UNIPOLRE DAC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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CONTENTS

DIRECTORS AND OTHER INFORMATION

DIRECTORS	E. San Pietro (Italian) - Chairman M.G.V. Sordoni (Italian) - CEO S. Hughes – INED L. Zaccherini (Italian) R.Commons – INED - appointed 4 August 2021
SECRETARY	M. H. C. Corporate Services Limited
REGISTERED OFFICE	The Watermarque Building Ringsend Road Dublin 4
BANKERS	Bank of Ireland IFSC La Touche House Custom House Dock Dublin 1 Bank of Ireland Global Markets 2 Burlington Plaza Burlington Road Dublin 4 Deutsche Bank Spa Via San Prospero, 2 20121 Milan (Italy)
CUSTODIAN OF INVESTMENTS	Northern Trust Fiduciary Services George's Court 54-62 Townsend Street Dublin 2

SOLICITORS	Mason Hayes and Curran 6 South Bank House Barrow Street Dublin 4
AUDITOR	Ernst & Young Harcourt Centre Harcourt Street Dublin 2
Company Registration Number	290539

The directors present their annual report and the audited financial statements of UnipolRe DAC (the "Company") for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

UnipolRe Dac is a composite professional reinsurance company, wholly owned by UnipolSai Assicurazioni S.p.A. writing life and non-life proportional and non-proportional reinsurance business to cedants based mainly in Europe. The Company is A- Rated by AM Best.

UnipolRe's premium income for 2021 grew by over 22% to €255m (2020: €208m) primarily driven by risk adjusted increases on the Motor XL book.

2021 was a challenging year for UnipolRe in terms of European Cat losses. The Bernd flood loss in mid-July resulted in the costliest European flooding event on record, and deadliest in nearly three decades. Catastrophic damage occurred in western Germany as well as extensive damage in Belgium, Luxembourg, Netherlands, and France. UnipolRe's non-proportional property portfolio was adversely affected by this event

In terms of Motor business 2021 was a benign year for losses due to lower than average claims frequency as a result of the reduction in vehicle usage due to lockdowns arising out of the Covid-19 pandemic. However, UnipolRe continues to hold reserves for potential property business interruption losses as a result of the pandemic.

Following on from a period of growth, the 2022 renewals saw a change in the underwriting strategy of the Company. In November 2021, the Board of UnipolRe approved a management proposal to cease underwriting non-proportional property excess of loss treaties which are exposed to natural perils on an occurrence basis. The decision was made due to the increase in frequency and severity of natural catastrophe events and the Company's view that the recent trends will continue.

The withdrawal from non-proportional property catastrophe business combined with continued underwriting discipline resulted in an estimated reduction in gross written premiums of €57m to €198m for 2022. Elsewhere growth was seen across both the non-proportional and proportional motor portfolios particularly in the strategic telematics book.

The Company continues to seek to improve on operational performance with further refinement of the actuarial pricing tools, portfolio and profit optimisation as well as refinement of strategy following the recent events.

The Company considers its key performance indicators to be its profit for the financial year, as well as on an ultimate basis, earned premiums net of reinsurance, claims incurred net of reinsurance and investment income.

The Company is regulated by the Central Bank of Ireland.

RESULTS FOR THE FINANCIAL YEAR AND BUSINESS REVIEW OF FINANCIAL POSITION AT 31 DECEMBER 2021

The Income Statement for the year ended 31 December 2021 and the Statement of Financial position at that date are set out on pages 19 to 24.

At year end 2021 the Gross Written Premium was €254.8m (2020: €208.4m), of which Life business accounted for €0.3m (2020: €0.2m). €17.3m was retroceded to the reinsurance market (2020: €16.2m). All of the retroceded business related to the Non-Life business.

The business of UnipolRe can be split between business carried out as a professional reinsurer (mainly Motor , Casualty and Property) and business from Group reinsurance programmes which are in run off. At year end 2021 Gross Written Premium assumed as a professional reinsurer was €250.5m (2020: €206.4m). The Company retroceded premium of €13.2m (2020: €14.6m) related to business carried out as a professional reinsurer. The Gross Written Premium from the Group reinsurance programmes was €4.1m (2020: €1.7m) and was fully retroceded.

All retrocessionaires were carefully selected on the basis of a thorough and constant analysis of their financial and economic status. This is in line with the Risk Appetite Statement and the Reinsurance and Other Mitigations Techniques Policy adopted by the Board of Directors.

The Non-Life business in 2021 resulted in a loss of €59m (2020: profit of €5.1m). The Life business in 2021 resulted in a loss of €0.1m (2020: loss €0.2m). The net technical result for the non-life portfolio was a loss of €54.0m (2020: gain of €7.9m). This net technical result includes commissions of €35.1m (2020: €39.2m) and the allocation of interests on deposit of €0.32m (2020: €0.27m) but excludes administration expenses and allocation of income.

The Covid-19 pandemic has had a significant impact on the results of different areas of the business over the year. Earlier in the year we strengthened the reserves for the Covid19 Business Interruption losses following the UK Supreme Court decision in January which led to a significant increase in the amount reported. The total reserve for this event now stands at €34.2m (was €20.5m at 31 Dec 2020).

Investment Income was €33.2m (2020: €21.9m). This was mainly made up of interest on Available for Sale (AFS) securities of €6.4m (2020: €6.1m) and foreign exchange gain of €26.5m which are predominantly the result of GBP/Euro and ILS/Euro movements over the course of the year on the assets supporting the technical provisions (2020: €14.5m.)

Investment Charges were €26m (2020: €13.1m). These were made up of investment management expenses of €0.8m (2020: €0.7m) and foreign exchange loss of €25.1m which are predominantly the result of GBP/Euro and ILS/Euro movements over the course of the year on the technical provisions (2020: foreign exchange loss 12.5m).

RESULTS FOR THE FINANCIAL YEAR AND BUSINESS REVIEW OF FINANCIAL POSITION AT 31 DECEMBER 2021 (CONTINUED)

The gain/loss on realisation of investment was €31,000 (2020: gain of €1.1m). On the Statement of Other Comprehensive Income there is a movement in unrealised gains and losses during 2021 which resulted in a loss of €18.5m (2020: profit of €10.9m). The main driver of this movement was a loss of €17.0m (2020: profit €11.4m) from mark to market valuations and a loss of €1.5m (2020: loss of €0.5m) from derecognition of securities.

The total financial investments of the Company at year end 2021 was €855.5m (2020: €762.1m). Deposits with cedant companies were €112.9m (2020: €93.3m), the increase is mainly due to an overall deterioration of the liabilities covered by collaterals. Reinsurers share of technical provisions was €113.6m (2020: €90.7m).

Debtors increased from €94.7m in 2020 to €120.1m in 2021 mainly driven by an increase in premium estimates.

The other assets which mainly relate to deposits with credit institutions were €97.2m (2020: €29.7m).

Technical provisions increased by €219.9m from €575.8m in 2020 to €795.7m in 2021. The increase is driven by the increase in loss incurred due to large flood event in Central Europe in July 2021 and the volume and the nature of business witten prior years.

Deposits received from reinsurers, which are related to the old book of business, decreased from €10.1m in 2020 to €9.1m in 2021 due to the decline of this book of business.

Creditors amounted to €26.6m in 2021 (2020: €17.4m).

The exposure to Reinsurers, measured as outstanding premium and advised claim reserves, net of amounts deposited and creditors arising out of reinsurance operations, amounts to €73.1m (2020: €60.1m). Out of this total, €33.2m (2020: €39.0m) relate to counterparties with an S&P rating of AA- and better (or the equivalent thereof), €39.9m (2020: €21.1m) relate to counterparties with an S&P rating below AA-.

The Company reported a loss on ordinary activities before taxation of €55.7m (in 2020 gain of €9.1m). The loss after tax amounts to €48.7m (2020: profit of €7.9m).

FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for ensuring that adequate internal control and risk management procedures are maintained by the Company. Operational responsibility for monitoring, measuring, mitigating and reporting risks connected with the Company's activities rests with the management.

The Company has developed appropriate corporate governance procedures taking into account the regulatory and group requirements. The Directors are aware of the critical need for effective corporate governance, risk management and internal controls in order to guide the Company's business activities, thereby promoting compliance with all relevant laws and regulations.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The risk management activity involves an effective risk management framework including identification, measurement, monitoring, management and reporting of risks to which the business could be exposed. Effective risk management also includes a risk governance process. The key risks monitored include (re)insurance risk, market risk, credit risk, liquidity risk and operational risk.

The most material risk that the company is subject to is (re)insurance risk arising from reinsurance obligations. This includes the risk that the premium incomes are insufficient to compensate future claims, the risk that the reserves are inadequate to cover the settlement costs incurred from past claim events and catastrophe risk arising from extreme or exceptional events. The pricing team, which are independent from the underwriting team, assess the expected profitability and key areas of uncertainties of new and renewing business using best practice pricing techniques within the actuarial control environment including procedures, documentations, referral criteria and peer reviews. This reduces the risk of mis-pricing. The reserves are subject to a reserving process which is led by the Reserving Actuary and also involves input from the Head of Claims, and the Head of Actuarial Function. The reserving process is overseen by the Reserving Committee. This process aims to ensure that the reserves based on best estimate ultimate loss ratios are adequate for each treaty. The Solvency II reserves are signed off by the Head of Actuarial Function, who is independent from the Company, in the form of an Actuarial Opinion on Technical Provisions. The catastrophe risk is managed according to the size and complexity of the business underwritten and mitigated through continuous monitoring of exposures, holding adequate capital and the usage of reinsurance protection.

The Company's market risk is related to the portfolio of financial instruments held by the Company. These are subject to minimum credit limits and specific limits for each asset class. The Board of Directors has adopted a prudent approach to market risk within its investment strategy. The investment policy sets out limits for assets liability matching and sensitivity limits on equity, interest rate and spread risk. The credit risk is related to the exposures with cedants, retrocessionaires and the asset portfolio within the shareholders' funds. These are monitored and mitigated through strict credit limits. The limits in relation to market risk, liquidity and credit risk are monitored on a monthly basis.

Operational risk is monitored, managed and controlled through the risk register process. Each department has their own individual risk register. The risk registers are now in a 4-year testing cycle and are reviewed an updated by the Compliance and Risk function annually. The Compliance function as the second line of defence has responsibility for oversight and monitoring of the risk register framework.

The Company is governed by the regulatory requirements of the Central Bank of Ireland and these involve certain requirements regarding the valuation of the Company's assets and liabilities and solvency capital requirements. The regulatory risks faced by the Company in relation to possible changes in the future regulatory framework are monitored by the Head of Compliance, who reports directly to the Board on any updates or developments in this area.

The Company's Own Risk and Solvency Assessment (ORSA) is a key element of the risk framework, which highlights the link between business strategy, capital management and risk management. The Risk Committee and the Board of Directors play a key role in the ORSA Process. As part of the ORSA, evaluation of the company's future solvency needs based on business plan for the next five years are conducted, along with a wide range of scenario analyses and stress tests performed on the material risks to assess the vulnerabilities of the balance sheet and the business plan. The Emerging and Strategic Risk Register is a key driver in determining the scenarios used in the ORSA and the scenarios are approved by the Risk Committee.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors has approved a Risk Appetite Statement, which outlines the Board's appetite for each risk class and in relation to the overall business. The Risk Appetite Statement includes specific tolerances for each risk class. The specific tolerances for each class are measured against capital absorption limits within the standard formula of the Solvency Capital Requirement under the Solvency II regime. The risk framework also includes a Risk Register which outlines the individual risks associated with each business unit and in relation to the Company as a whole.

PRINCIPAL RISKS AND UNCERTAINTIES

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. The Company has developed a framework for identifying the risks that each business sector, and the Company as a whole, is exposed to and their impact on economic capital. This process is risk based and uses Individual Capital Assessment principles to manage capital requirements and to ensure the financial strength and capital adequacy to support the growth of the business and to meet the requirements of counterparties, regulator and rating agency. The principal risks from our general reinsurance business arise from inaccurate pricing; fluctuations in the timing, frequency and severity of claims compared to our expectations; inadequate reinsurance protection; and inadequate reserving. In addition, the Company is exposed to financial risks arising from the investments that it holds. These risks are discussed in the section of this report dealing with financial risk management. Our underwriting and reinsurance strategies are approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

Additional disclosure of risk management is presented in note 28 to 29 of the financial statements.

GOING CONCERN

The Directors have reasonable expectations, having made appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. The Directors have made this assessment on the basis of the approved business plan in place and in considering the risks on the business through the use of stresses and scenarios in assessing capital strength. As a result, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

The Company continues to monitor the impacts of Covid-19. The impact of Covid-19 on the Company's claims reserves has been disclosed in the Principal activities and review of the development of the business section above.

DIVIDENDS AND RETENTION

No dividend has been paid during the financial year ended 31 December 2021 (2020: €0). No dividend has been proposed for distribution.

DIRECTORS

The directors, who served at any time during the financial year except as noted, are set out below:
E. San Pietro (Italian) - Chairman
M.G.V, Sordoni (Italian) - CEO
S. Hughes - INED
L. Zaccherini (Italian)
A.H. Tully (New Zealander) – INED (resigned 12 August 2021)
R.Commons – INED (appointed 4 August 2021)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

None of the Directors or the Secretary had any interest in the share capital of the company or any group company at 31 December 2021 and at 31 December 2020 or at the date of appointment greater than 1% of voting interests.

POST BALANCE SHEET EVENTS

There are no known post balance sheet events that have a material impact on the company's financial statements.

However, the company is monitoring the geopolitical event in Ukraine and the possible consequences in terms of increasing in inflation and interest rates. More details are invluded in note 30.

STATEMENT IN RELATION TO AUDIT INFORMATION

The directors in office at the date of this report have each confirmed that:

- As far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTOR'S COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.

The directors confirm that they have:

- Drawn up a compliance policy statement setting out the Company's policies respecting compliance by the company with its relevant obligations.
- Put in place appropriate arrangement setting out the Company's policies respecting compliance with the Company's relevant obligations.
- Conducted a review, during the financial year ended 31 December 2021, of the arrangements and structures, referred to above.

AUDIT COMMITTEE

It is noted that the Company has an established Audit Committee.

ACCOUNTING RECORDS

To ensure that proper accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014, the directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The accounting records are located at the Company's registered office at The Watermarque, Ringsend Road, D04 K7N3.

CORPORATE GOVERNANCE CODE

The Company is subject to "The Corporate Governance Code for Credit Institutions and Insurance Undertakings" but is not deemed to be a "major institution" under the terms of the code.

TRANSACTIONS INVOLVING DIRECTORS

There were no contracts or arrangements of any significance in relation to the business of the Company in which the directors had any interests, as defined by the Companies Act, 2014, at any time during the financial year ended 31 December 2021 (2020: €nil).

POLITICAL DONATIONS

The Company did not make any political donations during the financial year (2020: €0).

AUDITORS

The auditors appointed on 10 November 2021, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

UnipolRe
Dott. Marc Guy Victor Sordoni
Chief Executive Officer

____________________ Director – Marc Guy Victor Sordoni

UnipolRe Riassicurazioni S.p.A.
Enrico San Pietro
Chairman

____________________ Director – Enrico San Pietro

_16th March 2022_______

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts ("relevant financial reporting framework"). Under Irish law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:

UnipolRe
Dott. Marc Guy Victor Sordoni
Chief Executive Officer

____________________ Director – Marc Guy Victor Sordoni

UnipolRe Riassicurazioni S.p.A.
Enrico San Pietro
Chairman

____________________ Director – Enrico San Pietro

_16th March 2022_______

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UnipolRe DAC ('the Company') for the year ended 31 December 2021, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' issued in the United Kingdom by the Financial Reporting Council.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance contracts'; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment for the going concern period, which covers a period of more than 12 months from the date of approval of the financial statements.
- We assessed the appropriateness of the approach used by management when performing their going concern assessment. We have assessed the assumptions used by the Company in the forecasts, including the potential impact of COVID-19 on the business.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC (CONTINUED)

Conclusions relating to going concern (continued)

- We reviewed the company's solvency position and the surplus over its regulatory capital requirements.

- We reviewed the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC (CONTINUED)

Key audit matters (continued)

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Valuation of claims outstanding (2021: €695 million) 2020: €492 million) Refer to accounting policies (Note 1) and note 17 'Claims Outstanding' in the financial statements. The claims outstanding includes outstanding loss reserves ('OSLR') and incurred but not reported ('IBNR') claims. We consider the valuation of claims outstanding, including the actuarial assumptions for IBNR, to be a significant risk, which can have a material impact on the reported results.	To obtain sufficient audit evidence to conclude on the appropriateness of valuation of claims outstanding, we performed the following procedures: 1. Performed a walkthrough of the reserving process to understand the process and methodology adopted for the valuation of claims outstanding; 2. With the assistance of our internal actuarial team, we examined the report produced by the Company's actuary with respect to the Company's booked claims outstanding. This included an assessment of the assumptions and methodologies used in determining the level of claims outstanding at year end; 3. Reviewed the data used for actuarial calculations and tested the accuracy of the data inputs used; 4. Performed an analytical review of movement in outstanding claims; and 5. Assessed the overall reasonableness of claims outstanding.	We completed our planned audit procedures with no material exceptions to report.

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Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €9,864,130, which is 2% of shareholders' equity. We believe that a percentage of shareholders' equity reflects the interests of the key stakeholders of the Company as financial stability and solvency through capital are key performance metrics used by the Company.

During the course of our audit, we reassessed initial materiality using the year-end figures to reflect the final shareholders' funds balance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely €4,932,065. We have set performance materiality at this percentage to take into account the nature of the industry in which the Company operates.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €493,207, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year ended is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions, are not complied with by the Company. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC (CONTINUED)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Irish Companies Act 2014 and the European Union (Insurance and Reinsurance) Regulations 2015.

- We understood how the Company is complying with those frameworks through discussion with management and the Audit Committee of their knowledge or awareness of any non-compliance or potential non-compliance with laws or regulations affecting the financial statements. We corroborated our enquiries through our review of board minutes, Audit Committee minutes and correspondence with regulatory bodies.

Auditor's responsibilities for the audit of the financial statements (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, through enquiries of local management and the Audit Committee, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of board and Audit Committee minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit Committee on compliance with regulations and a review of regulatory correspondence.

- The Company operates in the insurance industry, which is a highly regulated environment. As such, the Audit Engagement Partner reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts, where appropriate.

- As the insurance industry is highly regulated, we have obtained an understanding of the relevant regulations and the potential impact on the Company and, in assessing the control environment, we have considered the compliance by the Company with these regulations as part of our audit procedures, which included a review of correspondence with the regulator, the Central Bank of Ireland.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 10 November 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIPOLRE DAC (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Dargan FitzGerald
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Office: Dublin
Date: 07 April 2022

UNIPOLRE DAC

INCOME STATEMENT
TECHNICAL ACCOUNT – NON-LIFE INSURANCE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021 €'000	2020 €'000
Gross premiums written	2	254,569	208,183
Outward reinsurance premiums		(17,289)	(16,260)
Change in gross provision for unearned premiums and in the gross provision for unexpired risks	2	(11,604)	18,302
Change in the provision for unearned premiums, reinsurers' share		(1,691)	(3,113)
Earned premiums, net of reinsurance		**223,985**	**207,112**
Allocated investment return transferred from non-technical account		4,371	4,546
Other technical income		4,115	675
Total technical income		**232,471**	**212,333**
Claims paid, gross amount	2	90,393	65,181
Claims paid, reinsurers' share		(3,599)	(5,550)
Change in the provision for claims, gross amount	2	180,294	90,293
Change in the provision for claims, reinsurers' share		(24,575)	11,004
Claims incurred, net of reinsurance		**242,513**	**160,928**
Net operating expenses	3	44,125	46,305
Other technical charges, net of reinsurance	2	4,809	9
Total technical charges		**291,447**	**207,242**
Balance on the technical account – non-life insurance business		**(58,976)**	**5,091**

UNIPOLRE DAC

INCOME STATEMENT
TECHNICAL ACCOUNT - LIFE ASSURANCE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021 €'000	2020 €'000
Gross premiums written	2	262	244
Change in gross provision for unearned premiums	2	(1)	6
Earned premiums, net of reinsurance		**261**	**250**
Allocated investment return transferred from non technical account		12	15
Total technical income		**273**	**265**
Claims paid, gross amount	2	113	218
Change in the provision for claims, gross amount	2	150	100
Claims incurred, net of reinsurance		**263**	**318**
Net operating expenses	3	85	104
Total technical charges		**348**	**422**
Balance on the technical account - life assurance business		**(75)**	**(157)**

UNIPOLRE DAC

INCOME STATEMENT
NON-TECHNICAL ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021 €'000	2020 €'000
Balance on the technical account - non-life insurance business		(58,976)	5,091
Balance on the technical account - life assurance business		(75)	(157)
Investment income	5	33,210	21,862
Investment charges	6	(26,001)	(13,137)
		(51,842)	**13,659**
Allocated investment return transferred to the non-life insurance technical account		(4,371)	(4,546)
Allocated investment return transferred to the life insurance technical account		(12)	(15)
Other charges		559	(9)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	**(55,666)**	**9,089**
Taxation (charge)/credit on (loss) profit on ordinary activities	9	-	(1,186)
Deferred tax	9	6,958	0
LOSS/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**(48,708)**	**7,903**

The accompanying notes form an integral part of the financial statements.

UNIPOLRE DAC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021	2020
	€'000	€'000
LOSS/(PROFIT) FOR THE FINANCIAL YEAR	**(48,708)**	**7,903**
Movement in unrealised gains and losses arising on revaluation of available for sale securities	(18,449)	10,891
Tax relating to components of other comprehensive income	2,306	(1,361)
OTHER COMPREHENSIVE INCOME(LOSS)	(16,143)	9,530
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**(64,851)**	**17,433**

UNIPOLRE DAC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 €'000	2020 €'000
ASSETS			
INTANGIBLE ASSETS			
Software	13	**187**	**303**
INVESTMENTS			
Investments in group undertakings and participating interests	10	5,131	5,137
Other financial investments	11	855,479	762,149
Deposits with ceding undertakings		112,924	93,343
		973,534	**860,629**
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	16	10,146	11,809
Claims outstanding non-life	17	103,477	78,902
		113,623	**90,711**
DEBTORS			
Debtors arising out of reinsurance operations	12	119,383	92,944
Deferred tax assets	9	6,731	0
Other debtors (including tax)	12	746	1,763
		126,860	**94,707**
OTHER ASSETS			
Tangible fixed assets	13	182	160
Cash and bank and in hand		97,028	29,578
		97,210	**29,738**
PREPAYMENTS AND ACCRUED INCOME			
Other prepayments and accrued income		72	123
		72	**123**
Deferred acquisition cost		13,102	13,662
TOTAL ASSETS		**1,324,588**	**1,089,873**

UNIPOLRE DAC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONTINUED)

	Notes	2021 €'000	2020 €'000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital presented as equity	14	375,635	300,635
Other reserves	15	26,487	26,487
Reserve for Available for Sales securities		8,321	24,464
Profit and loss account		82,764	131,472
		493,207	**483,058**
TECHNICAL PROVISIONS			
Provision for unearned premiums	16	100,155	82,615
Claims outstanding non-life	17	693,922	491,738
Claims outstanding life	17	1,602	1,452
		795,679	**575,805**
DEPOSITS RECEIVED FROM REINSURERS		**9,057**	**10,076**
CREDITORS			
Creditors arising out of reinsurance operations		22,314	15,464
Other creditors excluding tax and social welfare	18	4,331	1,890
		26,645	**17,354**
Deferred tax liability		**-**	**3,580**
TOTAL LIABILITIES		**1,324,588**	**1,089,873**

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 16th March 2022 and authorised for issue on 16th March 2022. They were signed on its behalf by:

UnipolRe
Dott. Marc Guy Victor Sordoni
Chief Executive Officer

UnipolRe Riassicurazioni S.p.A.
Enrico San Pietro
Chairman

Director – Marc Guy Victor Sordoni

Director – Enrico San Pietro

_____16th March 2022___

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2021	Called up share capital	Reserve for Available for Sale Securities	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021	300,635	24,464	26,487	131,472	483,058
Issue of share capital	75,000	-	-	-	75,000
Profit/(Loss) for the financial year	-	-	-	(48,708)	(48,708)
Other comprehensive income	-	(16,143)	-	-	(16,143)
Dividends paid	-	-	-	-	-
At 31 December 2021	**375,635**	**8,321**	**26,487**	**82,764**	**493,207**

2020	Called up share capital	Reserve for Available for Sale Securities	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2020	300,635	14,934	26,487	123,569	465,625
Issue of share capital	-	-	-	-	-
Profit/(Loss) for the financial year	-	-	-	7,903	7,903
Other comprehensive income	-	9,530	-	-	9,530
Dividends paid	-	-	-	-	-
At 31 December 2020	**300,635**	**24,464**	**26,487**	**131,472**	**483,058**

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Companies Act 2014, FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts. The financial statements have been prepared on the going concern basis, there being no doubt about the ability of the Company to continue its operations in the future.

The Directors have reasonable expectations, having made appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. The Directors have made this assessment on the basis of the approved business plan in place and in considering the risks on the business through the use of stresses and scenarios in assessing capital strength. As a result, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

The Company continues to monitor the impacts of Covid-19. The impact of Covid-19 on the Company's claims reserves has been discussed under Critical Judgements and Estimates under Note 1 of the Financial Statements.

The financial statements are prepared in accordance with the applicable accounting standards under the historical cost conversion, except for investments, which have been measured at fair value and comply with the accounting standards issued by the Financial Reporting Council.

A summary of the significant accounting policies are set out below:

PREMIUMS AND CLAIMS ACCOUNTING

The annual basis of accounting has been applied to all classes of business.

Reinsurance

The Company accepts reinsurance risk in the normal course of business for life assurance and non-life insurance contracts where applicable. Premiums and claims on accepted reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to cedant companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

The Company retrocedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaires' policies and are in accordance with the related reinsurance contract. Reinsurance

1. ACCOUNTING POLICIES (CONTINUED)

Reinsurance (continued)
assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessionaires. The impairment loss is recorded in the income statement. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Premiums written
Premiums written relate to business incepted during the financial year, together with any difference between booked premiums for prior financial years and those previously reported. Reinsurance premiums are accounted for on the same basis as the gross premiums written.

Unearned premiums
Unearned premiums represent the proportions of the premiums written in the financial year that relate to financial years of risk subsequent to the statement of financial position date. For all classes of business except the bond line of business, unearned premiums are calculated on a pro-rata basis. For the bond unearned premium calculation, the premium is spread over 8 financial years according to the earnings pattern used by the cedant companies.

Reinstatement premium
When the payment of a loss makes the reinstatement premium fall due, the reinstatement premium is simultaneously taken to the technical account and recorded through gross written premiums. For the retrocessionaires' share of the reinstatement premiums a corresponding cost is taken to the technical account and recorded through outward reinsurance premiums.

1. ACCOUNTING POLICIES (CONTINUED)

Reinstatement premium(continued)

Where notified outstanding loss reserves exceed the level of claims which would give rise to a reinstatement premium, a reinstatement premium asset is recognised and included in debtors arising out of reinsurance operations.

A corresponding liability is set up in creditors arising out of reinsurance operations for the retrocessionaires' share of reinstatement premiums.

Movements in the asset and liability are taken to the technical account as other technical income or other technical charges as appropriate.

Unexpired risks provision
Provision is 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 provision for unearned premiums (‘UPR’) and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision is included within 'Provision for unearned premiums'.

Outstanding claims
Provision is made for the estimated cost of all claims notified but not settled at the date of the statement of financial position and for the estimated cost of claims incurred but not reported. Reinsurance claims are accounted for on the same basis as gross claims.

The provisions for claims outstanding, and claims incurred but not reported (“IBNR”), have been based on a detailed consideration of the risks by management and directors of the Company, who consider the provisions adequate. The level of provisioning has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and expected claims settlement expenses. Whilst the directors consider that the provision levels 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 material adjustments to the amounts provided. Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the financial year in which claims have been reviewed by the Company.

Technical provisions are included at values calculated by the Company’s actuaries and reviewed and validated by the senior management of the Company. The method and assumptions for the calculation of the technical provisions required in respect of claims which had been incurred but not reported to the Company by the end of the financial year have been calculated by the Company’s actuaries and reviewed by the senior management of the Company.

1. ACCOUNTING POLICIES (CONTINUED)

Acquisition cost

Acquisition costs include all commissions arising from the conclusion of reinsurance treaties with cedant companies and are calculated on a calendar year basis. Deferred acquisition costs are calculated on a pro-rata basis. Reinsurance commissions include all commissions arising from the conclusion of retrocession treaties and are calculated on a calendar year basis.

Deferred acquisition costs are included as an asset in the Statement of Financial Position.

INVESTMENTS

Investment valuation

Listed investments are included in the statement of financial position at market value. Some of the investments are held at amortised cost.

Investments in subsidiary undertakings engaged in reinsurance are stated at cost less provision for any permanent diminution in value.

Investment income and charges

Investment income includes dividends, interest and gains on the realisation of investments. Investment charges include losses on the realisation of investments and investment expenses. Investment transactions are recorded on an accruals basis.

Investment gains and losses

Realised gains and losses are taken to the Income Statement. Unrealised gains and losses related to available for sale (AFS) assets are presented in the Statement of Comprehensive Income. The cumulative unrealised gains and losses is included in a separate AFS reserve within equity in the Statement of Financial position and a deferred tax liability/asset is recognised in relation to these cumulative unrealised gains and losses.

Allocated investment return

An allocation of investment return from the non-technical account to the non-life and life technical accounts are made on the basis of the actual investment returns related to the non-life and life technical accounts.

Impairment of assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1. ACCOUNTING POLICIES (CONTINUED)

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the statement of financial position date. Revenues and costs are translated at the exchange rates ruling at the date of the transactions.

Profits and losses arising from foreign currency translations are included in the income statement.

The Company's functional and presentation currency is the euro, denominated by the symbol "€" and unless otherwise stated, the financial statements have been presented in thousands ('000).

TAXATION

Corporation tax is provided on taxable profits at the current rates applicable to the Company's activities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more or the right to pay less tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

BAD DEBT PROVISION

The Company reviews the status of the reinsurance receivables periodically and based on the information received by the Credit Control Department makes estimates affecting the value of such receivables shown in the financial statements. Key factors on these estimations are the credit rating of the counterparty and/or the possibility of entering into litigation.

DEPRECIATION

Depreciation has been provided on all tangible fixed assets at a rate calculated to write off the cost less estimated residual value based on prices at the date of acquisition of each asset over its expected useful life as follows:

Computer Equipment	3 years
Office Equipment	4 years

1. ACCOUNTING POLICIES (CONTINUED)

Amortisation on all intangible fixed assets are calculated at rate to write off the cost less estimated residual value based on prices at the date of acquisition of each asset over its expected useful life as follows:

Software	3 years

PENSION COSTS

The cost of providing retirement pensions and related benefits to staff is by way of a defined contribution scheme and is charged to the income statement as incurred.

CRITICAL JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, In the opinion of the directors, the only accounting estimate and judgement made in the course of preparing these financial statements which is difficult, subjective or complex to a degree that would warrant its description as critical is the estimate of the ultimate liability arising from claims made under reinsurance contracts.

The Company's actuaries apply conventional statistical or actuarial models in order to determine the ultimate liability of claims.

The Covid-19 pandemic has had a significant impact on the results of different areas of the business over the year. The Company is facing several business interruption claims related to the Covid-19 pandemic. The Company's position is that the reinsurance contracts to which these claims attach, do not provide cover for such claims. The company has applied a factor (depending on territory) to the notified amount to arrive at a reserve that reflects the possibility that coverage is denied. In total, the company expects the cost of these claims to be €34.2m on a notified amount of €86.6m. This is an increase on the €20.5m reserved for these claims at year-end 2020. This increase is mainly due to the UK Supreme Court ruling in January which crystallised the direct claims to the ceding insurers, and hence the amount reported to the Company in 2021

CONSOLIDATED FINANCIAL STATEMENTS

The Company is a subsidiary undertaking of a holding company established under the laws of a member state of the European Union. The Company is therefore exempt from the requirement to prepare consolidated financial statements and consequently these financial statements deal with the results of the Company as a single entity.

2. ANALYSIS OF GROSS PREMIUMS WRITTEN, GROSS PREMIUMS EARNED, GROSS CLAIMS INCURRED AND GROSS OPERATING EXPENSES:

	Reinsurance Total 2021	Reinsurance Total 2020
	€'000	€'000
Gross premiums written	254,831	208,427
Gross premiums earned	243,226	226,735
Gross claims incurred	(270,950)	(155,792)
Acquisition costs	(35,536)	(38,584)
Gross other technical income and charges	(4,809)	(9)
Total Balance	(68,069)	32,350

All business is written in Ireland relating to risks situated outside of Ireland, mainly in Italy, Greece, France, UK, Belgium, Germany, Turkey, Czech Republic, Switzerland, and Israel. Gross premiums written relating to risks situated inside the European Union amount to €62m (2020: €73m). Gross premiums written relating to risks situated outside the European Union amount to €193m (2020: €135m) and includes UK.

3. NET OPERATING EXPENSES

	2021	2020
	€'000	€'000
Non-life reinsurance		
Acquisition costs	35,458	38,484
Change in deferred acquisition costs	1,374	1,585
Administrative expenses	9,893	8,009
Management services for income	(924)	(924)
Retrocession commission	(1,676)	(849)
	44,125	**46,305**
Life reinsurance		
Acquisition costs	78	100
Change in deferred acquisition costs	-	(2)
Administrative expenses	8	7
Management services for income	(1)	(1)
	85	**104**

The Company has entered into contracts to provide reinsurance related consultancy and management services to UnipolSai Group Companies with annual renewals to occur thereafter. For the financial year ended 31 December 2021, the Company earned €925,000 (2020: €925,000) under this contract. The change in deferred acquisition costs during the year represents the cumulative deferred acquisition cost balance at the year end.

4. EMPLOYEES

The average number of persons employed by the Company during the financial year was 44 (2020: 46) and the costs are analysed as follows:

	2021	2020
	€'000	€'000
The staff costs comprise:		
Salaries	3,697	3,341
Social welfare costs	401	338
Pension costs	506	331
	4,604	**4,010**

5. INVESTMENT INCOME

	2021	2020
	€'000	€'000
Dividend	1	-
Income/charge from deposits with ceding undertakings	325	270
Income/charge from other financial investments	6,374	6,071
Gain on the realisation of investments	-	1,051
Foreign exchange gain	26,510	14,470
	33,210	**21,862**

6. INVESTMENT CHARGES

	2021	2020
	€'000	€'000
Investment management expenses	841	654
Foreign exchange loss	25,129	12,483
Loss on the realisation of investments	31	-
	26,001	**13,137**

7. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2021	2020
	€'000	€'000
The (Loss) / Profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
For services as directors	83	80
Audit fee		
-Audit of Company's financial statements	113	65
-Other assurance services	68	55
Depreciation and amortisation	291	544
Operating lease rentals	461	454

8. DIRECTORS' REMUNERATION

Emoluments of Directors amounted to €83,000 (2020: €80,000).
During 2021, Directors did not receive any amount related to gains on exercise of share options or benefits under long-term incentive schemes or contributions to retirement benefits scheme or compensation for loss of office or other termination payments (2020: nil).
The executive director is remunerated by Group and no recharges of this cost to UnipolRe apply. No Irish tax liability arises.

9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2021 €'000	2020 €'000
(Loss)/Profit on ordinary activities before taxation	**(55,666)**	**9,089**
Factors affecting the tax charge for the financial year:		
Irish corporation tax at 12.5%	-	(1,136)
Deferred Tax at 12.5% (2020: 12.5%)	6,958	-
Current tax (charge)/credit for the financial year	6,958	(1,136)
Tax charge related to previous financial year	-	(50)
Current tax (charge)/credit for the financial year	**6,958**	**(1,186)**

The amount of the net reversal of deferred tax asset expected to occur in 2022 is €811,031 against future taxable income.

The deferred tax included in the statement of financial position is as follows:

	2021 €'000	2020 €'000
Unrealised gains on investments	(1,273)	(3,580)
Unused tax on losses	8,004	-
Deferred tax asset/(liability)	6,731	(3,580)

9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

An analysis of the movement in net deferred tax is as follows:

	2021 €'000	2020 €'000
At 1 January net asset/(liability)	(3,580)	(2,219)
Deferred tax charge to profit and loss account	6,958	-
Other adjustments	1,047	-
Deferred tax credit to other comprehensive income	2,306	(1,361)
At 31 December net asset/(liability)	6,731	(3,580)

10. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	2021 €'000	2020 €'000
Shares in group undertakings		
DDOR RE (valued at cost)	5,131	5,131
DDOR RE (valued at Net Realisable Value)	5,675	5,618
UNIPOLSAI SERVIZI CONSORTILI (valued at cost)	-	7
UNIPOLSAI SERVIZI CONSORTILI (valued at Net Realisable Value)	-	7

The Net Realisable Value of the investment in DDOR RE is determined based on the Net Equity value of the company.

Investments in group undertakings is as follows:

Company Name	Holding	Activity	Registered Office
DDOR Re Joint Stock Reinsurance Company	100% (49,999 shares)	Reinsurance	Bul, Mihajla Pupina 21000 Novi Sad Republic of Serbia
UNIPOLSAI SERVIZI CONSORTILI a responsabilità limitata	0.02%	Provision of services	Via Senigallia n, 18/2 20161 Milano Italy

None of the shares of the above group undertakings are listed on a recognised stock exchange. In the opinion of the directors, the shares in the Company's group undertakings are worth at least the amount at which they are stated in the statement of financial position.

UNIPOLSAI SERVIZI CONSORTILI was liquidated during 2021. The liquidation of the company did not generate a relevant amount of dividends or realised gain/loss.

11. OTHER FINANCIAL INVESTMENTS

	2021				2020			
	Market Value	Amortised Cost	Total	Historical cost	Market Value	Amortised Cost	Total	Historical cost
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securitie's and other fixed income securities	828,682	26,797	855,479	852,441	732,423	29,726	762,149	759,526
	828,682	**26,797**	**855,479**	**852,441**	**732,423**	**29,726**	**762,149**	**759,526**

Please refer note 28(a) for basis of valuation and fair value hierarchy.

Changes in fair value is recognised in the other comprehensive income.

12. DEBTORS

DEBTORS ARISING OUT OF REINSURANCE OPERATIONS	2021	2020
	€'000	€'000
Due from group companies	-	-
Due from non-group companies	119,383	92,944
	119,383	**92,944**

Debtors due from non-group companies are net of bad debt provision of €900,000 (2020 €900,000).

OTHER DEBTORS	2021	2020
	€'000	€'000
Due from group companies for reinsurance services	462	508
Other debtors	264	124
Taxation:		
Current corporation tax receivable	20	1,131
	746	**1,763**

13. INTANGIBLE AND TANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS

	Software €'000	Total €'000
Cost		
At 1 January 2021	1,730	1,730
Additions	55	55
At 31 December 2021	1,785	1,785
Accumulated Amortisation		
At 1 January 2021	1,427	1,427
Charge for financial year	171	171
At 31 December 2021	1,598	1,598
Net Book Value		
At 31 December 2020	303	303
At 31 December 2021	187	187

	Software €'000	Total €'000
Cost		
At 1 January 2020	1,472	1,472
Additions	258	258
At 31 December 2020	1,730	1,730
Accumulated Amortisation		
At 1 January 2020	1,023	1,023
Charge for financial year	404	404
At 31 December 2020	1,427	1,427
Net Book Value		
At 31 December 2019	449	449
At 31 December 2020	303	303

Intangible assets refer mainly to software licenses and direct attributable costs of the technical accounting software SAP FS(RI/CD) and development costs for the underwriting system “The Navigator”.

13. INTANGIBLE AND TANGIBLE FIXED ASSETS (CONTINUED)

TANGIBLE FIXED ASSETS

	Computer Equipment	Office Equipment	Total
	€'000	€'000	€'000
Cost			
At 1 January 2021	564	424	988
Additions	142	-	142
At 31 December 2021	706	424	1,130
Depreciation			
At 1 January 2021	416	412	828
Charge for financial year	113	7	120
At 31 December 2021	529	419	948
Net Book Value			
At 31 December 2020	148	12	160
At 31 December 2021	177	5	182

	Computer Equipment	Office Equipment	Total
	€'000	€'000	€'000
Cost			
At 1 January 2020	457	424	881
Additions	107	-	107
At 31 December 2020	564	424	988
Depreciation			
At 1 January 2020	297	391	688
Charge for financial year	119	21	140
At 31 December 2020	416	412	828
Net Book Value			
At 31 December 2019	160	33	193
At 31 December 2020	148	12	160

14. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	2021	2020
	€'000	€'000
Authorised:		
376,250,000 Ordinary shares of €1 each (2020: 301,250,000 of €1 each)	376,250	301,250
Allotted, called up and fully paid		
375,635,000 Ordinary shares of €1 each (2020: 300,635,000 of €1 each)	375,635	300,635

Authorised share capital has been increased by 75,000,000 as approved on 15 December 2021.

On 24 December 2021, UnipolSai Netherland BV, were allocated 75,000,000 shares @ €1 each, for which the Company received €75m.

15. OTHER RESERVES

	2021	2020
	€'000	€'000
Capital contribution received	26,484	26,484
Capital conversion reserve fund	3	3
	26,487	**26,487**

On 9 August 2002, Fondiaria Nederlands B. V (currently UnipolSai Nederland BV) made a capital contribution to UnipolRe DAC.

The capital contribution reserve fund arose on the conversion of the share capital of the Company to Euro.

16. PROVISION FOR UNEARNED PREMIUMS

2021

	Gross €'000	**Reinsurance** €'000	**Net** €'000
Opening provision	82,615	11,809	70,806
Movement in year (*)	17,540	(1,663)	19,203
Closing provision	**100,155**	**10,146**	**90,009**

2020

	Gross €'000	**Reinsurance** €'000	**Net** €'000
Opening provision	103,439	14,943	88,496
Movement in year (*)	(20,824)	(3,134)	(17,690)
Closing provision	**82,615**	**11,809**	**70,806**

*Change in the gross provision for unearned premium on the income statement – technical account amounting to €11,605,140 (2020: €18,309,000) includes an increase of an amount relating to premium portfolio movements of €1,193,000 (2020: €1,679,000) and a decrease of an amount relating to FX gain on unearned premium reserves of €4,741,000 (2020: increase €4,195,000 due to FX loss).

Change in the reinsurers' share of the provision for unearned premium on the income statement – technical account amounting to €1,690,000 (2020: €3,113,000) includes an increase of an amount relating to FX loss on unearned premium reserves of €26,000 (2020: decrease €21,000 due to FX gain). No amount relating to premium portfolio movements has been accounted for at year ended 2021 (2020: nil).

17. CLAIMS OUTSTANDING

2021

	Gross	Reinsurance	Net
	€'000	€'000	€'000
Notified outstanding claims	435,713	93,062	342,651
Provision for claims incurred but not reported	259,811	10,415	249,396
	695,524	**103,477**	**592,047**

2020

	Gross	Reinsurance	Net
	€'000	€'000	€'000
Notified outstanding claims	290,404	68,488	221,916
Provision for claims incurred but not reported	202,786	10,414	192,372
	493,190	**78,902**	**414,288**

CHANGE IN THE TECHNICAL PROVISION:

2021

	Provision for claims incurred but not reported	Notified outstanding claims	Total
	€'000	€'000	€'000
Gross opening provision	202,786	290,404	493,190
Movement in year (*)	57,025	145,309	202,334
Closing provision	**259,811**	**435,713**	**695,524**
Opening reinsurance	10,414	68,488	78,902
Movement in year	1	24,574	24,575
Closing reinsurance	**10,415**	**93,062**	**103,477**
Net balance	**249,396**	**342,651**	**592,047**

17. CLAIMS OUTSTANDING (CONTINUED)

CHANGE IN THE TECHNICAL PROVISION: (CONTINUED)

2020

	Provision for claims incurred but not reported	Notified outstanding claims	Total
	€'000	€'000	€'000
Gross opening provision	165,056	249,562	414,618
Movement in year (*)	37,730	40,842	78,572
Closing provision	**202,786**	**290,404**	**493,190**
Opening reinsurance	10,415	79,492	89,907
Movement in year	(1)	(11,004)	(11,005)
Closing reinsurance	**10,414**	**68,488**	**78,902**
Net balance	**192,372**	**221,916**	**414,288**

*Change in the gross provision for claims on the income statement - technical account amounting to € 180,445,000 (2020: €90,393,000) includes a decrease of an amount relating to portfolio movements of €661,000 (2020: increase of €820,000) and a decrease of an amount relating to FX gain on provision for claim reserves of €21,228,000 (2020: increase €11,021,000 due to FX loss).

Change in the reinsurers' share of the provision for claims on income statement – technical account amounting to €24,575,000 (2020: €11,004,000).

18. OTHER CREDITORS INCLUDING TAX AND SOCIAL WELFARE

	2021	2020
	€'000	€'000
Other creditors:		
Group undertakings	649	921
Third parties	3,562	839
Taxation (Note 19)	120	130
	4,331	**1,890**

19. TAXATION CREDITORS

	2021	2020
	€'000	€'000
Included in other creditors are the following taxation liabilities:		
Corporation tax	-	-
PAYE/PRSI	120	130
Withholding tax	-	-
	120	**130**

20. PENSION COSTS

The Company operates a defined contribution scheme within the meaning of the Pensions Act, 1990, for all employees.

During the financial year the amount contributed to this arrangement was €506,000 (2020: €331,000). No amounts outstanding are owed to the scheme at the statement of financial position date (2020: €nil).

21. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2021 (2020: €nil).

22. OPERATING LEASE COMMITMENTS

Operating lease commitments

Future commitment exists under non-cancellable operating leases as follows:

	2021	2020
	Land and Buildings	**Land and Buildings**
Expiring:	€'000	€'000
not later than one year	465	448
between one and five years	349	815
more than five years	-	-
	814	**1,263**

The lease contract terminates on 30th September 2023. Lease payments due since the 1st of January 2021 include €25,385 of yearly service charges for the following years.

23. CLAIMS DEVELOPMENT

(a) Prior Year Claims Development

2021

	Gross	**Reinsurance**	**Net**
	€'000	€'000	€'000
Loss provision at the beginning of the financial year for outstanding claims incurred in previous financial years	493,190	(78,902)	414,288
Less:			
Payments made during the financial year on amounts of claims incurred in previous financial years	78,069	(3,599)	74,470
Loss provision at the end of the financial year for such outstanding claims	477,171	(73,477)	403,694
Income Statement impact of prior year claims	**(62,050)**	**(1,826)**	**(63,876)**

2020

	Gross	**Reinsurance**	**Net**
	€'000	€'000	€'000
Loss provision at the beginning of the financial year for outstanding claims incurred in previous financial years	414,638	(89,907)	324,731
Less:			
Payments made during the financial year on amounts of claims incurred in previous financial years	59,450	(5,550)	53,900
Loss provision at the end of the financial year for such outstanding claims	376,493	(78,902)	297,591
Income Statement impact of prior year claims	**(21,305)**	**(5,455)**	**(26,760)**

23. CLAIMS DEVELOPMENT (CONTINUED)

(b) Loss Development Table - Gross (non-life and life) values expressed in Euro thousands.

Gross Cumulative claim payments	**Prior year**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At end of UY		(8,478)	(13,967)	(5,014)	(6,912)	(5,792)	(12,437)	
One year later		(14,401)	(25,674)	(35,728)	(43,390)	(39,692)		
Two years later		(16,767)	(33,762)	(48,109)	(68,611)			
Three years later		(18,548)	(36,859)	(57,747)				
Four years later		(19,996)	(41,205)					
Five years later		(20,932)						
Estimate of Gross ultimate claims								
At end of UY		19,860	48,001	77,228	131,824	122,489	230,790	
One year later		31,217	77,190	151,479	176,500	173,263		
Two years later		31,097	83,305	144,476	184,631			
Three years later		38,480	76,249	150,257				
Four years later		34,888	75,759					
Five years later		34,705						
Estimate of gross ultimate claims		34,705	75,759	150,257	184,631	173,263	230,790	
Cumulative payments		(20,932)	(41,205)	(57,747)	(68,611)	(39,692)	(12,437)	
Present value recognised in the statement of financial position	86,743	13,773	34,554	92,511	116,020	133,571	218,353	695,525
Of which effect of foreign exchange movements						21,228		21,228

In 2021 gross claim payments related to underwriting years prior to 2016 are €4.0m.

23. CLAIMS DEVELOPMENT (CONTINUED)

(b) Loss Development Table - Net (non-life and life) values expressed in Euro thousands.

Net Cumulative claim payments	Prior year	2016	2017	2018	2019	2020	2021	Total
At end of UY		(8,478)	(13,967)	(5,014)	(6,912)	(5,792)	(12,437)	
One year later		(14,401)	(25,674)	(35,728)	(43,390)	(39,692)		
Two years later		(16,767)	(33,762)	(48,109)	(68,611)			
Three years later		(18,548)	(36,859)	(57,747)				
Four years later		(19,996)	(41,205)					
Five years later		(20,932)						
Estimate of net ultimate claims								
At end of UY		19,860	48,001	77,228	131,824	122,489	200,790	
One year later		31,217	77.190	151,479	176,500	173,263		
Two years later		31,097	83.305	144,476	184,631			
Three years later		38,480	76.249	150,257				
Four years later		34,888	75,759					
Five years later		34,705						
Estimate of net ultimate claims		34,705	75,759	150,257	184,631	173,263	200,790	
Cumulative payments		(20,932)	(41,205)	(57,747)	(68,611)	(39,692)	(12,437)	
Present value recognised in the statement of financial position	13,266	13,773	34,554	92,511	116,020	133,571	188,353	592,048
Of which effect of foreign exchange movements						21,228		21,228

In 2021 net claim payments related to underwriting years prior to 2016 are €0.4m.

24. RELATED PARTY TRANSACTIONS

The Company undertakes transactions with other group undertakings. As the Company is a wholly owned subsidiary of UnipolSai Assicurazioni S.p.A., the disclosure of such transactions is not required under FRS102: Section 33, "Related Party Disclosures".

The Company also entered into transactions during the financial year with related companies that are not 100% owned by the UnipolSai Assicurazioni S.p.A, group. The following companies are considered as related parties: BIM Vita (50%), Incontra Assicurazioni (51%) and SIAT (94.69%).
Below is the impact on the income statement of the above mentioned transactions.

Key Management Personnel of the company include directors of the company. The remuneration paid to the directors of the company is disclosed under Note 8 to Financial Statements.

	2021	**2020**
	€'000	€'000
Gross written premium	219	197
Losses paid	3	(12)
Change in the provision for claims reserve	11	14
Change in local statutory provision	(116)	(89)
Change in the provision for premium reserve	(187)	(174)
	(70)	**(64)**

25. PARTICULARS OF BUSINESS

2021	Bond	Miscellaneous	Fire	Motor	TP	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross written premium	6,704	155	14,345	155,791	2,701	74,873	254,569
Gross earned premium	7,209	1,222	14,150	141,885	3,909	74,589	242,965
Gross claims incurred	(99)	(675)	(33,955)	(105,123)	(805)	(130,030)	(270,687)
Gross acquisition costs	(1,870)	(107)	(5,411)	(20,609)	(997)	(7,838)	(36,832)
Other technical items	(394)	-	(165)	-	(11)	4,685	4,115
Gross technical result	4,846	440	(25,381)	16,153	2,096	(58,594)	(60,439)
Retrocession balance	(2,630)	(433)	16,825	(5,463)	(1,541)	(695)	6,063
net technical result	**2,216**	**7**	**(8,556)**	**10,690**	**555**	**(59,289)**	**(54,376)**
Allocation investments income and general expenses non-life							(4,600)
Total technical accounts non-life business							(58,976)
Net assets allocated	1,254	(667)	(39,635)	(372,085)	(20,870)	(138,342)	(570,345)
Net assets unallocated	-	-	-	-	-	-	1,063,552
Capital and Reserves	**1,154**	**(667)**	**(39,635)**	**(372,085)**	**(20,870)**	**(138,342)**	**493,207**

2020	Bond	Miscellaneous	Fire	Motor	TP	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross written premium	1,833	779	31,418	110,978	5,743	57,432	208,183
Gross earned premium	5,691	2,122	25,650	122,734	6,322	63,966	226,485
Gross claims incurred	921	1,861	(32,143)	(86,746)	(3,080)	(36,287)	(155,474)
Gross acquisition costs	(449)	(488)	(6,132)	(23,804)	(1,668)	(7,528)	(40,069)
Other technical items	4	-	627	-	16	27	674
Gross technical result	6,167	3,495	(11,998)	12,184	1,590	20,178	31,616
Retrocession balance	(5,207)	(3,687)	(6,835)	(4,684)	(1,727)	(1,848)	(23,988)
net technical result	**960**	**(192)**	**(18,833)**	**7,500**	**(137)**	**18,330**	**7,628**
Allocation investments income and general expenses non-life							(2,537)
Total technical accounts non-life business							5,091
Net assets allocated	1,825	(626)	(45,425)	(282,257)	(20,122)	(40,369)	(386,974)
Net assets unallocated	-	-	-	-	-	-	870,032
Capital and Reserves	**1,825**	**(626)**	**(45,425)**	**(282,257)**	**(20,122)**	**(40,369)**	**483,058**

26. STATEMENT OF CASH FLOW

The Company has taken advantage of the disclosure exemption in FRS 102 on the requirement of Section 7 Statement of Cash Flow and paragraph 3.17(d) as it is a wholly owned subsidiary whose holding company prepares a consolidated statement of cash flows.

27. ULTIMATE HOLDING UNDERTAKING

The immediate holding undertaking is UnipolSai Nederland BV (ex Fondiaria Nederlands B,V,), a company incorporated in the Netherlands.

At 31 December 2021, the directors consider Unipol Gruppo S.p.A. to be the ultimate Holding company, which is also the holding company of the largest group in which the results of the Company are consolidated. The holding company of the smallest group in which the results of the Company are consolidated is UnipolSai Assicurazioni S.p.A. Copies of the consolidated accounts of Unipol Gruppo S.p.A. are publically available from the company secretary. Unipol Gruppo S.p.A. Via Stalingrado 45, 40128 Bologna, Italy. Copies of the consolidated accounts of UnipolSai Assicurazioni S.p.A. are available to the public from the company secretary. UnipolSai Assicurazioni S.p.A.,Via Stalingrado 45, 40128 Bologna, Italy.

28. FINANCIAL RISK MANAGEMENT

The Company is subject to financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company monitors and manages the financial risks relating to its operations through internal risk reports which monitor the sensitivities of the portfolio against rises or falls in spread risk, equity risk and interest rate risk. These are measured against set limits within the investment policy approved by the Board of Directors. These risks are also monitored through risk tolerances to measure the capital absorption of the risks within the relevant SCR module within the Solvency II Standard Formula. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The main method of mitigating these risks is set limits for each asset class within the investment policy and sensitivity limits as described above. The Company may also seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

28(a) Fair Value

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.
The table below summarises the methods to calculate the fair value for the different macro categories of financial instruments.

		Mark to Market	Mark to Model and other
Financial Instruments	Bonds	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market. For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
- the primary source is the Composite Bloomberg Bond Trader price provided by Bloomberg;
- where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.
The company uses valuation methods (Mark to Model) in line with the methods generally used by the market.

28. FINANCIAL RISK MANAGEMENT

28(a) Fair Value (continued)

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Company has minimal exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

The table below shows financial assets and liabilities (as disclosed in notes 11 and 12) grouped into the level in the fair value hierarchy into which each fair value measurement is categorized. The movement year on year on investment level 3 is due to partial reimbursements of the only bond falling in this category. Such a security consists in an ABS note with an S&P rating of A, backed by an Italian bank institution and which is guaranteed by the Italian government.

2021

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Debt Securitie's and Other Fixed Income Securities	822,729	-	32,750	855,479
	822,729	**-**	**32,750**	**855,479**

2020

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Debt Securities and Other Fixed Income Securities	726,492	28,907	11,887	767,286
	726,492	**28,907**	**11,887**	**767,286**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(b) Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite and the limits set out in its investment policy.

The Company has established policies and procedures in order to manage market risk and methods to measure it.

There were no changes in the Company's market risk policies in the financial year 2021 nor to the objectives and processes for managing market risk.

i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies. Where a currency mismatch arises the Company seeks to take an asset exposure to limit the mismatch as much as possible.

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

	CAD 2021 €'000	**CAD 2020** €'000	**ILS 2021** €'000	**ILS 2020** €'000	**TRY 2021** €'000	**TRY 2020** €'000	**GBP 2021** €'000	**GBP 2020** €'000	**USD 2021** €'000	**USD 2020** €'000	**CHF 2021** €'000	**CHF 2020** €'000
Assets	88	258	94,375	86,487	2,467	1,828	366,680	244,791	12,731	8,770	8,660	5,531
Liabilities	4,630	4,226	99,266	87,389	6,214	7,063	342,064	246,500	7,905	5,390	8,089	5,034
	(4,542)	**(3,968)**	**(4,891)**	**(902)**	**(3,747)**	**(5,235)**	**24,616**	**(1,709)**	**4,826**	**3,380**	**571**	**497**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(b) Market Risk (continued)

The following table details the Company's sensitivity to a 10% increase and decrease in the Euro against the relevant foreign currencies, excluding the tax effect. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged. Balances in other currencies were not considered because of negligible amount.

	CAD 2021	**CAD 2020**	**ILS 2021**	**ILS 2020**	**TRY 2021**	**TRY 2020**	**GBP 2021**	**GBP 2020**	**USD 2021**	**USD 2020**	**CHF 2021**	**CHF 2020**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
10% increase												
Profit for the year	454	397	489	90	375	524	(2,462)	171	(483)	(338)	(57)	(50)
Shareholders' equity	454	397	489	90	375	524	(2,462)	171	(483)	(338)	(57)	(50)
10% decrease												
Profit for the year	(454)	(397)	(489)	(90)	(375)	(524)	2,462	(171)	483	338	57	50
Shareholders' equity	(454)	(397)	(489)	(90)	(375)	(524)	2,462	(171)	483	338	57	50

ii) Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in long term debt at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for all financial instruments included in the Company's portfolio, excluding the tax effect. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(b) Market Risk (continued)

	2021	2020
	€'000	€'000
0.5% increase		
Profit or loss for the year		
Shareholders' equity	(16,862)	(16,207)
0.5% decrease		
Profit or loss for the year		
Shareholders' equity	16,862	16,207

28(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio and reinsurance programme.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it. There were no changes in the financial year in the Company's objectives, policies and processes for managing credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company only transacts with entities that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and if not available the Company uses other publicly available financial information and its own trading records to rate its counterparties and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Furthermore, in certain instances, the company receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(c) Credit Risk (continued)

Receivables consist of a large number of counterparties, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties except for intra-group's exposures. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Company on a monthly basis. The following table shows aggregated credit risk exposure for assets with external credit ratings.

The majority of debt securities are investment grade and the Company has very limited exposure to debt securities with an S&P rating lower than A-. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability. Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	Neither past due nor impaired 2021	**Past due up to 90 days 2021**	**Past due more than 90 days 2021**	**Past due and impaired 2021**	**Gross Total 2021**	**Carrying Amount 2021**
	€'000	€'000	€'000	€'000	€'000	€'000
Financial Instruments	860,610	-	-	-	860,610	860,610
Cash at Bank	97,028	-	-	-	97,028	97,028
Other Debtors and Accrued Income	818	-	-	-	818	818
Insurance assets	321,192	5,385	19,353	900	346,830	345,930
	1,292,750	**5,385**	**19,353**	**900**	**1,305,286**	**1,304,386**

The above disclosure, does not include amounts related to tangible and intangible fixed assets, deferred tax assets and bad debt provision as is disclosed on the Statement of Financial Position.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(c) Credit Risk (continued)

	Neither past due nor impaired 2020	Past due up to 90 days 2020	Past due more than 90 days 2020	Past due and impaired 2020	Gross Total 2020	Carrying Amount 2020
	€'000	€'000	€'000	€'000	€'000	€'000
Financial Instruments	767,286	-	-	-	767,286	767,286
Cash Banks	29,578	-	-	-	29,578	29,578
Other Debtors and Accrued Income	1,886	-	-	-	1,886	1,886
Insurance assets	258,179	6,847	11,972	900	277,898	276,998
	1,070,591	**6,847**	**11,972**	**900**	**1,076,648**	**1,075,748**

	SP rating AAA 2021	SP rating AA- and AA+ 2021	SP rating A- and A+ 2021	SP rating BBB- and BBB+ 2021	SP rating lower than BBB- 2021	Not Rated 2021	TOTAL 2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Instruments	114,365	397,405	224,403	116,094	3,212	5,131	860,610
Cash Banks	-	33,070	63,955	-	-	3	97,028
Other Debtors and Accrued Income	-	141	-	-	-	677	818
Loans and receivables	-	-	-	-	-	-	-
Insurance assets	-	57,052	74,309	3,559	-	211,910	346,830
	114,365	**487,668**	**362,667**	**119,653**	**3,212**	**217,721**	**1,305,286**

The above disclosure, does not include amounts related to tangible (2021: €0.2m, 2020: €0.2) and intangible fixed assets (2021: €0.2m, 2020: €0.3m), deferred tax assets (2021: €6.7m, 2020:nil) and bad debt provision (2021: €0.9m, 2020: €0.9m) as is disclosed on the Statement of Financial Position.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(c) Credit Risk (continued)

	SP rating AAA 2020	SP rating AA- and AA+ 2020	SP rating A- and A+ 2020	SP rating BBB- and BBB+ 2020	SP rating lower than BBB- 2020	Not Rated 2020	TOTAL 2020
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Instruments	133,472	316,473	196,770	112,165	3,269	5,137	767,286
Cash Banks	-	20,420	3,713	5,442	-	3	29,578
Other Debtors and Accrued Income	-	1,131	-	-	-	755	1,886
Loans and receivables	-	-	-	-	-	-	-
Insurance assets	-	56,772	48,458	20,068	-	152,599	277,898
	133,472	**394,796**	**248,941**	**137,675**	**3,269**	**158,494**	**1,076,648**

28 (d)Liquidity risk management

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims liabilities. In practice, most of the Company's assets are marketable securities which could be converted in to cash when required.

There were no changes in the financial year in the Company's objectives, policies and processes for managing liquidity risk.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. The table includes both interest and principal cash flows.

The expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities has been calculated using the historical pattern of claims reserves rather than the contractual terms.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(d) Liquidity Risk (continued)

	Less than 1 year 2021 €'000	1-3 years 2021 €'000	3-5 years 2021 €'000	5+ years 2021 €'000	Total 2021 €'000
Creditors arising out of reinsurance operations	6,359	7,096	3,927	4,931	22,314
Technical Provisions	226,769	253,026	140,040	175,845	795,679
Deposits received from Retrocessionaires	2,581	2,880	1,594	2,002	9,057
Trade and other liabilities	4,331	-	-	-	4,331
	240,040	**263,002**	**145,561**	**182,778**	**831,381**

	Less than 1 year 2020 €'000	1-3 years 2020 €'000	3-5 years 2020 €'000	5+ years 2020 €'000	Total 2020 €'000
Creditors arising out of reinsurance operations	5,289	4,639	2,196	3,340	15,464
Technical Provisions	196,926	172,742	81,764	124,374	575,806
Deposits received from Retrocessionaires	3,446	3,023	1,431	2,176	10,076
Trade and other liabilities	1,890	-	-	-	1,890
	207,551	**180,404**	**85,391**	**129,890**	**603,236**

The following tables detail the Company’s expected maturity for its non-derivative assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.
The expected maturity profile of the Company’s undiscounted insurance assets has been calculated using the historical pattern of claims reserves rather than the contractual terms.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(d) Liquidity Risk (continued)

	Less than 1 year 2021	1-3 years 2021	3-5 years 2021	5+ years 2021	Total 2021
	€'000	€'000	€'000	€'000	€'000
Financial Instruments	74,122	281,882	225,833	278,773	860,610
Cash at Banks	97,028	-	-	-	97,028
Other Debtors and Accrued Income	818	-	-	-	818
Insurance assets	98,590	110,006	60,884	76,451	345,930
	270,558	**391,888**	**286,716**	**355,223**	**1,304,386**

	Less than 1 year 2020	1-3 years 2020	3-5 years 2020	5+ years 2020	Total 2020
	€'000	€'000	€'000	€'000	€'000
Financial Instruments	63,229	194,413	215,411	294,233	767,286
Cash at Banks	29,578	-	-	-	29,578
Other Debtors and Accrued Income	1,886	-	-	-	1,886
Insurance assets	94,733	83,099	39,334	59,832	276,998
	189,426	**277,512**	**254,745**	**354,064**	**1,075,748**

The above disclosure, does not include amounts related to tangible and intangible fixed assets and bad debt provision as is disclosed on the face of the Statement of Financial Position

Although the Company has access to financing facilities, the Company expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(e) Capital management

The company's regulatory capital requirements are determined in accordance with the Solvency II Directive 2009/138/EC and Statutory Instrument 485 of 2015 and the Commission Delegated Regulations EU 2015/35.

The capital statement sets out the financial strength of the company and provides and analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements. The capital statement also provides a reconciliation of shareholders' funds to regulatory capital.

	2021
	€'000
Total shareholders' funds at year end	493,207
Adjustments to regulatory basis:	
on Technical provision	(28,665)
Investment in group undertaking	542
Investment in L&R	962
Tangible and Intangible assets	(198)
Deferred tax asset/liability	3,419
Excess of assets over liabilities - unaudited	**469,267**
Other adjustment (if any)	**-**
Total available own funds to meet SCR	**469,267**
SCR	**279,696**

	2020
	€'000
Total shareholders' funds at year end	483,058
Adjustments to regulatory basis:	
on Technical provision	(38,115)
Investment in group undertaking	494
Investment in L&R	1,456
Intangible assets	(315)
Deferred tax asset/liability	4,559
Excess of assets over liabilities - unaudited	**451,137**
Other adjustment (if any)	**-**
Total available own funds to meet SCR	**451,137**
SCR	**260,333**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28(e) Capital management (continued)

The Solvency II regime has been effective from 1 January 2016 and establishes a new set of EU (wide capital requirements, risk management and disclosure standards, The Company is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99,5% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

The total Solvency Capital Requirement for the Company is €279.7 million while the total Eligible Own Funds Available to meet the Solvency Capital Requirement amount to €469.3 million as such the solvency capital requirement coverage is 168%.

The Company has complied with the solvency requirements in accordance with the Solvency II Directive 2009/138/EC and Statutory Instrument 485 of 2015 and the Commission Delegated Regulations EU 2015/35.

Regulatory valuation and admissibility restrictions are calculated on best estimates basis for the purposes of determining Own Funds to cover Solvency Capital Requirements as prescribed by the Statutory Instrument 485 of 2015.

Each item that encompasses Own Funds shall be classified in accordance with applicable legislation. Under Solvency II assets fall within Tiers I, II or III and assets which fall within Tiers II and III must meet the limits to match the SCR and the MCR as set out in the Regulations. The Company's overall aim is to maintain its Own Funds within Tier I of the Regulations, however, some of the items may fall within Tier II and III. Where this is the case the Company ensures it has the correct match between the Tiers to meet its SCR and MCR requirements.

UnipolRe maintains an efficient capital structure made up of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to meet its capital management objectives within its capital management policy approved by the Board of Directors;
- to satisfy the requirements of its cedants, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposures to movement in exchange rates.

The main source of additional capital available to the Company, if required, is additional capital provided by the Company's holding Company. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

29. INSURANCE RISK MANAGEMENT

The Company accepts insurance risk through its reinsurance treaties where it assumes the risk of loss from cedants that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting guidelines and reinsurance strategy within an overall risk management framework. Pricing is carried out by an independent pricing and modelling actuarial team who are independent from the underwriting function. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Retrocession strategy is analysed and purchased if necessary to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Retrocession policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the SCR Module under the Standard Formula in Solvency II to which the Company is exposed.

Concentration

The Company writes property, liability and motor risks primarily over a twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i,e, high severity, low frequency events) as well as from a large concentration of UK Non Proportional motor. A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to liabilities:

	Gross 2021 €'000	**Gross 2020** €'000	**Reinsurance 2021** €'000	**Reinsurance 2020** €'000	**Net 2021** €'000	**Net 2020** €'000
UK	284,339	171,887	(2,093)	(2,513)	282,246	169,374
EU (excl.UK) and CH	306,196	203,893	(85,567)	(74,463)	220,629	129,430
US	-	32,164	(202)	(234)	(202)	31,930
Turkey	7,704	9,498	-	-	7,704	9,498
Israel	83,402	71,631	-	-	83,402	71,631
Other	12,281	2,665	(15,615)	(1,692)	(3,334)	973
	693,922	**491,738**	**(103,477)**	**(78,902)**	**590,445**	**412,836**

29. INSURANCE RISK MANAGEMENT (CONTINUED)

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities:

	Gross 2021 €'000	Gross 2020 €'000	Reinsurance 2021 €'000	Reinsurance 2020 €'000	Net 2021 €'000	Net 2020 €'000
Motor third party liability	389,704	305,660	(7,901)	(8,572)	381,803	297,088
Bond	55,292	56,612	(52,463)	(54,758)	2,829	1,854
Fire and other damage to property	77,629	53,931	(30,689)	(755)	46,940	53,176
Third (party liability	19,990	20,258	(3,775)	(5,390)	16,215	14,868
Other	151,307	55,277	(8,649)	(9,427)	142,658	45,850
	693,922	**491,738**	**(103,477)**	**(78,902)**	**590,445**	**412,836**

Since the change in business profile as professional reinsurer from 2015 onward, the lines of business written have been mostly Motor third party liability and Fire and other damage to property. The changes in composition in liabilities from 2020 to 2021 relates to the major flood event in Central Europe (storm Bernd) that has impacted the Fire and other damage to property line of business and the strengthening of reserves on Motor third party liability Isreaeli treaties

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The key methods used by the Company for estimating liabilities are:

- chain ladder;
- expected loss ratio;
- benchmarking; and
- Bornhuetter-Ferguson,

The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholders' equity gross and net of reinsurance due to change in loss and commission ratio. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

29. INSURANCE RISK MANAGEMENT (CONTINUED)

	Pre tax profit 2021	**Pre tax profit 2020**
	€'000	€'000
5% increase in loss ratio		
Gross	(12,514)	(10,017)
Net	(11,212)	(10,368)
5% decrease in loss ratio		
Gross	12,514	10,017
Net	11,212	10,368
5% increase in commission ratio		
Gross	(11,746)	(10,592)
Net	(11,212)	(10,368)
5% decrease in commission ratio		
Gross	11,746	10,592
Net	11,212	10,368

30. POST BALANCE SHEET EVENTS

There are no known post balance sheet events that have a material impact on the company's financial statements.

However, the company is monitoring the geopolitical event in Ukraine. We do not have exposure to the risks we think are most immediately affected by the situation, namely Political Risks, Cyber, Aviation and Marine. It is likely to create upward pressure on inflation and interest rates as the energy supply chain becomes more uncertain.

An increase of interest rates may follow, which would put upward pressure on the Ogden discount rate thus reducing the reserves in the UK Motor XoL class, in which the company has a concentration. We also expect rising interest rates to reduce the value of our assets (bonds). We expect cedants to adjust their rating models, and this will feed through to the premium received on our proportional treaties and the impact on the company will be generally pro-rata to the impact on our cedants.

The situation will affect the company's balance sheet in different ways (and in different directions) and it is unclear what the outcome would be. The company has not yet carried out a quantification analysis of this event.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on the 16th March 2022.