,361	102	(1,580)	(490)	(2,300)	94
Health	25,406	25,547	(14,965)	(9,248)	(2,340)	3,675	2,670
Aviation insurance (hull)	11,475	8,670	(8,237)	(1,305)	-	1,164	292
Maritime insurance (hull)	29,185	33,478	(11,877)	(6,131)	(13,703)	(18,419)	(16,652)
Goods in transport	61,571	57,495	(34,840)	(10,781)	(519)	(8,758)	2,595
Fire insurance (commercial and industrial property)	109,484	97,130	(51,642)	(12,811)	(11,855)	(5,968)	14,852
Other risks to property	4,293	7,258	(1,816)	(626)	(4,771)	(958)	(912)
Maritime liability	3,541	4,989	(3,223)	(1,012)	(717)	13,843	13,881
General liability other than domestic	179,581	198,186	(114,925)	(26,860)	(29,093)	(38,148)	(10,840)
Credit insurance	11,495	6,090	(1,448)	(2,480)	(1,626)	1,264	1,800
Surety insurance	43,286	50,137	(44,602)	(8,186)	(10,426)	7,800	(5,276)
Miscellaneous loss insurance	45,074	35,025	(13,408)	(5,560)	(4,338)	(1,828)	9,889
Reinsurance assumed	78,710	74,674	(65,919)	(10,911)	-	7,161	5,001
Total	**607,636**	**603,040**	**(366,803)**	**(97,491)**	**(79,878)**	**(41,472)**	**17,396**

2021 Line of business	Gross premiums written	Gross premiums earned	Gross claims	Gross acquisition costs	Gross operating expenses	Reinsurance balance	Technical result
	$'000	$'000	$'000	$'000	$'000	$'000	$'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**

20. Other technical income, net of reinsurance

For the year ended 31 December 2022, other technical income amounting to $1.3m (2021 - $2.5m) is fee income.

21. Acquisition costs

For the year ended 31 December 2022, total written commissions to intermediaries was $99.1m (2021 - $100.6m) and the amount relating to written direct insurance amounted to $88.1m (2021 - $89.7m) .

22. Administrative expenses

For the year ended 31 December 2022, administrative expenses of $81.1m (2021 - $73.8m) includes employee related costs (see note 26) of $36.8m (2021 - $29.4m) and other operating expenses including audit fees (see note 29) of $0.5m (2021 - $0.5m).

23. Reinsurance commissions and profit participations

For the year ended 31 December 2022, reinsurance commissions and profit participation amounting to $113.8m (2021 - $106.9m) is income received from reinsurers relating to their contribution to the commissions and operating expenses resulting from premiums ceded.

24. Other charges including value adjustments

For the year ended 31 December 2022, other charges including value adjustment of $19.1m (2021 - $4.2m) comprises the impact of foreign exchange translation losses amounting to $12.8m (2021 - gain of $0.9m) and corporate oversight costs of $6.3m (2021 - $5.1m)

25. Taxation

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. For the year ended 31 December 2022, the tax charge amounted to $9.3m (2021 - $1.6m).

26. Personnel employed during the year

	Year ending 31 December 2022	**Year ending 31 December 2021**
Average number of employees	347	318
Year end number of employees	353	329

	Year ending 31 December 2022	**Year ending 31 December 2021**
Managerial staff	1	1
Administrative staff	352	328
Total	**353**	**329**

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

	Year ending 31 December 2022	Year ending 31 December 2021
	$'000	$'000
Wages and salaries	28,605	22,439
Social security costs	8,217	6,943
of which pensions	*3,628*	*2,684*
	36,822	29,382

27. Advances to supervisory staff

No advances were granted to members of the supervisory staff during 2022 (2021 – nil).

28. 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 2022 financial period to the members of the Board of Directors in fulfilment of their responsibilities amounted to $1.9m (2021 - $1.5m).

29. Fees to the auditor

The audit fees (excluding VAT) for the period ended 31 December 2022 amounted to $485k (2021 $519k).

	Note	2022	2021
		$'000	$'000
Audit fees	1	485	519
Other permissible non-audit services		-	-
Total		**485**	**519**

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.

30. Subsequent events

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

31. 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 direct parent company, HCC International Insurance Company plc 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.

32. Off balance sheet commitments

At 31 December 2022, TME has entered into a pledge agreement where assets amounting to $364k (2021 $340k) were pledged in relation to rent obligations.