DAS Legal Expenses Insurance Company Limited

Solvency and Financial Condition Report

Year ended 31 December 2023

FIRST FOR JUSTICE

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Summary

Solvency II ("SII") is an EU legislative programme that was effective from 1 January 2016, and is currently still applicable to DAS Legal Expenses Insurance Company Limited ("DAS LEI", "the Company"). Following Brexit, the UK Government is now able to set its own regulations and it has given a clear signal of its intention to tailor the regulatory framework for the UK insurance sector in a move that is likely to see some significant departures from the EU Solvency II regulations.

The main objective of SII was to modernise the previous insurance regulatory framework, with the objective of providing an enhanced and more consistent level of protection for policyholders across Europe. SII introduced features to improve a firm's understanding and management of its risks, which should result in improved resilience to shocks. The objectives of SII are achieved through regulatory supervision which includes public disclosure requirements in the form of the Solvency and Financial Condition Report ("SFCR").

As with each year since 2018 year-end, DAS LEI meets the Prudential Regulation Authority's criteria for being a small firm for external audit purposes and thus this SFCR does not need to be audited. This document includes comparisons and reconciliations to DAS LEI's statutory financial statements, which are audited as required by Company Law.

This SFCR is based on the results for the year ended 31 December 2023 and is summarised below. DAS LEI's Financial Statements for the year ended 31 December 2023 have been prepared under FRS 102 and FRS 103. In prior reporting periods, they were presented under FRS 101. The date of transition to FRS 102 and FRS 103 was 1 January 2022 and to reflect this change, the 2022 comparative information in the SFCR presents the restated results.

Other than the changes noted below, there were no material changes in DAS LEI's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management during 2023.

Section A – Business and Performance

DAS LEI is the market leader for Legal Expenses Insurance ("LEI") in the UK, and part of a large global insurance group, Munich Re during the year. DAS LEI is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Subsequent to the year end, DAS UK Group was sold by ERGO to ARAG SE, that transaction having completed on 2 January 2024.

The year saw an increase in gross written premium to £139,304k (2022: £128,832k) largely as a result of rate rises and growth, driven by new business wins.

The 2023 gross combined operating ratio of 95.3% (2022 restated: 95.5%) saw a small improvement on the prior year, driven by profitable growth and better claims experience on a number of portfolios in the year. The strong technical performance of the underlying business was more than offset by a significant but isolated one-off ATE claim, which drove an overall loss after tax for the financial year of £1,108k (2022 restated: loss after tax £165k).

Once unrealised losses are included the total comprehensive profit on a statutory basis for the year was £2,283k (2022 restated: loss of £7,185k). The 2023 results were impacted favourably by the investment performance: net of tax there were unrealised gains of £3,391k, compared to unrealised losses of £7,020k in 2022 restated. The majority of these fair value gains are due to the increase in the valuation of the Corporate bonds and UK Government bonds, which comprise the majority of DAS LEI's invested assets. DAS LEI monitors Investment performance on an on-going basis to ensure that it is in line with its risk appetite as agreed by the Board of the Company.

DAS LEI's Solvency II ('SII') ratio was also impacted by the improvements in the underlying result and was 228% (unaudited) at 31 December 2023 (2022: 181% (unaudited)); this demonstrates the strength of the Company and the value and protection afforded by the Quota Share reinsurance arrangement that was in place throughout the year with the Company's non-immediate parent undertaking, ERGO Versicherung AG ('ERGO'). Subsequent to the year-end, the Company's immediate parent company, DAS UK Holdings Limited, and all of its subsidiaries including DAS LEI, was sold by ERGO to ARAG SE, that transaction having completed on 2 January 2024. The Quota Share agreement between DAS LEI and ERGO was therefore terminated and not renewed as at the end of 31 December 2023. A new, comparable reinsurance treaty with ARAG SE was effective from 1 January 2024.

Section B –System of Governance

The Board of DAS LEI is ultimately responsible for compliance with the SII regulations and PRA rules through the use of an Internal Control System ("ICS") framework and is responsible for the running of the business. There were some changes to the Board members and Senior Management Function ("SMF") holders as noted in section B.1.

DAS LEI is a subsidiary of DAS UK Holdings and is managed on a unified basis with that company and its other UK subsidiaries (together "DAS UK Group"). Subsequent to the year end, DAS UK Group was sold by ERGO to ARAG SE, that transaction having completed on 2 January 2024.

DAS UK Group manages its business risks and uncertainties using an Enterprise Risk Management Framework ("ERMF"), which includes the following key components:

- Risk Culture;
- Risk Governance (based upon "three lines of defence" principles);
- Risk Strategy;
- Risk Appetites;
- Policy Framework; and
- Risk Cycle (Risk Identification, Risk Assessment and Measurement, Risk Steering, Risk Monitoring and Reporting).

The System of Governance includes the Own Risk and Solvency Assessment ("ORSA") process, which is a SII requirement and also an important management tool in the strategic decision-making process with the forward-looking assessment of own risks. This framework is used to ensure that DAS LEI has financial strength and is adequately capitalised to support business growth and to meet the requirements of the shareholder, regulators, rating agencies and its obligations to policyholders.

Section C – Risk profile

The principal risks and uncertainties in the business have been reviewed and documented as part of the ORSA process. It is possible to identify from the ORSA the principal risks and uncertainties that are particularly relevant to DAS LEI. These are summarised below:

- Underwriting risk (for further information see section C.1);
- Market risk (for further information see section C.2);
- Credit risk (for further information see section C.3);
- Liquidity risk (for further information see section C.4);
- Operational risk (for further information see section C.5); and
- Other material risks including Regulatory risk; Conduct risk; Reputational risk, Climate Change risk; Concentration risk and Group risk (for further information see section C.6).

Section D – Valuation for Solvency Purposes

DAS LEI's excess of assets over liabilities on a SII basis is £42,567k, whilst on the local statutory reporting basis this excess is £20,588k as shown in DAS LEI's statutory financial statements. The difference is due to the differing bases of valuation of assets and liabilities under statutory and SII reporting, particularly in respect of the recognition of future cash flows arising from (re)insurance contracts in the technical provisions for SII reporting. A reconciliation between the equity shown in the financial statements and the own funds for SII purposes is shown in section E.1. Section D sets out the bases, methods and main assumptions used in the valuation of the assets, technical provisions and other liabilities.

Section E – Capital Management

The SII coverage ratio, defined as the ratio of Eligible Own Funds ("EOF") to Solvency Capital Requirement ("SCR"), is a key measure of financial strength under SII. Despite the statutory loss after tax for the financial year, the Company's YE23 solvency position remained robust at 228% (unaudited) (2022: 181% (unaudited), demonstrating the strength of DAS LEI and the value and protection of its reinsurance strategy. DAS LEI has renewed the terms of its reinsurance quota share agreement with ERGO annually and will continue to do so with ARAG going forward.

Section E sets out the capital DAS LEI holds ("Own funds") and the excess of capital above the amount that it is required to hold by the SII regulations and the PRA rules.

Appendix 1 – Quantitative Reporting Templates

This Appendix sets out the Quantitative Reporting Templates ("QRTs") as required by the SII regulations.

Appendix 2 – Glossary of abbreviations and terms.

This Appendix provides a glossary of abbreviations and terms which may aid the reader.

Note: Monetary amounts in this SFCR are usually shown rounded to the nearest thousand. Calculations are performed on the underlying amounts rather than the rounded amounts, so the rounded results might not always reconcile precisely.

Statement of Directors' Responsibilities

Directors' Statement of Responsibility in respect of the SFCR for the year ended 31 December 2023

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year in question, DAS LEI has complied in all material respects with the requirements of the PRA rules and the Solvency II regulations as applicable to DAS LEI; and

b) it is reasonable to believe that DAS LEI has continued so to comply subsequently and will continue so to comply in future.

The SFCR was approved at a meeting of the Board of Directors on the 16 April 2024 and signed on its behalf by:

Director A Coram

A. Business and Performance

A.1. Business

DAS LEI is registered in England and Wales under company number 00103274 as a private company limited by shares. DAS LEI's registered office is located at DAS Parc, Greenway Court, Bedwas, Caerphilly, Wales CF83 8DW.

DAS LEI's principal activity is the transaction of Legal Expenses Insurance ("LEI") business.

DAS LEI operates predominantly in the UK market. The Company used to write business within the European Economic Area ("EEA") on a freedom of service basis in Norway. The Company ceased to write new business in Norway in April 2019.

DAS UK Group was sold by ERGO Versicherung AG to ARAG SE, that transaction having completed on 2 January 2024. The combination of the complementary businesses of DAS UK Group and the ARAG Group ('the Group') will bring benefits to all our stakeholders from the shared knowledge; the potential for new ideas, products, and services; and the further digitalisation of our offering.

DAS LEI operates two fundamental classes of business that remain the focus of its strategy for the duration of its planning horizon:

- Before the Event ("BTE") policies provide insurance in the traditional sense, where cover is purchased to protect the policyholder in respect of the occurrence of potential future events. This business falls under the "Legal expenses insurance", "Assistance" and "Miscellaneous financial loss" SII lines of business; and
- After the Event ("ATE") insurance is provided after a substantive incident has occurred and therefore the risk insured is the risk of losing the litigation. Cover is provided for defendants' costs, their own disbursements and premium indemnity. Solicitors have an alignment of interest as their own costs, which are not indemnified under the terms of the policy, are at risk. This business falls under the following SII lines of business: "Legal expenses insurance" and "Assistance".

DAS LEI is authorised by the PRA and regulated by the FCA and the PRA (Firm Reference Number: 202106).

The PRA's contact details are: Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA.
The FCA's contact details are: Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

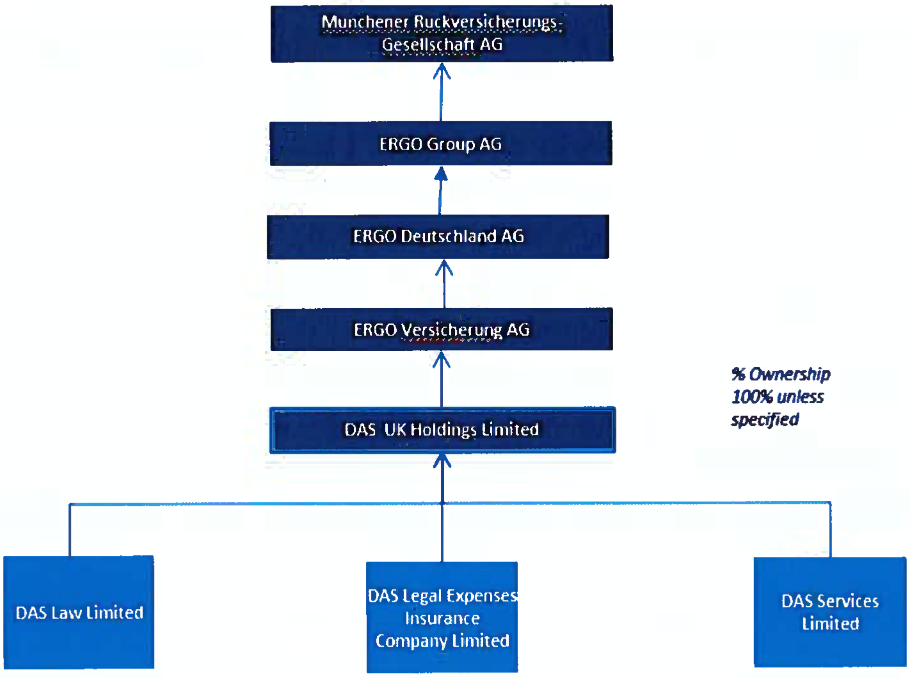
DAS LEI's external auditor is Ernst & Young LLP ("E&Y"), and their contact details are: 1 Colmore Square Birmingham, B4 6HQ.

DAS LEI has no related undertakings, investments in joint controlled entities or associates.

DAS UK Group

DAS LEI is a wholly-owned subsidiary, and the principal trading subsidiary, of DAS UK Holdings. DAS UK Holdings is the holding company of the DAS UK Group of companies. DAS UK Holdings is responsible for overseeing the operations of its subsidiaries including setting the overall strategy and risk appetite of the UK group, delegating appropriate authority to the subsidiaries and ensuring the long-term success of DAS UK Group as a whole as well as the individual subsidiaries.

The diagram below shows the structure of the DAS UK Group and its position, throughout 2023, in the wider ERGO and Munich Re groups:



All DAS UK companies are incorporated in the United Kingdom.

ERGO and Munich Re Groups

DAS UK Holdings was a wholly-owned subsidiary of ERGO Versicherung AG ("ERGO") as at 31 December 2023. Subsequently, on the 2 January 2024 ARAG SE completed the purchase of all of ERGO's shares in DAS UK Holdings, effecting a change in ownership to ARAG SE.

ERGO Deutschland AG became the parent company of ERGO Versicherung AG on the 9th of November 2022.

ERGO Deutschland AG is a wholly-owned subsidiary of ERGO Versicherungsgruppe AG ("ERGO Group").

ERGO Group is one of the major insurance groups in Germany and Europe. It is represented in more than 30 countries worldwide and concentrates on Europe and Asia.

ERGO Group is a wholly-owned subsidiary of Münchener Rückversicherungs-Gesellschaft AG ("Munich Re").

Munich Re is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht ("BAFIN"), Graurheindorfer Straße, 53117 Bonn, Germany.

A.2. Underwriting Performance

"Underwriting result" is defined for the purpose of this document as DAS LEI's profit or loss for the year excluding investment results, foreign exchange gains/losses, other non-technical expenses and the impact of reinsurance.

The underwriting result (gross of reinsurance) is shown below by SII line of business:

All amounts in £'000s	2023	2022 restated
Legal expenses insurance	(112)	2,795
Assistance	1,781	(226)
Miscellaneous financial loss	304	(1,600)
Total Gross underwriting (loss)/profit	**1,973**	**969**

In assessing DAS LEI's performance for the year, the investment performance set out in section A.3 and the performance of other activities (including the reinsurance result) set out in section A.4 should also be considered, as they are not included in the above analysis.

Underwriting profit is unfavourable to the prior year and driven by an isolated one-off ATE loss. This was partly offset by profitable growth on a number of books with earnings benefitting from rate increases, and a better claims experience on a number of portfolios.

DAS LEI used to write business within the European Economic Area ('EEA') on a freedom of service basis in Norway. The Company ceased to write new business in Norway in April 2019, and therefore, there are no other material geographical areas other than the United Kingdom.

See Appendix 1 for the following Quantitative Reporting Templates ("QRTs") that may be required to be disclosed in relation to the underwriting performance. To note that the table above includes in the Total Gross underwriting result 'Other technical income', which is not disclosed in QRT s05.01.01.

S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country

A.3. Investment Performance

The table below analyses the investment return for the year:

All amounts in £'000s	2023	2022 restated
Income from Government Bonds	1,317	492
Income from Corporate Bonds	1,365	501
Income from Structured notes	201	5
Gains/(Losses) on the realisation of Government Bonds	(277)	(41)
Gains/(Losses) on the realisation of Corporate Bonds	(309)	(28)
Losses on the realisation of Structured Notes	19	(9)
Losses on the realisation of Collective Investment Undertakings	-	(18)
Investment management expenses	(186)	(221)
Total Investment return	**2,130**	**681**

DAS LEI's investment portfolio was managed throughout 2023 by Munich Re Group Investment Management ("Munich Re GIM").

Investment return comprises all investment income, realised investment gains and losses, net of investment expenses, charges and interest other than unrealised gains and losses on available-for-sale assets (see "Gains and losses recognised in Equity" below). Interest earned whilst holding available-for-sale investments is reported as interest income using the effective interest rate method.

Gains and losses recognised in Equity

In addition to the items above, there were gains on re-measurement of available-for-sale financial assets, net of tax of £3,391k (2022 restated: losses of £7,020k). These mainly relate to unrealised gains on corporate bonds and government bonds and gilts, and the difference compared to the prior year mainly reflects market movements. DAS LEI monitors Investment performance on an on-going basis to ensure that it is in line with its Board-approved risk appetite.

Investments in securitisations

The undertaking still has no investments in securitisation during the financial year in question, or the prior financial year.

A.4. Performance of other activities

The table below sets out the "Total comprehensive (loss)/profit for the year" as stated in DAS LEI's financial statements, and it also includes the underwriting and investment results set out in the previous sections.

Item	2023 £'000	2022 restated £'000	Comments
Gross underwriting performance	1,973	969	See A.2 section.
Investment performance	2,130	681	See A.3 section.
(Losses)/Gains on re-measurement of available-for-sale financial assets	3,391	(7,020)	See A.3 section.
Performance of other activities			
Other income per Non-Technical account	395	1,066	This includes a net recovery of £126k (2022: £1,013k) where DAS LEI was involved in a private criminal prosecution against a former CEO and two other former staff members.
Other expenses per Non-Technical account	(869)	0	Includes £597k relating to the purchase of a bulk annuity insurance policy in respect of DAS UK Group's defined benefit pension scheme together with £202k relating to the sale of DAS UK Group by ERGO to ARAG SE.
Tax on loss on ordinary activities per Technical and Non-Technical account	429	54	This is tax on the items disclosed in the Profit and Loss Account in the Financial statements. Comprises: tax credit in relation to loss before tax in the year of £143k and deferred tax movements - prior period of £286k.
Items included in the Technical account, other than gross underwriting result	(5,166)	(2,935)	This comprises the reinsurance result which was a loss of £5,166k (2022 restated: £(2,935k)) DAS LEI's reinsurance policy helps mitigate risk to policyholders and gross underwriting risk, improving DAS LEI's SII position.
Total comprehensive profit/(loss) for the year	**2,283**	**(7,185)**	

Leases

The only lease that DAS LEI is party to is a building lease, which was assessed to determine whether substantially all of the benefits and risks of ownership remain with the lessor. As the lease does not transfer all of the benefits and risks of ownership to DAS LEI, it is categorised as an operating lease. Rental charges applicable are recognised in the income statement on a straight-line basis (net of any lease incentives received) over the lease term. Operating lease charges of £135k were recognised in DAS LEI's 2023 income statement (2022: £135k).

A.5. Any other information

There is no other material information to disclose.

B. System of Governance

DAS LEI's system of governance is deemed appropriate for the nature, scale and complexity of the risks inherent in its business. The system of governance is set out below.

There have been no material changes in the system of governance other than those noted below, and it operated satisfactorily, during the reporting period.

B.1. General information on the system of governance

DAS LEI is managed on a unified basis with other companies in DAS UK Group, including DAS UK Holdings, DAS LEI's immediate parent company.

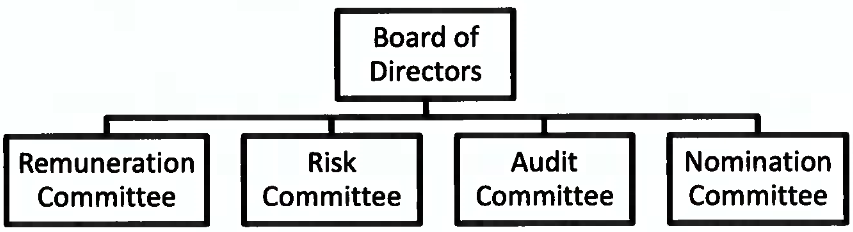
DAS UK Group has developed a Corporate Governance Structure that facilitates a clearly-defined decision-making process, business execution system and supervisory system. This structure allows decision-making authority to be delegated throughout DAS UK Group to ensure that there is efficiency of decision-making while also maintaining effective oversight.

At the top of DAS UK Group's Corporate Governance Structure is the Board of Directors, which has a clearly-defined mandate and duties. Below the DAS UK Holdings Board of Directors the governance structure consists of the following:

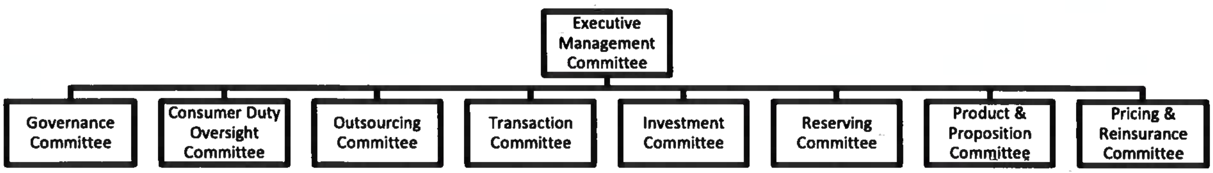
- Board Committees that report and make recommendations to the Board of DAS UK Holdings;
- An Executive Management Committee ("EMC") that reports to the Board and is responsible for the day-to-day running of DAS UK Group;
- Management Committees that are responsible for first line risk management decisions for key areas within DAS UK Group. These report into the EMC, and in some cases the Risk Committee; and
- Functional areas that are responsible for the second and third line of defence activities within DAS UK Group and report into the Risk Committee or Audit Committee.

The Corporate Governance Structure, effective during the year ended 31 December 2023, is outlined in the DAS UK Group Governance Map below.

(i) Committee structure - Corporate Governance



(ii) Committee Structures – Executive Governance



The duties outlined for the Board, Board Committees and Management Committees refer to DAS UK Group as a whole.

Roles, Responsibilities and Purpose

Boards

DAS UK Holdings Limited Board

The Board of Directors of DAS UK Holdings is collectively responsible for the long-term success of that company and its subsidiaries (DAS UK Group). The DAS UK Holdings Board provides entrepreneurial leadership of that company within a framework of prudent and effective controls which enables risk to be assessed and managed. The DAS UK Holdings Board is responsible for setting that company's strategic aims, ensuring that the necessary financial and human resources are in place for that company to meet its objectives and review management performance. The DAS UK Holdings Board sets that company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

DAS Legal Expenses Insurance Company Limited Board

The Board of Directors of DAS LEI is collectively responsible for the long-term success of the Company. DAS LEI's Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. DAS LEI's Board is responsible for setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for DAS LEI to meet its objectives, and reviewing management performance. The DAS LEI Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

DAS UK Holdings Board Committees

DAS UK Holdings has established Board Committees to carry out activities on behalf of, and make recommendations to, the Board in key areas of responsibility (and, where relevant, the Boards of its subsidiaries). Given the size, complexity and activities that are carried out by DAS UK Holdings and its subsidiaries, the Board has deemed it appropriate to create the following Board Committees:

Nomination Committee

The Nomination Committee is responsible for making recommendations for maintaining an appropriate balance of skills on the Board with a view to ensuring the continued ability of the organisation to meet its strategy, and for approving appointments to the Board and the EMC.

Remuneration Committee

The Remuneration Committee is responsible for the setting and oversight of the remuneration policy for the Executive Management Committee (EMC), including the appropriate framework and governing principles for fixed and variable pay which includes sales incentives and other performance-based arrangements.

Audit Committee

The purpose of the Audit Committee is to provide oversight and assessment of the integrity and accuracy of the financial reporting, along with the effectiveness of the internal controls of DAS UK Group. It is also responsible for the management, coordination and oversight of the internal and external audit functions. Additionally, the Committee has responsibility for the DAS UK Group whistle-blowing policy.

Risk Committee

The Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of DAS UK Group and future risk strategy, including determination of an appropriate risk appetite and risk tolerance. It also has responsibility for reviewing and approving various formal reporting requirements and promoting a risk awareness culture within DAS UK Group.

DAS UK Holdings Management Committees

Executive Management Committee (EMC)

The purpose of the EMC is to manage the business of DAS UK Group within agreed financial limits set by the Board. Subject to these financial limits, it has primary authority for the day-to-day management of DAS UK Group's operations save for those matters which are reserved to the Board or its committees.

Transaction Committee

The Transaction Committee's purpose is to review and approve all major transactions or investments outside of the usual course of business. This could include but is not limited to: Deals; M&A; Underwriting outside of the normal guidelines or strategic accounts; investments; and marketing campaigns.

Consideration is given to market need, competitors, risks, customer outcomes, perceived benefits and appetite of DAS UK Group. In some instances, input is received on the financial implications of the transaction from the Pricing and Reinsurance Committee.

Pricing and Reinsurance Committee

The Pricing and Reinsurance Committee is responsible for monitoring the performance and capital requirements of all individual lines of business across BTE, ATE, Insured Assistance and other business lines. Responsibilities include approval of outward reinsurance agreements; review of pricing and financial implications; and review pricing adequacy and recommend changes as necessary.

Product and Proposition Committee

The Product and Proposition Committee's purpose is to oversee and control the product development process for new and existing products and services across DAS UK Group, including BTE, ATE, Insured Assistance, Legal Services, Special Risks and other business lines. It is also to ensure that the development of new products and services meet regulatory and company requirements and considers business conduct and fair outcomes for customers at each stage in the process.

Reserving Committee

The purpose of the Reserving Committee is to:

- Review DAS LEI's claims reserving policy;
- Review and challenge models, assumptions and data used in the most recent claims reserves assessment and the calculation of technical provisions for SII, IFRS 17 and local GAAP; and
- Make recommendations in respect of the models and assumptions to be used.

Outsourcing Committee

The purpose of the Outsourcing Committee is the:

- Management and periodic review of outsourcing arrangements and delegated authorities across all business lines, including oversight of partner audits;
- Review of management information;
- Monitoring of outsourcer performance against key metrics;
- Monitoring of outsourcer compliance with regulatory requirements; and
- Oversight of outsourcing risk management arrangements, contractual agreements, and maintenance of an inventory of all material outsourcing arrangements.

Investment Committee

The purpose of the Investment Committee is the oversight and periodic review of investment management arrangements and delegated authorities, including review of management information, monitoring of the Investment Manager's performance against key metrics (risk triggers), monitoring of compliance with regulatory requirements, and oversight of market risk management arrangements and contractual agreements.

Governance Committee (Audit, Risk & Compliance)

With effect from 1 January 2023, the Governance Committee replaced the Conduct & Compliance Committee and the Executive Management Audit & Risk Committee. It is a unified second, and third, line of defence committee with the purpose of:

- Overseeing the implementation and performance of the Group's Enterprise Risk Management Framework;
- Implementation of the firms' Compliance Frameworks within the Regulatory Risk appetite set by the Board;
- Implementation of the Group's Information Security framework within appetite set by the Board;
- Implementation of the Group's Resilience & Business Continuity Management Frameworks within the Operational Risk appetite set by the Board; and
- Reporting to executive management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with Internal Audit Standards.

Consumer Duty Oversight Committee

The Consumer Duty Oversight Committee has been established in Q4 2023 with the purpose of supporting the Board and Senior Management in determining the extent to which the firm continues to meet with the FCA's Consumer Duty (Principle 12) and the firm's own objectives for the delivery of good customer outcomes.

The governance structure described and illustrated above was effective for the year ended 31 December 2023.

Roles and Responsibilities of Board Members and other Key Function Holders

1. Chair of the Board

The Chair is responsible for the leadership of the Boards of DAS UK Holdings and DAS LEI, ensuring their effectiveness in all aspects of their role including regularity and frequency of meetings.

Responsibilities include:

- Setting the Board agenda considering the issues and concerns of all Board members and concentrating on strategic matters;
- Chairing board meetings, general meetings and meetings of the Nomination Committee at which the Chair is present;
- Managing the Board to allow enough time for discussion of complex or contentious issues and where appropriate arranging informal meetings beforehand to enable thorough preparation for the Board discussion; and
- Ensuring that Directors receive accurate, timely and clear information, including that on DAS UK Group's current performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of DAS UK Group.

2. Non-Executive Directors

Non-Executive Directors are required to bring innovation and experience to the Board whilst monitoring executive decisions. They should also be independent in judgement and have an enquiring mind. They are responsible for scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. Additionally, they are responsible for constructively challenging the Board and for the provision of assistance in developing DAS UK Group's strategy.

Specifically Non-Executive Directors must satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

In addition Independent Non-Executive Directors are responsible for:

- Challenging decisions made by the Board, committees of the Board and Directors, ensuring compliance and good governance in line with regulatory and statutory obligations; and
- Reporting to the appropriate authorities issues where there are possible breaches of regulations or statutory obligations.

3. Chief Executive Officer

The Chief Executive Officer ("CEO") receives delegated authority from the Board to execute the DAS UK Group business strategy, in accordance with the direction and policies established by the Board. Key responsibilities include Board administration and support, programme, product and service delivery, financial and risk management, human resource management and community/public relations.

4. Chief Financial Officer

The Chief Financial Officer ("CFO") has accountability for the management of the financial resources of DAS UK Group and reporting to ERGO Group in relation to its financial affairs. The CFO oversees the Finance and Actuarial departments at DAS UK Group. They are accountable for the strategic direction and quality of all financial matters, including financial planning and analysis, reporting and tax, accounting and reserving.

5. Director of Claims

The Director of Claims oversees end-to-end claims operations, including the non-legal case aspects of the DAS customer journey.

6. Director of Client Services

The Director of Client Services is responsible for:

- Developing and delivering the Insurance business strategy, which includes underwriting and pricing;
- Providing insight, advice and guidance on areas of development, trends and changes, identifying and supporting new business opportunities for DAS LEI;
- Being accountable for the profit or loss of the Insurance business, driving growth whilst also managing margins and cost; and
- The Technical Claims function.

7. Director of Technology, Data and Strategic Change

The Director of Technology, Data and Strategic Change oversees a number of critical operational areas within DAS UK Group and is accountable for the operational infrastructure of DAS UK Group and has specific responsibility for the IT estate and architecture, data and information management, information security, BCM, project management and change management.

8. Chief People Officer

The Chief People Officer has ultimate accountability for all people and property-based activity from both an operational and strategic perspective. They are accountable for driving the people and property agenda across DAS UK Group, in line with the overall corporate strategy, and for setting and embedding the desired company culture and behaviours.

9. Director of Legal Services

The Director of Legal Services is accountable for all in-house legal activity, oversight of our Company Secretariat function and overall responsibility for all outsourced and third party relationships, ensuring we have appropriate processes, policies and governance in place to safely and diligently manage these activities.

10. Head of Internal Audit

The Head of Internal Audit is responsible for the identification and testing of the controls and systems associated with DAS UK Group and for the provision of assurance to the Board regarding the management of all risks pertinent to DAS UK Group.

11. Chief Risk and Compliance Officer

The Chief Risk and Compliance Officer is responsible for defining and owning the overall DAS LEI's risk and compliance frameworks and development and ongoing maintenance of the Company's 3 lines of defence model.

12. Chief Actuary

The Chief Actuary directs the Actuarial function, which is responsible for analysis and quantification of financial risks and liabilities. Key responsibility areas include reserving, capital modelling, and pricing support. The Chief Actuary is responsible for complying with SII regulations and the PRA Rulebook in relation to the Actuarial Function Holder, including oversight of the calculation of technical provisions, appropriateness of underwriting and pricing policies, and adequacy of reinsurance arrangements.

Changes in roles in the year

On 9 January 2023, Jennifer Morgan (Head of Internal Audit) took a sabbatical.

On 10 January 2023, Leilane Patag was appointed as SMF5 Interim Head of Internal Audit, with regulatory approval from 30 March 2023.

On 19 April 2023, Annie Bernays replaced Thomas Biermann as a Director and Chief Financial Officer of DAS LEI, and Thomas Biermann left the DAS UK Group.

On 7 July 2023, Jennifer Morgan returned and Leilane Patag left her position as an Interim Head of Internal Audit.

On 31 August 2023, Karen Morris stood down as an Independent Non-Executive Director.

On 31 October 2023, Matthew Allam was appointed as Interim Chief Financial Officer due to Annie Bernays being absent from the business.

On 2 January 2024, Christine Kaaz, Ilona Mihele, Oliver Willmes stood down as Non-Executive Directors and Renko Dirksen, Matthias Maslaton, Hanno Petersen were appointed as Non-Executive Directors.

On 1 February 2024, Annie Bernays (Chief Financial Officer), David Swigciski (Director of Client Services and Executive Director of DAS LEI) and Enrique Gomez (Director of Claims) left the DAS UK Group.

On 2 April 2024, Anthony Buss was appointed as Chief Executive Officer replacing Anthony Coram.

On 2 April 2024, Dirk Hock was appointed as Chief Financial Officer.

Remuneration

Information on the remuneration policy and practices

The Remuneration Committee has overall responsibility for the remuneration decisions for DAS UK Group's Directors and Senior Managers. The Committee monitors both fixed and variable remuneration for this group and the total overall spend on variable pay. The remuneration paid to Independent Non-Executive Directors ("INEDs") is also determined by the Remuneration Committee and is reviewed at least every three years. INEDs are not entitled to performance-related remuneration.

We have 6 grades based on role size, grade A – F (junior to senior), which are used to help determine overall employee remuneration packages.

Grade	Typical roles
F	CEO, Directors
E	Head of Roles
D	Senior Managers or Managers of Managers, Senior Technical Specialists
C	Team Leaders, Technical Specialists
B	Operational or junior technical roles
A	Support or Administration roles

Remuneration for the members of the EMC, effective 1 January 2023 is as follows:

- Executive Board Members: Fixed allowance in lieu of bonus;
- Grade F: As per Executive Board Members; and
- Grade E: Variable bonus award, which is based on personal performance, plus a fixed allowance in lieu of bonus, which replaced the financial element of bonus.

The DAS UK Group Remuneration and Compensation Policy governs executive pay and outlines the requirements under Solvency II.

An outline of our approach to variable pay for non-EMC members is set out below:

- Grade E scheme: This arrangement is the same as that described for EMC grade E members;
- Client Services (non-new business roles): Operates a scheme similar to the grade E scheme, with the financial element being delivered as an allowance in lieu of bonus, targets and maximum opportunities for the variable element differ by role type;
- Client Services (New Business): This annual incentive scheme is typically based on team and individual new business targets.
- Legal Services: Other than for grade E roles, the general bonus schemes in this function were replaced with a consolidated salary increase, the changes having been implemented in July 2023.

Remuneration for all employees is managed according to an annual budgeted pay process. The pay award is also subject to negotiation annually with Unite, the recognised Union. Typically, once agreed, all pay increases are effective from April and they are distributed by reference to the employee's overall performance rating from the previous year. Pay levels are benchmarked annually using Willis Towers Watson. In addition, employee benefits are provided including market-aligned benefits.

For 2023, to help with the cost of living, the annual pay review date was brought forward to 1 January 2023 and a 5% increase was applied across the grade A – E population. In addition, a lump sum payment was delivered in December 2022 to those earning £45k or less with sliding scale payments for those earning up to £50k.

Supplementary Pension Options and Early retirement scheme

There are no supplementary pension provisions. All executive members of the administrative, management or supervisory body and other key function holders are covered under the standard defined contribution pension plan. There is no provision for non-executive members.

Also see allocation of key functions in accordance with the FCA Handbook and the PRA Rulebook in section B.2.

Material Transactions during the reporting period

Under the quota share arrangement with ERGO, which was in force up until 31 December 2023, DAS LEI ceded 90% of its insurance business, net of external reinsurance. This transaction was entered into on an "arm's-length" basis.

Due to the completion of the sale of DAS UK Group by ERGO to ARAG SE on 2 January 2024, the Quota Share agreement between the DAS LEI and ERGO was terminated and not renewed as at the end of 31 December 2023. A new, comparable reinsurance treaty with ARAG SE was effective from 1 January 2024.

For information on Directors' remuneration, see the Directors' remuneration note in DAS LEI's financial statements for the year ending 31 December 2023.

B.2. Fit and proper requirements

Requirements

DAS UK Group has a "Fitness and Propriety" policy in place which sets out the framework for assessments of the fitness and propriety of its Board members, Senior Management Function, Certification Function and Key Function holders. The policy is designed to ensure the regular, thorough and consistent assessments of relevant individual's fitness and propriety.

The policy contains a definition of fitness and propriety and the collective qualification and experience requirements for the various relevant positions:

- **Members of the DAS LEI Board** must collectively possess appropriate qualifications, knowledge and expertise on insurance, financial markets, actuarial analysis, underwriting, regulatory framework and requirements, business strategy, business model and risk management. Each member must possess the qualifications, experience and knowledge required to fulfil the specific responsibilities assigned to him/her within the Board.
- **Executive Senior Management,** the remaining senior management members must possess the equivalent qualifications, experience and knowledge as outlined for Members of the Board to the extent relevant for their particular scope of responsibility.
- **Holders of Key Functions** must have the qualifications and experience required respective to their position, role and responsibilities as well as general knowledge of the insurance sector and specific knowledge of the firm.
- **Holders of Certification Functions** must have the qualifications and experience required respective to their position, role and responsibilities as well as general knowledge of the insurance sector and specific knowledge of the firm.

Process

The Fitness & Propriety Policy provides guidance on how fitness and propriety are assessed based on the various sources of evidence gathered. It also provides guidance on the management of adverse findings as a result of assessments.

The fitness and propriety of relevant individuals is assessed prior to commencement of their role and on an ongoing basis thereafter.

- **New appointments** fitness and propriety are assessed by comparing the candidate's profile (knowledge, skills, qualifications, skills and expertise) against the job description and requirements of the role, obtaining regulatory references and verifying the honesty, integrity, reputation and financial soundness of the individual via background screening and pre-employment checks.
- **Ongoing assessments** are carried out on at least an annual basis to ensure relevant individuals' fitness and propriety subsequent to their initial appointment. These assessments include a self-certification, confirmation of ongoing competence through performance management and background checks to confirm continued propriety.

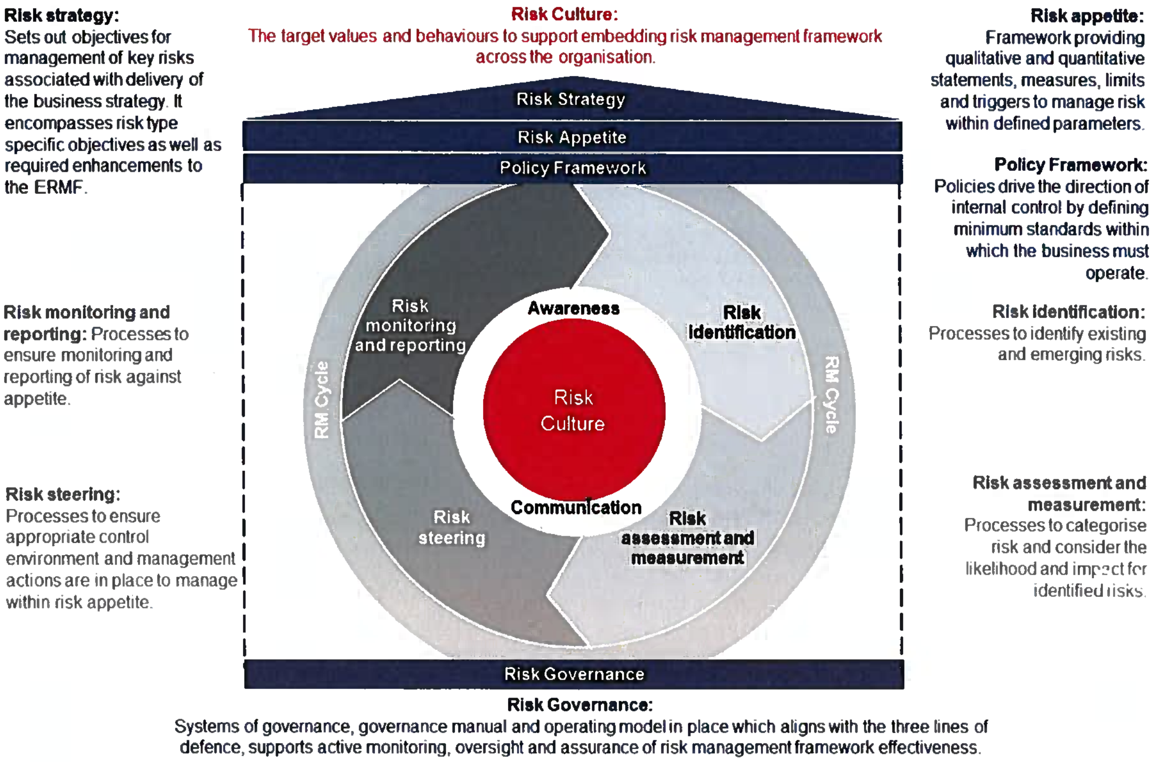
B.3. Risk Management System including the Risk and Solvency Assessment

Description of the Risk Management System

DAS UK Group manages its business risks and uncertainties using an Enterprise Risk Management Framework (EMRF) which includes the following key components: Risk Culture; Risk Governance (based upon "three lines of defence" principles); Risk Strategy; Risk Appetites; Policy Framework; and Risk Cycle (Risk Identification, Risk Assessment & Measurement, Risk Steering, Risk Monitoring & Reporting).

DAS UK Group Enterprise Risk Management Framework

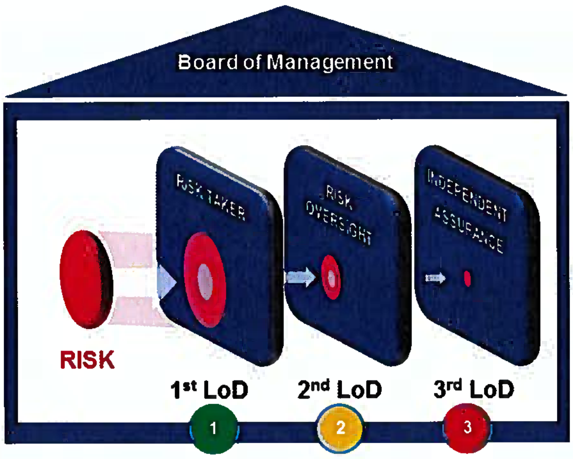
The diagram below sets out the DAS UK Group Enterprise Risk Management Framework and implicitly links the key components of Governance, Board-expressed risk appetite and overarching risk policies with the day-to-day risk management practices of DAS UK Group:



Description of how the Risk Management System is implemented

As set out in the diagram below, DAS LEI's organisational structure reflects the three lines of defence principles with key functions operating as essential components of the system of governance:

- Three lines of defence: facilitates clarity of responsibilities based on appropriate segregation of duties. An overview is shown below.
- Key Functions: DAS LEI has four separate key functions: Risk; Compliance; Actuarial and Internal Audit ("IA"), all of which have documented roles and responsibilities which align to SII and the SMCR requirements.



Board of Management

Oversight and challenge of all three lines of defence

- Set Business and risk strategy
- Determine business targets
- Define risk appetite based on risk-bearing capacity
- Monitor company's Risk Profile
- Receive internal risk reports, oversee Internal Audit Function

1st LoD: Business Unit(s) (Risk Taker) 1

Day to day management, control and reporting of risk exposures in accordance with the strategies, policies and risk appetite set by the Board

- Take informed risks in line with risk strategy and risk appetite and tolerance levels
- Execute and deliver the risk management cycle
- Report exposures to Business Risk Function and defined governance forums

2nd LoD: Business Risk Function (Risk Oversight) 2

Responsibility for the oversight and challenge of day to day management, control and reporting of risks

- Drives development of risk strategy and policy framework
- Drives development, maintains and promotes risk appetite framework
- Develop and implement risk identification, assessment, monitoring and reporting framework and processes
- Risk and Compliance oversight and second line risk advice

3rd LoD: Internal Audit (Independent Assurance) 3

Independent assurance on the overall system of internal control, including risk and compliance

- Verify that an effective ERMF is in place and is functioning properly to manage risk and controls across the business, allowing for independence from 1st and 2nd lines of defence

The DAS LEI Board is ultimately responsible for risk management within DAS LEI and is supported with advice provided by the Risk Committee. The system of governance is formally defined within the DAS UK Holdings Governance Manual.

The risk management system comprises the following elements:

i) Chief Risk and Compliance Officer

The Risk and Compliance function is led by the Chief Risk and Compliance Officer, who reports directly to the DAS UK Group CEO. The Chief Risk and Compliance Officer is a Senior Management Function holder (SMF4 and SMF16) under the FCA/PRA rules.

ii) Compliance with the DAS LEI Responsibilities Map

The following are key extracts of the DAS LEI Responsibilities Map as they relate to risk management:

Board Risk Committee

The Board Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy, including the determination of appropriate risk appetites and risk tolerance. It also has responsibility for reviewing and approving various regulatory and reporting requirements and promoting a risk awareness culture within the Group.

Executive Management Committee ("EMC")

The EMC is the primary management committee of DAS UK Holdings, responsible for managing all aspects of the group including strategy, culture, revenue, risk and control, cost and people. It is the committee that is responsible for executing on the strategy that has been approved by the Board of DAS UK Holdings.

All DAS UK Holdings Management Committees are required to report directly into the Executive Management Committee on matters that they deem appropriate, as defined in their Committee Terms of Reference.

Governance Committee

The Governance Committee is responsible for the oversight of the System of Governance and the findings / opinions resulting from the activities of the Key Functions. This includes the following:

- Implementation and performance of the Group's Enterprise Risk Management Framework, including monitoring and escalation of risk appetite and any breaches;
- Implementation of the firm's Compliance Frameworks within the Regulatory Risk appetite set by the Board, including escalation and monitoring of compliance breaches and compliance with regulatory expectations;
- Implementation of the Group's Information Security framework within appetite set by the Board, including escalation and monitoring of information security incidents and compliance with ERGO and regulatory obligations;
- Implementation of the Group's Resilience & Business Continuity Management Frameworks within the Operational Risk appetite set by the Board, including escalation and monitoring of BCM incidents and compliance with regulatory obligations; and
- Reporting to executive management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with Internal Audit Standards. Reporting is to include significant risk and control issues and other matters that require attention of executive management.

Risk Cycle – Risk Identification

Risk identification processes ensure the complete and consistent identification of relevant risks and controls. These processes include:

- Internal Control System ("ICS") – Critical processes are reviewed on a regular basis to ensure that key controls have been identified;
- Corporate Risk Profiling - Senior management team assess corporate level risks aligned with Risk Categories and, agree those requiring active monitoring over the following 12 months;
- Departmental Risk Profiling – "Bottom-up" risk identification at a key level;
- Programme and Project Risk Profiling – Facilitated by the project owners and/or sponsors and subject to project management principles. At project close, any relevant risks are transferred to the appropriate business owner for BAU ownership;
- Risk Events - The crystallisation of a control failure or control gap triggers a review to ensure that initial impacts have been mitigated and that root cause identification allows for new controls to be implemented; and
- Emerging Risk Process - Process to identify emerging risks through the regular monitoring of changes to the internal and/or external business environment which may impact the existing/future risk profile.

As risks can be identified at all levels of the organisation, risk identification processes involve employees throughout DAS UK Group across all hierarchy levels (employees, managers, Board).

Risk Cycle – Risk Assessment and Measurement

DAS LEI uses risk analysis to ensure the consistent measurement of all identified individual risks. The risk analysis scores risks considers the likelihood of materialisation and potential impacts resulting in an overall evaluation.

In addition, there are Board-approved risk appetite statements which in turn are monitored by underlying Key Risk Indicators.

The consolidated risk profile is assessed on a quarterly basis by the defined governance structure, through review and challenge of risk management information.

Stress-testing, scenario analysis and solvency requirements including calculation processes support the assessment and measurement of extreme events through the Own Risk and Solvency Assessment ("ORSA"), considering the impact upon solvency and the need for contingency planning and management of extreme events.

Risk Cycle – Risk Steering

Risks are steered in accordance with Business and Risk strategy, aiming to keep within approved risk appetites and to take appropriate action on specific risk triggers. Risk steering aims to reduce the probability of the risk occurring and / or the impact should it materialise.

In all cases, any deficiencies identified through risk and control assessment, risk event management or risk assurance processes will result in the identification and progression of appropriate management action. Day to day risk steering and execution of processes in line with defined methodology is the responsibility of senior management.

Risk Cycle – Risk Monitoring and Reporting

Risk monitoring processes ensure continued consideration of risk exposures against appetite, at an individual and consolidated risk level. Monitoring processes are in place within business functions through risk assurance processes and control testing. These processes are subject to oversight from the Risk Function.

Internal risk reporting is in place to provide a risk informed basis for management decisions. Internal risk reports include information in relation to risk profile, risk appetite, risk events, emerging risks, regulatory liaison, oversight and assurance activity, policy compliance and capital performance.

The 3rd LoD Internal Audit ("IA") function completes a defined programme of independent assurance through delivery of the annual IA plan.

External risk reporting is undertaken in accordance with regulatory requirements.

Process undertaken to conduct the Own Risk Solvency Assessment ("ORSA")

The Own Risk and Solvency Assessment is an internal process undertaken to assess the adequacy of:

- Our risk management framework;
- The effective governance of that risk framework; and
- Current and prospective solvency positions under normal and severe stress scenarios.

The ORSA documents in detail this approach and the results of the analysis.

Assessment of risk profile	Assessment of overall solvency needs	Control environment / Compliance with regulatory capital requirements
• Encompass **all material risks and their interrelations.** • Check **adequacy of the** internal **model**/ standard formula and the **processes** for mitigating risks **against risk profile.**	• Assess overall solvency needs (regulatory minimum requirements, buffer / stakeholder expectations). • Take into account specific risk profile, approved risk tolerance limits and business strategy. • Provide forward-looking projections of capital requirements and own funds at least over business planning time horizon. • Encompass risk mitigating techniques & capital management actions.	• Ensure compliance with regulatory solvency needs on a continuous basis • Ensure compliance, at any time, over the business planning time horizon. • Establish early-warning system to estimate changes in the capital requirements and eligible own funds since the last full solvency calculation

The ORSA process

The ORSA process is an integral part of the Company's System of Governance and provides a qualitative and quantitative assessment of the risks faced by DAS LEI, focused on the most recent year-end with forward-looking elements based upon the mid-term plan. The objectives of the ORSA and the corresponding roles, responsibilities and processes are described in the ORSA Policy.

ORSA Report

The ORSA is the central tool for the Risk Management Function ("RMF") to provide comprehensive ORSA relevant information to DAS LEI's Board to support risk-aware decision making.

The ORSA represents the annual risk report, documenting the risk strategy and recording the key aspects of internal guidelines on risk and capital management. Individual aspects are documented in more detail in relevant policies, and process documentation.

Once the ORSA has been performed and the results reviewed, challenged and approved by the Board, communication of the results and conclusions must be ensured by the RMF.

Final Board approval signals the end of the annual regular ORSA process. The approval is documented in the minutes of DAS LEI's Board meeting.

Roles and responsibilities regarding the ORSA process

Board

The Board has the ultimate responsibility for the ORSA process, playing an active role in oversight and challenging the outcome.

In particular, the Board has the following responsibilities regarding the ORSA:

- DAS LEI's Board has to challenge and approve the business plan as a basis for the forward-looking perspective. It has to discuss the key assumptions to assess the validity of the business plan and possible sensitivity to risk drivers;
- DAS LEI's Board has to discuss and define the material ORSA Report topics and stress tests for the ORSA;

- DAS LEI's Board has to challenge and approve the ORSA outcome. This must be adequately documented, e.g. in the minutes of the Board meeting. The ORSA is the central tool for DAS LEI's Board. It completes the outcome of the underlying processes by summarising all the relevant aspects once a year. The report provides DAS LEI's Board with a comprehensive picture of the risks the undertaking is exposed to or those it could face in the future. It enables DAS LEI's Board to understand these risks and the corresponding model and how the risks translate into capital needs;
- DAS LEI's Board reviews and challenges the results of the risk profile analysis of the ORSA;
- The RMF proposes possible measures and presents the outcome of the ORSA to the Board; the Board derives the final statement of the ORSA Report;
- DAS LEI's Board has to ensure that the results of the ORSA are continually taken into account at least in terms of capital management, strategic decisions, business planning and product development and design; and
- DAS LEI's Board receives interim updates on core ORSA elements via the various reporting and decision-making processes (e.g. quarterly risk reporting, ad hoc reporting, submissions to the Board for information and decision making on ORSA Report relevant aspects). It has to discuss the information and decide if actions or further analysis and information are necessary.

Risk Management Function

The Risk Function has responsibility for the design and implementation of the ORSA process supporting DAS LEI's Board in fulfilling its obligation to prepare the assessment.

Regularity of review

The ORSA Report is the central tool for DAS LEI's Board. It completes the outcome of underlying processes by summarising all the relevant aspects once a year in line with regulatory requirements.

Determination of Own Solvency needs

Capital Management Strategy

Focused on analysis and monitoring capital adequacy requirements and ratios, DAS LEI's Capital Management Strategy also aims to maintain an appropriate capital position in the context of DAS LEI as a UK insurer in consideration of its role within the wider Munich Re (for prior to 2024) / ARAG SE Group (from 2024 onwards). The capital management activities are considered as part of the ORSA process.

See "Objectives, polices and processes employed in managing own funds" in section E.1 for DAS LEI's capital management procedures.

B.4. Internal control system

Description of Internal control system ("ICS")

ICS forms a key element of DAS LEI's overall governance system and is used primarily to ensure that the controls over our critical processes are designed appropriately and operating effectively. ICS systematically links key controls and steering measures with the significant operational risks within business processes. In this context, significant risks are defined as those, which alone, or cumulatively, could jeopardise a critical process (based on a self-assessment of the responsible process owner). A key control is one that is absolutely necessary to avoid or significantly reduce an identified risk and which cannot be compensated by other controls; the absence of this control can lead to significant errors in the associated process.

The ICS process includes assessment, analysis, evaluation and steering of the identified controls. Significant are managed as necessary through further treatment The ICS's self-assessments are carried out regularly with Risk Management function oversight. The Risk Management function provides appropriate challenge and feedback where required. Results are reported to the Board on an annual basis.

Description of the Compliance function

DAS LEI has in place a Compliance function which operates as a second line of defence and is identified as one of DAS LEI's four Key Functions. The Compliance function is independent of the business and provides both technical guidance and oversight of operational compliance matters.

In addition, formal reporting on DAS LEI's compliance performance is reported quarterly to both the Governance Committee and Board Risk Committee on all applicable compliance disciplines. All regulatory incidents are reported through to the Risk department as per the risk event management process and highlighted where applicable to the Compliance function for on-going support and oversight to remediation.

B.5. Internal Audit function

Internal Audit Function

DAS UK Internal Audit is the Internal Audit Function of DAS UK Group. The Board of Directors of DAS UK Group mandated DAS UK Internal Audit to:

- Develop and apply a risk-based approach to prioritize audit activities as well as to establish and maintain an audit plan;
- Perform planned audit engagements as well as consulting activities and other related tasks substituting or in addition to the activities included in the audit plan;
- Submit written audit reports and recommended measures to the Board Audit Committee of DAS UK Group, and other senior and executive managers having a legitimate interest in the report; and
- Follow up on measure implementation.

Independence and Objectivity

DAS UK Internal Audit is an independent Key Function of DAS UK Group and supports the Board of Directors of DAS UK Group in overseeing, steering and controlling all operations and activities within the group. DAS UK Internal Audit is only directed by the Board of Directors of DAS UK Group with regards to the execution of the audit plan and other audit and non-audited related services.

Neither the Head nor managers, auditors, and other staff of DAS UK Internal Audit must, directly or indirectly, be undue influenced by any other unit or function of DAS UK Group in the performance of audit engagements, evaluation of audit results and in the reporting of findings and measures.

DAS UK Internal Audit must be entirely independent from all units of DAS UK Group and must be able to report audit results to the Board of Directors of DAS UK Group in a direct and unhindered way.

B.6. Actuarial function

The Actuarial function for DAS UK Group is performed by the actuarial team led by the Chief Actuary of DAS LEI, who reports to the CFO of DAS UK Group. The Actuarial Function Holder is Anthony Collins, a Fellow of the Institute and Faculty of Actuaries (FIA) in the UK who has over 19 years of experience in a non-life actuarial role. He holds a Practising Certificate as required by the FIA for PRA-approved Chief Actuaries and is the SMF 20 holder under the PRA's Senior Managers Regime.

The Actuarial function is accountable to the DAS LEI Board, but in practice reports to the Audit and Risk Committees of DAS UK Holdings, which are formal subcommittees of the DAS UK Holdings Board. The Actuarial function is identified in the DAS UK Group System of Governance Policy as a "Key Function" and its responsibilities are defined therein.

The SII Standard Formula processes and results are the overall responsibility of the Risk Management Function, which apportions the work to the Chief Actuary's department. All other items that are listed in Article 48 of the SII Directive, and paragraph 6.1 of the "Conditions Governing Business" Chapter of the PRA Rulebook, are the responsibility of the Actuarial function, and are performed by the Chief Actuary's department with no direct support from any other functions.

B.7. Outsourcing

The PRA Rulebook defines 'outsourcing' as 'an arrangement of any form between a firm and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be undertaken by the firm itself'. This definition derives from Article 2(3) of MODR (Commission Delegated Regulation on organisational requirements and operating conditions) and Article 13(28) of SII.

SII Article 49 defines 'material outsourcing' as "outsourcing of critical or important operational functions or activities" and prescribes that such arrangements "shall not be undertaken in such a way as to lead to any of the following:

- materially impairing the quality of the system of governance of the undertaking concerned;
- unduly increasing the operational risk;
- impairing the ability of the supervisory authorities to monitor the compliance of the undertaking with its obligations; and
- undermining continuous and satisfactory service to policy holders."

DAS UK Group has systems and controls in place to identify and manage its outsourcing arrangements, including material outsourcing arrangements. Where a material outsourcing arrangement is identified DAS LEI notifies these arrangements to the FCA and PRA as required by the respective regulators' rules.

DAS LEI's material outsourcing arrangements, which are primarily UK-registered companies, relate to:

- **Claims Management:** Legal services firms are engaged to perform claims management services and specifically making claims decisions on behalf of DAS LEI.

- **Policy Servicing:** Expert service providers who, depending on the insurance product, provide expertise to assist the policyholder.

- **Information Technology (IT) Services:** Technology services, including cloud service providers, which DAS LEI relies on to deliver its services to its policyholders in a continuous and satisfactory manner.

- **Investment Management:** Investment Managers are engaged to perform activities in relation to the management of DAS LEI's investment portfolio.

Outsourcing Committee

The Outsourcing Committee is responsible for oversight of DAS UK Group's third party outsourcing policy. See "Management Committees" section in B.1 for further information on the responsibilities of the Outsourcing Committee.

Processes

Outsourcing decision

The decision to outsource originates from a requirement of individual business departments. It is therefore the responsibility of that department to ensure the arrangement is subjected to the requirements of the Outsourcing Policy and the jurisdiction in which the service providers of such functions or activities are located.

Any outsourcing arrangement must not:

- Materially impair the quality of DAS UK Group's system of governance;
- Prevent oversight of operations or delivery of regulatory obligations to clients and customers;
- Unduly increase DAS UK Group's risk profile - in particular operational and reputational risks;
- Impair any relevant regulator's ability to monitor DAS UK Group's compliance; and
- Be detrimental to continuous and satisfactory service to DAS LEI's policyholders.

Sourcing strategy

For third parties excluding Business Partners, the requirements outlined in the "Procurement Tendering Process" section of the DAS UK Group Procurement Processes document must be complied with. For Business Partners the appropriate department processes and controls should be applied, which may include referral to the Transaction Committee.

Contracting

For all categories, contracting must be undertaken in line with the requirements contained in the DAS UK Group Procurement Policy and the Contract Procedure. The contract must be signed in line with the DAS UK Group financial authority limits in operation in the DAS UK Group Governance Manual.

The DAS UK Group Contracting Team undertake final negotiation activities. Any amendments to the contract terms that increase risk to DAS UK Group must be reapproved.

Contract management and monitoring

The performance of all categories of third party outsourcing arrangements must be monitored at an appropriate level to ensure they continue to meet their obligations. In addition, performance monitoring and risks must be reviewed periodically to ensure contract terms and monitoring criteria are valid, risks are appropriately mitigated, and issues are escalated.

B.8. Any other information

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

C. Risk Profile

The following section outlines DAS LEI's risk profile including techniques and activities utilised to mitigate the risk exposures within tolerance and appetite are described.

DAS LEI's key risk exposures as set out in the sections below are:

- Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Other Material Risks including Regulatory Risk, Reputational Risk, Climate Change Risk, Concentration Risk and Group Risk (including Group Pension Risk)

Outside of these risk categories we also monitor overarching risk topics such as risks associated with DAS Law and Sustainability risk.

C.1. Underwriting risk

Underwriting risk is defined as the risk that the costs of claims and benefits actually paid may deviate from the expected costs owing to error or change of circumstances.

DAS LEI has set a risk appetite in both Before the Event ("BTE") and After the Event ("ATE") business which is agreed by the Board. The appetite supports desired product and proposition development process and growth targets for these books of business. Concentrations are implicitly taken into account in the calculation of underwriting risk.

There were no material changes to the measures used to assess the risk exposure or the material risks over the reporting period. There has been no material change in the Underwriting Risk profile over the year.

Risk exposures are identified and assessed at monthly intervals by business class, product line and by key business partner, with deep-dive analysis undertaken quarterly. Claim frequency and severity trends are measured against the risk profile and future proofed against forecast changes in the mix of claims, their cost, including inflation and movements in claim frequency. Prices are negotiated with business partners annually, with interim performance reports provided to key business partners each quarter, forewarning them of impending rate strengthening.

The primary business classes that DAS LEI operates, and the associated key risks are summarised below.

Before the Event ("BTE")

The product and proposition development process are effectively managed to ensure that:

- The targeting of business is in line with risk appetite;
- In line with consumer duty and PROD regulations;
- At portfolio level the return on capital is in line with targeted ratios; and
- The needs of the customer are met and DAS LEI meets all the regulatory frameworks.

Motor (Class 100)

Sold as an add-on to motor insurance by insurance brokers and insurers, the cover pursues uninsured losses and/or damages against a negligent third party following a non-fault motor accident.

Risks:

- Changes to the legal landscape arising from the Civil Liabilities Bill which was implemented in 2021 and has increased the cost charged by solicitors for handling/supporting claimants with Small Claims Track claims. This has resulted in an increase in premiums and additional risk factors for insurers to consider. Given the immature nature of the new regime, it is too early to determine the full impacts on insurers but this is being monitored closely;
- Additional volatility in the Hire market has increased costs and reduced the % conversation of hires started which has impacted the OTI;
- Increased fraud risk as a result of a recession; and
- Upcoming changes in the Ogden rates upon review expected in 2024.

Commercial Non-Motor (Class 200)

Commercial LEI is sold primarily through schemes to micro/SME businesses as an add-on to commercial package insurance policies. The cover protects businesses against legal costs arising from disputes with employees, contract matters, property, criminal prosecutions and HMRC investigations.

Risks:

- Claim frequency could increase as a result of the economic impacts of the cost of living crisis and the impending recession;
- Impacts of rising inflation levels across our indemnity spend;
- Increased fraud risk as a result of a recession;
- Impacts of changes to FRC in 2023.

Personal Non-Motor (Class 300)

Family LEI is primarily sold as an add-on to buildings and contents insurance, covering disputes with employers, suppliers of goods/services, neighbours and pursues a third party who has caused bodily injury (non-motor). Additionally, Landlord legal, protects private landlords against disputes with tenants (including rent default).

Risks:

- Claim frequency could increase as a result of the economic impacts of the cost of living crisis and the impending recession;
- Landlord in arrears (Rent guarantee) classed to Miscellaneous financial loss SII line of business (previously Legal Expenses);
- Government intervention in temporarily banning tenant evictions initially as a result of COVID but now in response to the cost of living crisis remains a risk to increase costs;
- Impacts of rising inflation levels across our indemnity spend;
- Increased fraud risk as a result of a recession;
- Impacts of changes to FRC in 2023.

Insured Assistance (Class 500)

Home Emergency provides immediate assistance following damage to the building, including plumbing/drainage and heating system. Motor breakdown provides roadside assistance, repair and recovery in the UK and Europe. Both products are primarily sold on as an add-on to household and motor insurance.

Risks:

- An increase in bad weather surge events increases claims volumes; motor breakdown, heating and frozen pipes;
- Climate change could impact the historical and seasonal pattern of claims. Warmer conditions could lead to fewer frozen pipes but more cracked pipes caused by subsidence and warmer surge events as well as winter;
- There are a limited number of nationwide home emergency suppliers capable of servicing DAS LEI's customer base;

- Increase fraud risk as a result of a recession;
- Impacts of rising inflation levels across our indemnity spend.

After the Event ("ATE")

The product and proposition development process are effectively managed to ensure that:

- The targeting of business is in line with risk appetite;
- In line with consumer duty and prod regulations;
- At portfolio level the return on capital is in line with targeted ratios; and
- The needs of the customer are met.

Civil Litigation (Class 700)

Provides cover to commercial and personal clients for litigation costs. Key areas are contract disputes, professional negligence, debt recovery, insolvency, and contentious probate & property disputes.

Risks:

- Civil Litigation produces a book of lower volume but considerably higher premiums, creating volatility in the book in the event of large wins/losses; and
- The increased risk of financial instability of firms managing large portfolios of cases.

Clinical Negligence (Class 800)

Provides cover to claimants for litigation costs in respect of their death/personal injury resulting from the negligence of a medical professional.

Risks:

- The potential extension of the Fixed Recoverable Costs into Clinical Negligence cases will change the profile of cases insured by DAS LEI. Whilst other legislative changes are being proposed, including the end to any recovery from the opponent in successful Clinical Negligence claims.

Concentration risk

Concentration risk could arise through the class actions or their equivalents. There are occasions where numerous actions are brought due to a single cause, or against a single party for the same reason.

Over the years there have been a small number of groups of class actions related to specific events or groups of people where DAS LEI has been the insurer for multiple claimants within that group. These cases have the potential for a higher cost due to the high number of claimants, although the amount per claimant is still low. However, most are run on a test case basis, with a single claim or a small group of claims used to represent the whole, which keeps costs lower. The courts are increasingly mindful of proportionality when looking at the potential costs of running any case or group of cases relative to the likely outcome, which is something that would work in DAS LEI's favour in the event of such a concentration. Contingency is built into IBNR factors and pricing models for the exposure to class actions.

DAS LEI's overall exposure has not changed significantly over the past few years in terms of the spread of risks, meaning any concentration risks are included within the overall reserving projections and capital modelling methodology.

Mitigation

DAS LEI purchases reinsurance as part of its risk mitigation programme. The material arrangements are set out below:

Quota share reinsurance treaty – Legal expenses insurance, Assistance and Miscellaneous financial loss lines of business

During the year, DAS LEI ceded 90% of its insurance business (after external reinsurance) to ERGO.

Due to the completion of the sale of DAS UK Group by ERGO to ARAG SE on 2 January 2024, DAS LEI's quota share reinsurance treaty with ERGO was terminated on 31 December 2023, with a new quota share arrangement on comparable terms with ARAG SE becoming effective from 1 January 2024.

Up until 31 December 2023, DAS LEI renewed the terms of its reinsurance quota share with ERGO annually; and going forward from 1 January 2024, DAS LEI will renew the terms of its replacement Quota Share with ARAG SE annually. The quota share helps maintain the Solvency Ratio at a level higher than it would otherwise be.

The principal purpose of the contract is to reduce risk and the Solvency Capital Requirement ("SCR") of DAS LEI. This continues to achieve that purpose and is therefore deemed effective, as evidenced by DAS LEI's strong 31 December 2023 SII capital position.

Quota share agreements with Protected Cell Company schemes

DAS LEI has agreements in place with Fiablé Insurance PCC Limited and Avantage Insurance PCC Limited. These relate to a portion of ATE business relating to personal injury, clinical negligence and industrial disease. In 2018 all of these agreements were given notice of termination and all are in run-off from Q2 2019. Commutation of these schemes are under discussion, in progress, and are expected to complete in H1 2024.

Quota share agreement with HSB Engineering Insurance Limited

DAS LEI has a reinsurance agreement with HSB Engineering Insurance Limited to cede 100% of cyber-related claims and premium under certain legal expenses insurance policies.

Quota share agreement with HDI Global Speciality SE

DAS LEI has a 50% quota share arrangement with HDI Global Speciality SE (formerly Inter Hannover plc), affecting Class 700 business (this terminated 31 December 2015 and is now running off).

Quota share agreement with Swiss Re

DAS LEI has agreed a quota share RI on the RHA C700 commercial ATE case where DAS retain 33.333% of the risk and 66.666% is reinsured to Swiss Re resulting in DAS retaining £1m LOI.

C.2. Market risk

Market risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuation in the level and the volatility of market prices of assets, liabilities and financial instruments, including their correlations. Drivers of market risk uncertainty that have been identified include changes in interest rates and the ongoing potential for an economic downturn, which are mitigated by the strategies and controls set out below.

DAS LEI is exposed to market risk as a consequence of fluctuations in values or returns on assets, liabilities and financial instruments which are influenced by one or more external factors. These include changes and volatility in interest rates, credit spreads, currency exchange rates and equity prices. See market risk mitigations sections below for how DAS LEI manages these risks.

There were no material changes to the measures used to assess the risk exposure or the material risks over the reporting period. The market risk profile for DAS LEI has changed little year-on-year and reflects DAS UK Group's market risk appetite, investing mainly in high-rated government and corporate bonds.

DAS LEI has set an appetite for market risk that has been agreed by the Board of DAS LEI, which is considered appropriate primarily to safeguard DAS LEI's robust capital position without unduly limiting its access to returns on investment assets.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in the term structure or volatility of market interest rates. Floating rate instruments expose DAS LEI to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. Interest rate risk arises primarily from DAS LEI's investments in fixed interest securities and their movement relative to the value of insurance liabilities, which are reported on an undiscounted basis. Certain insurance liabilities (e.g. deposits from reinsurers) may also give rise to interest rate risk where their terms and conditions stipulate fixed interest rates of return due to the counterparty.

Throughout the year, DAS LEI's securities portfolio was managed by the Company's appointed investment managers, Munich Re Group Investment Management ('GIM'). The investment mandate is reviewed and revised annually. It is approved by the DAS UK Group Investment Committee. In addition, as required by the SII Directive, the Company's investments are made with reference to the 'Prudent Person Principle'.

Interest rate risk monitoring techniques include capital modelling, sensitivity testing and stress and scenario testing.

As at 31 December 2023, 98% (2022: 99%) of DAS LEI's investments were held in fixed interest instruments and cash denominated in British pounds. The Company has no other significant concentration of interest rate risk.

Interest rate risk sensitivity analysis

An interest rate sensitivity analysis is performed as part of the SII Standard Formula calculation. The stress applied to interest rates uses EIOPA Standard Formula sensitivity which stresses the risk-free interest rates by between 70% and 20% upwards (depending on term of the asset, shortest to longest shown) and 75% to 20% down (again depending on term, shortest to longest), with a minimum stress of 100 basis points.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Spread risk

DAS LEI defines spread risk as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This is mitigated by tracking the Company's exposure to lower-rated bonds and other lower-quality assets and limiting them according to the defined risk appetite, as discussed further in the Credit Risk section below.

Concentration risk

DAS LEI recognises and assesses any additional risks to an insurance or reinsurance undertaking stemming from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. In line with the Company's conservative investment strategy, its investment portfolio is well-diversified to mitigate this risk.

Currency risk

DAS LEI defines currency risk as the sensitivity of the values of assets and liabilities to changes in the level or in the volatility of currency exchange rates. DAS LEI underwrites business in the United Kingdom and in Norway; and its primary foreign currency exposures are to the Norwegian Krone. Although it ceased writing new business from its Norwegian operation in 2019, DAS LEI incurs exposure to currency risk mainly from underwriting premiums and paying claims or other expenses in Norwegian Krone; and its assets denominated in Norwegian Krone are subject to foreign exchange rate movements. If the value of the British Pound strengthens against this currency, then the value of non-Sterling assets will decline when translated into Sterling.

A currency risk sensitivity analysis is performed as part of the SII Standard Formula calculation. This is designed to stress-test the impact on net assets of a 25% upward or downward movement in foreign currencies against Sterling, with all other variables held constant.

Equity risk

DAS LEI defines equity risk as the risk of loss, or of adverse change in the financial situation resulting directly or indirectly from the volatility of equity values. This is not currently considered a material risk to DAS LEI due to its relatively small equity holding.

Climate Change Risk

DAS LEI defines climate change risk as the risk of loss, or of adverse change in the financial situation resulting directly or indirectly from climate change. This is not currently considered a material risk to DAS LEI as it is expected that the impact of climate change will to a great extent be reflected in the market value of investment assets, and because DAS LEI's investment portfolio is comprised largely of UK government bonds and a well-diversified range of corporate bonds.

Mitigation

DAS LEI's investment management approach is fully aligned with its risk appetite. DAS LEI adopts a number of mitigation strategies to understand and control its market risk exposures. DAS LEI's strategies are focused on sound policies and procedures, all relevant expertise, and ongoing monitoring of key data. The mitigations in place ensure that the impact of market risk on DAS LEI's business is optimised. As a result, DAS LEI is able to meet its liabilities as they fall due, fund long-term projects and maintain a robust capital position.

Exposures are controlled by the setting of investment limits and managing asset-liability matching in line with DAS LEI's risk appetite.

DAS LEI pursues an investment strategy that is substantially based on the characteristics of the maturity and currency structure of its liabilities. In addition to return, safety and creditworthiness, the investment strategy considers liquidity, diversification and above all the structure of the insurance liabilities. The principal objective is to minimise investment risks and volatility while achieving the highest investment return possible within those parameters. This strategy is set out in DAS LEI's investment mandate ('the Mandate') and managed by the Investment Committee, which includes risk management representation. During the year, DAS LEI's investment portfolio was managed by Munich Re Group Investment Management ("Munich Re GIM"), DAS UK Group's appointed Investment Manager. The Mandate, which is reviewed annually, forms part of the investment management contract between DAS UK Group and the Investment Manager. The Mandate sets out investment parameters, specifying permitted asset classes and quality constraints, considering any relevant tax, accounting and local supervisory regulations. The Mandate defines key figures and trigger thresholds for monitoring purposes. The Mandate is approved by the DAS UK Group Investment Committee. In addition, as required by the SII directive, DAS LEI's investments are made with reference to the "Prudent Person Principle". The Investment Manager is responsible for the implementation of the Mandate, which reflects DAS UK Group's cautious investment strategy.

The Mandate is substantially based on the maturity structure of DAS LEI's insurance liabilities; it also considers return on investment, creditworthiness, currency risk and diversification.

As part of DAS UK Group's strategy to mitigate the impact of climate change on market risk, DAS UK Group's Investment Committee considers this impact when making investment decisions. DAS UK Group has a target to hold at least 95% of the value of DAS LEI's investment portfolio in assets with an 'A' MSCI rating or better (MSCI measures the ESG scores of issuers); and this target was achieved throughout 2023. DAS UK Group's Investment Committee will continue to monitor its portfolio's ESG rating at its quarterly meetings with the aim of maintaining the ≥95% target.

Investment Management Governance

An Investment Committee meeting takes place quarterly and its purpose is to provide senior managers and the Board with oversight of investment management arrangements and delegated authorities. The Investment Committee's duties include the review of management information, monitoring of the Investment Manager's performance against key metrics, monitoring of compliance with regulatory requirements and oversight of market risk management arrangements and contractual agreements.

Investment Management Principles

The key considerations underpinning DAS LEI's investment strategy are set out below.

Interest rate risk

Exposure to interest rates is monitored through several measures factored into the Mandate, such as target portfolio modified duration, minimum rating allowed for investment and issuer limits for corporate bonds. Other risk monitoring techniques include economic capital modelling, sensitivity testing and stress and scenario testing.

Spread risk

This is mitigated by tracking DAS LEI's exposure to lower-rated bonds and other lower-quality assets and limiting them according to the defined appetite.

Concentration Risk

DAS LEI identifies and assesses any risks stemming from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. DAS LEI's investment portfolio is well-diversified to mitigate this risk.

98% (2022: 99%) of DAS LEI's investments are held in fixed interest instruments and cash denominated in British pounds. DAS LEI has no other significant concentration of interest rate risk.

Currency Risk

The Mandate aims to ensure that investments denominated in non-Sterling currencies are permitted only to the extent that they support liabilities denominated in foreign currencies. As a consequence of adopting these principles and governance, DAS LEI's exposure to market risk operates within risk appetite.

Equity Risk

Equity is not currently considered a material risk to DAS LEI due to its relatively small equity holding. DAS UK Group's Investment Committee monitors its equity holding at its regular meetings and, informed by the Investment Manager's outlook for equities, may modify its equity allocation to reflect the Market Risk appetite agreed by the Board.

Climate Change Risk

The DAS UK Group Investment Committee currently uses the MSCI Environmental & Social Corporate Governance (ESG) rating system to balance its investment portfolio and has agreed targets for ESG investments. DAS LEI's investment portfolio was specifically tested against the PRA climate change stress tests for its resilience. The portfolio showed excellent resilience to all such tests.

C.3. Credit risk

Credit risk is defined as the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties (including reinsurers) and any debtors to which insurance undertakings are exposed, in the form of counterparty default risk, spread risk or market risk concentrations.

There were no material changes to the measures used to assess the risk exposure or the material risks over the reporting period. There has been no significant change in the credit risk profile over the year.

DAS LEI has set an appetite for credit risk that has been agreed by the Board of DAS LEI, the aim of which is to mitigate credit risk to the extent that the costs of control are balanced with the expected rewards of implementation. DAS LEI accepts that its business model limits the extent to which credit risk can be mitigated but seeks over the longer term to implement procedures and initiatives that help reduce its exposure to credit risk.

The principal counterparty (credit) risk exposures arising in connection with DAS LEI's assets relate to the following assets:

- Reinsurance balances (including reinsurers' share of technical provisions);
- Investments in debt securities;
- Balances held with banks; and
- Insurance debtors.

DAS LEI also has less significant credit risk exposures relating to subrogation recoveries and other non-insurance debtors. DAS LEI assesses these risks as appropriate under the Standard Formula approach.

Credit Risk is monitored by management on a quarterly basis, the metrics for which are undergoing continuous enhancement.

Mitigation

Reinsurance balances (including reinsurers' share of technical provisions)

Balances under proportional reinsurance arrangements are collateralised in excess of 95% by withheld deposits. For receivables under non-proportional reinsurance contracts the counterparty risk is diversified by placing the contracts with a number of highly rated reinsurers.

DAS LEI is engaged in a number of material reinsurance arrangements, as detailed in Section C.1, *Underwriting risk* above.

The total reinsurers' share of technical provisions as at 31 December 2023 was £137,836k (2022: £142,067k). The substantial majority of these balances, £137,339k, relates to the 90% quota share contract with ERGO, which has a Standard and Poor's ("S&P") credit rating of A-.

Due to the completion of the sale of DAS UK Group by ERGO to ARAG SE on 2 January 2024, the Quota Share Agreement between DAS LEI and ERGO was terminated and not renewed as at the end of 31 December 2023. From 1 January 2024, DAS LEI entered into a 90% quota share on similar terms with ARAG SE.

Investments in debt securities

Exposure to credit risk in respect of debt securities is controlled using a number of targets and limits incorporated in the investment mandate, which include target portfolio modified duration, minimum rating allowed for single investments and issuer limits for debt securities.

DAS LEI's investment portfolio is well-diversified and is invested principally in high-quality corporate and government debt instruments. The principal types of market risk impacting DAS LEI and the mitigations in place in respect of such are detailed in the market risk section.

Balances held with banks

DAS LEI holds all of its cash with highly-rated organisations. Funds can be deposited only with banks and deposit-takers that have been approved by the Board.

The governing criteria applicable during the year are set out in ERGO International Cash Guidelines, which set out the maximum permitted level of funds that can be held with each approved bank or deposit taker. In most circumstances, that maximum cash that was permitted to be held with any banking group (across any number of accounts) was limited to 5% of DAS LEI's total investments. A daily summary of funds held on deposit is produced by the Finance Department and includes the current credit rating of each bank used.

Insurance debtors

The ageing of Insurance debtors is monitored on a quarterly basis and all outstanding debtors are actively pursued.

C.4. Liquidity risk

Liquidity risk is defined as the risk that the undertaking may not have liquid assets available to settle its financial obligations as they fall due.

DAS LEI has set a risk appetite for its ability to meet any policyholder or other financial obligations as they fall due that has been agreed by the Board. Mitigation strategies are in place which seek to minimise exposure whilst taking a proportionate account of costs of control. These are monitored on a regular basis in accordance with the DAS UK Group Liquidity Risk Policy, ensuring that even under adverse conditions DAS LEI has access to the funds necessary to cover its claims obligations and other trading liabilities.

There were no material changes to the measures used to assess the risk exposure or the material risks over the reporting period. There have been no changes to the liquidity risk profile over the year.

The management strategies and processes described below ensure that sufficient funds are available to meet trading liabilities as they are presented for payment. DAS LEI's cash flows can be volatile, as they are dependent on the timing of payments and receipts, which is to some extent beyond DAS LEI's control. Funds are held in very liquid accounts or securities which are greatly in excess of the liabilities expected to fall due in the short term.

Mitigation

DAS LEI adopts a number of mitigation strategies to address its exposure to liquidity risk. These are focused on forecasting liquidity requirements and maintaining sufficient liquid assets to meet potential short- to medium-term spikes in demand for cash. Key liquidity risk mitigation strategies embedded by DAS LEI include the following:

- Cash flow projections are produced daily based on actual bank holdings and a forecast of payments due;
- Substantial funds are held in bank accounts to meet DAS LEI's ordinary working capital requirements, including a cash 'buffer' to accommodate potential unforeseen cash demands;
- DAS LEI generally invests most of its available funds not required for day-to-day working capital purposes in its investment portfolio, a significant proportion of which comprises very liquid securities such as UK gilts. Such securities may be liquidated and the proceeds channelled to operational bank accounts within a short timeframe should working capital cash demand exceed operational bank account balances;
- Quarterly liquidity reports with appropriate triggers are monitored by senior management to drive escalation.

The liquidity risk profile remains stable and DAS LEI remained within appetite for the duration of the year.

As explained in the "Market Risk" section above, DAS LEI's investment strategy aims broadly to match the currency denomination, maturity and value of its assets to its technical liabilities. This helps ensure that DAS LEI retains sufficient liquidity to meet its policyholder liabilities.

Expected profit in future premiums

The expected profit included in future premiums as at 31 December 2023 is £26,379k (gross of reinsurance) (2021: £17,796k).

C.5. Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

The DAS UK Group Risk Management Policy sets the framework and expectations of the Board for the effective management of risks including operational risks, a review of the inherent material corporate risks was conducted during the year.

DAS LEI is exposed to the risk of losses as a result of failed internal processes, people and systems or from external events. The material operational risk categories to which DAS LEI are exposed to include:

- Business Continuity (Includes Operational Resilience)
- Data Management
- Fraud & Financial Crime
- Information & Cyber Security
- Information Technology
- Legal
- Outsourcing & Third Party
- People
- Transaction Processing & Execution

DAS LEI has set risk appetites for operational risks that have been agreed by the Board of the Company and makes continuous efforts to strengthen the control environment. This recognises that operational risk should generally be reduced to as low a level as is commercially sensible, on the basis that taking operational risk will rarely provide an upside, and operational failures may adversely impact reputation, impair the ability to attract new business, or possibly lead to poor customer outcomes. However, the risk strategy does not operate to a zero-failure policy and that events and losses are inevitable. Consequently, DAS LEI operates mitigation strategies which seek to minimise the exposure to operational risk whilst taking a proportionate account of costs of control.

DAS LEI is subject to the DAS UK Group Risk Management Policy. This establishes minimum operating standards for a robust operational risk framework and provides an appropriate foundation for decision-making. The core objectives that this policy is designed to achieve include:

- Identification of operational risks, with controls in place to assess and mitigate the risk where appropriate;
- Operational risks breaching the defined risk appetite are subject to appropriate and timely action to resolve and escalate as necessary;
- Use of the formal risk acceptance process where appropriate; and
- Understanding of operational risk responsibilities by employees and governance forums.

Key areas of risk exposure include the following:

Key Risk Drivers	Mitigating Activity
BUSINESS CONTINUITY (INC. OPERATIONAL RESILIENCE)	• Monitor performance against ERGO BCMS • Incident monitoring of Important Business Services • Monitoring of BCM KPIs • Response plans and playbooks for key resilience / continuity scenarios
DATA MANAGEMENT (PRIVACY AND INTEGRITY)	• Assigned data owners and data stewards • Data Management forum • Annual GDPR review • Change controls over data models / outputs • Incident monitoring
FRAUD AND FINANCIAL CRIME	• Financial Crime / Code of Conduct training provided to all employees annually via online learning modules; • Sanctions screening • 1LOD roles and responsibilities established to ensure day-to-day monitoring of financial crimes risks • Appropriate policies established and communicated across DAS LEI • Prescribed responsibility (Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime) allocated to Chief Risk and Compliance Officer
INFORMATION & CYBER SECURITY	• ERGO CSMR target maturity • Information Security KPIs • Incident monitoring • Monitoring of common law breaches • Monitoring of InfoSec risks assessed outside of tolerance.
INFORMATION TECHNOLOGY	• Monitoring of critical system performance • Monitoring of critical development performance • Monitoring of change control KPIs • Technology roadmap identifies / addresses risks to existing critical technology • Change governance
LEGAL	• Monitoring of litigation cases • Contract controls • Monitoring of common law breaches
OUTSOURCING & 3rd PARTIES	• Monitoring of material / high suppliers and core panel firms' due diligence • Material Suppliers have Transactional Owners • Outsourcing Committee governance and reporting • 3rd Party Risk & Materiality Assessments
PEOPLE	• Monitoring and activity based on voluntary employee turnover • Monitoring and activity based on absence trends • Awareness of gender % split at senior levels • Succession planning for executive management and critical roles • Monitoring and activity based on H&S incidents • Employee engagement surveys and check-in surveys as appropriate • Flexible Working Policy, supported by improved technology to support remote working
TRANSACTION & PROCESSING EXECUTION	• Monitoring of claims processing including closures, timeliness (days open / post) and file reviews. • Analysis of panel / non-panel firm KPIs. • Planning considers Claims Handler competencies. • Monitoring and mitigating activity based on analysis of Complaints

Mitigation

DAS LEI adopts a number of mitigation strategies to address its exposure to operational risk. The Risk Management Policy establishes minimum operating standards that must be in place to ensure a robust risk framework is maintained and provides an appropriate foundation for decision-making. The core outcomes, at a high level, that this policy is designed to achieve for all risks, including operational risks, are that:

- Risks are identified with appropriate processes and controls in place to prevent and mitigate the risk of operating outside of the defined risk appetite;
- Risks are assessed and measured to understand the materiality they present;
- Where risks operate outside of the defined risk appetite, appropriate and timely action is taken to resolve and escalate to senior management and where appropriate to the relevant regulator(s) through the defined regulatory reporting process;
- Where appropriate there is a formal risk acceptance process for operating outside defined appetite;
- DAS UK Group employees and governance forums understand the operational risk responsibilities applicable to their role and comply with those requirements or meet the processes and procedures that have been designed to comply with them; and
- Regular monitoring and reporting of the risk profile takes place to relevant committees.

Implementation of the Internal Control System ("ICS") across the critical processes within DAS LEI further supports the mitigation of this risk.

C.6. Other material risks

Regulatory risk (including conduct risk)

Regulatory risk is defined as the risk that DAS LEI is exposed to fines, censure, and legal or enforcement action due to failing to comply with applicable laws, regulations and codes of conduct or legal obligations. Within DAS UK Group, Conduct Risk has been considered an extension of the regulatory requirement for a firm to pay due regard to the interests of its customers and ensure they are treated fairly.

There were no material changes to the measures used to assess the risk exposure or the material risks over the reporting period unless explained. Q4 2022 to Q4 2023 has not seen a breach of regulatory appetite.

Regulatory risk management processes are in place and are embedded across the Group, the methodology applied aligns with that of the Enterprise Risk Management Framework and also with the Compliance Minimum Standards as set by DAS UK Group's former parent company, ERGO. DAS LEI's strategy with regards to regulatory risk is to identify, assess, manage and control risk appropriately and to ensure fair outcomes within agreed and defined risk appetite.

Although DAS LEI is affected by a large range of regulatory regimes (Health and Safety, Employment, Environmental, Tax etc.) the primary regulators are the PRA and FCA. The remainder of this document will not attempt to distinguish between these regulatory regimes unless necessary to do so.

DAS UK Group has set a risk appetite that has been agreed by the Board, for:

- Regulatory risk that recognises that regulatory breaches could occur based on the day to day running of the business but will take appropriate steps to ensure regulatory breaches are remedied with immediate effect; and

- Conduct risk, that recognises that things can and will go wrong on occasions but has no appetite for systemic conduct risk arising from any element of the product lifecycle, which includes product design, sales, or after sales processes and culture.

To support this appetite, DAS UK Group has developed policies, processes and standards which provide the framework for the business and colleagues to operate within, in accordance with the laws, regulations and voluntary codes which apply to DAS UK Group and its activities.

DAS UK Group considers that the most effective way of managing regulatory risk is to embed a culture of integrity and high ethical standards whilst ultimate oversight responsibility remains with DAS LEI's Board of Directors. This culture is driven to align with both the UK regulatory standards (CoCON, SMCR etc.) and the expectations of the shareholder.

Material regulatory risks and their mitigations are as follows:

1. Failure to develop products, propositions and services which meet customer requirements around need and value as per regulatory expectations:

There is a risk that DAS LEI fails to meet regulatory expectations as set out in the principles of business, IDD, PROD, RPPD and thematic findings around value, product design and product governance which could result in poor customer outcomes with respect to products not meeting expectations or offering poor value. As a result, DAS LEI may generate customer detriment, poor customer outcomes and fail to put the customer at the heart of everything it does.	• Compliance oversight and involvement in product lifecycles and product design committees with opportunity to provide insight, oversight and challenge on issues, risks and concerns which could have an adverse impact on customer outcomes; • Compliance part of collective decision making on product launches, changes and withdrawals through formal governance structures and reported to Board Risk Committee; • Ad-hoc advice and guidance on product design, value and governance queries provided by technical compliance professionals; • Annual product reviews and Fair Value Assessments conducted across product classes and ad hoc on significant variants or deviations from the standard offering; • Products and services designed to meet the needs, characteristics and objectives of the target market and subject to adequate governance and oversight; • Products deliver fair value to our customers. Value is periodically assessed to ensure fair value on an ongoing basis and that no changes in design and/or distribution adversely impact upon value; • Identification of Vulnerable Customers and reasonable adjustments are made where required; • Customer Communications are reviewed, tested and monitored for customer understanding and customer support in line with Consumer Duty requirements; and • Review of regular and timely Management Information to identify any issues and agree actions as appropriate with oversight from relevant Committees including Product & Proposition and Governance Committee.

2. Failure to appropriately manage regulatory risk; the risk that DAS LEI fails to respond and keep pace with regulatory changes resulting in breach of regulatory requirements:

There is a risk that DAS LEI fails to comply with regulatory requirements or change effectively which could result in regulatory intervention and scrutiny. Example regulatory change such as GDPR, IDD and SMCR could attract attention if not addressed, implemented and embedded appropriately potentially increases conduct and regulatory risk exposure. Thematic reviews, policy statements and consultation papers are examples of regulatory findings which, if not addressed appropriately, could result in customer detriment and regulatory scrutiny.	• Regulatory horizon tracking carried out to identify regulatory change initiatives published by the FCA/PRA/ICO; • Provision of requirements summary by Head of Compliance and Chief Risk and Compliance Officer; • Dependent on size of change required, project involvement to manage change through to deadlines; • Compliance resource allocated to support the delivery of change initiatives; and • Robust governance around decision making, roles, responsibilities and accountabilities.

3. Failure to ensure appropriate governance around decisions from a regulatory and conduct risk perspective:

There is a risk that DAS UK Group does not have the appropriate mechanisms for regulatory and conduct risks to be visible and transparent throughout the three Lines of Defence which increases regulatory and conduct risk exposure.	• Customer outcome assessments required for material business decisions as taken at the Transaction Committee and Product and Proposition Committee; and • Ad-hoc decision making from Compliance via oversight and monitoring framework.

4. Failure to have sufficient oversight of the distribution chain and to ensure that DAS products are not distributed in such a way as to create a risk of harm to customers:

There is a risk that there are not proportionate and appropriate systems and controls in place to oversee the delegated activity throughout the distribution chain resulting in increased risk exposure to poor customer outcomes and poor value.	• 1st Line Business Partner Assurance (BPA) team with responsibility for assurance reviews on business partner control environments • Compliance oversight of BPA findings through monthly BPA Forum; • Compliance attendance at Transaction Committee where decisions are made on significant new business partner arrangements; • Reporting of distribution (business partner) risks to Governance Committee; and • Ad-hoc advice and guidance provided by compliance to 1st line on business partner change initiatives.

The compliance oversight framework has the following components:

- A robust annual compliance monitoring programme, the continued effectiveness of these risks is considered through the ERMF;
- Annual evaluation of maturity of the DAS LEI compliance framework and adherence, up to 31 December 2023, to ERGO Compliance Minimum Standards;
- Oversight and engagement by Compliance to ensure regulatory implications are factored into non-compliance discipline policies and procedures;
- Proactive management and tracking of regulatory horizon change; and provision of updates and reporting to senior management on applicable change across a variety of regulatory bodies;
- Implementation of regulatory awareness initiatives, including proactive engagement by compliance on significant business change and project management programmes; attendance at a variety of Governance fora overseeing regulatory considerations and challenging the business on decision making; inclusion in specific decision making regarding business opportunities, highlighting regulatory implications and potential changes based on regulator publications;
- Proactive management of assurance monitoring actions to mitigate exposure before it crystallises and proactive engagement in governance and control function meeting emerging regulatory standards and requirements coming out of FCA directives and thematic reviews;
- Proactive engagement with third line of defence function to ensure risk management activity and scheduled assurance assessment programmes are in alignment and support the business in the identification of regulatory risk and effective management controls; and
- Approval sought from relevant regulatory bodies before performing a regulated activity outside of existing and active permissions.

In addition to the above, DAS UK Group Compliance has an annual planning process to assess DAS LEI's ongoing regulatory exposure and ensure assurance monitoring and assessment activity is completed.

Also, it ensures that DAS LEI are aware of future regulatory developments and confirms DAS UK Group's regulatory risk management approach and controls are effective, with sufficient oversight in place.

Reputational risk

Reputational risk is defined as the "risk arising from potential damage to the Company's reputation as a result of negative public perception." The reputation of DAS LEI is a key pillar of the business model. Risks that could jeopardize reputation are considered material. The strategy is to avoid these risks as far as possible.

Risk concentration

Weaknesses in the control environment can generally have cumulative effects. This also applies to the impact on reputational risk. Furthermore, potential damage to reputation can lead to loss of confidence among counterparties and thus amplify the effect of concentrations within other risk categories, such as in liquidity risk. Conversely, concentrations within other risk categories may also increase reputational risk.

Risk exposure

The avoidance of reputational damage, in particular due to the loss of the Company's image, is essential. The reputation risk of DAS LEI is, among other things, characterised by the negative media perception of the insurance industry. However, no significant/significant risks can be identified at present. In principle, operational risks in our company's processes can lead to an increase in reputational risk. Reputational risks arising at DAS LEI e.g. due to operational risks in processes, can have a negative impact on the reputation of DAS LEI, as well as the broader group of which it is a part.

Overall, the reputational risk is therefore assessed as not material. However, existing issues that could lead to reputational risks are sufficiently managed. The potential impact ranges from reduced opportunities (new business, sales partners, etc.) to additional administrative expense (e.g., processing of requested information by the press, supervisory authorities, rating agencies, investors).

Risk steering

ERGO deals with potential reputational risks as part of the 3 Lines of Defence (3-LoD) system. In principle, the management of reputational risk lies with the risk owners (1st LoD).

Interfaces between the Compliance function and the Risk Management function also exist with regards to the handling of reputational risks.

Reputational consequences are considered as part of operational risk assessments conducted within the business. Appetite measures for the category Reputational risk monitor and record exposures with an escalation process in place via the Governance Committee.

Risk mitigation measures

The control framework has been developed on a risk-specific basis, to mitigate risk the level of risk presented. Measures are identified proportionate to the risk.

Climate change risk

DAS LEI recognises the importance of climate change to society and the future of the planet. The environmental impact of the Group's operations, including its investment strategy, is increasingly monitored by the Company along with other aspects of Environmental Social Governance performance. DAS UK Group has set a specific risk category and appetite statement for the risks posed by climate change.

In respect of the business that it writes, it is not believed that climate change is particularly impactful to DAS LEI. For a fourth year the Company has modelled a scenario that explores the potential impact of climate change on claims through stress testing which supports this view; and in 2023, two models were run based on different loss ratios.

Concentration risk

Concentration risk is defined as any single (direct and / or indirect) external exposure or group of external exposures with potential to produce losses large enough to threaten DAS LEI's solvency or the financial position of insurance undertakings.

At the beginning of 2023 DAS LEI had an open appetite for concentration risk (excluding Group QS reinsurance arrangement), such that DAS LEI is 'Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for'.

The Board is responsible for, and has set a risk appetite for, concentration risk primarily focused on business partners. The status of this risk appetite is monitored through identified measures and status against risk appetite is reported on a quarterly basis to the Governance Committee and the Board, ensuring robust monitoring and oversight.

It is acknowledged that the Company faces concentration risk in other risk types (e.g. Credit Risk and Market Risk), these are considered to be well-managed.

Overall, the concentration risk profile continued to improve due to the organic growth that has been achieved across existing business partners. This has not only given further growth in our larger strategic partners, but also seen a number of our Tier 1 business partners cross the million-pound threshold in relation to Gross Written Premium, which is further diluting the concentration risk.

Concentration risk remained within appetite for the duration of the year.

Group risk (including Group Pension risk)

For 2023 and previous years, Group risk was defined as the risks posed to the Company as a result of it being part of the larger ERGO Group and Munich Re Group of companies. The risk is derived from interdependencies within the group structure and the possibility of contagion between group companies.

From 2 January 2024, on which ARAG SE completed its acquisition of all issued share capital of the Company's immediate parent company, DAS UK Holdings Limited, Group risk is defined as the risks posed to the Company as a result of it being part of the larger ARAG Group of companies.

Group risk also includes risk arising from the Defined Benefit Pension Scheme, which is held by DAS Services Limited. This risk is closely monitored, with mitigation strategies in place and expert opinion sought. In respect of the key Group risks within DAS UK Group, DAS UK Group's Defined Benefit Pension Scheme remained within risk appetite during 2023; and the risks associated with that Pension Scheme were further mitigated during Q4 2023 through the execution of a bulk annuity buy-in.

Mitigation

Mitigation strategies for the other material risks identified in this section are consistent with those articulated in section C.5 above.

C.7. Any other information

The stress-testing and sensitivity analysis for material risks and events as required by Article 295(6) of the Delegated Regulations is documented below to aid the reader. There is no additional voluntary information as permitted by Article 298 of the Delegated Regulations that is disclosed in section C.7.

Stress and Scenario Tests

DAS LEI is managed on a unified basis with other companies in DAS UK Group. DAS UK Group identified a number of extreme events that could have an impact on the financial position of DAS LEI. These have been determined through discussions with senior management and subject matter experts from across the business.

The scenarios considered most recently are listed below. For each analysis management has confirm the adequacy of capital and considered mitigating actions required for impacts identified.

The scenarios that have been analysed on a quantitative basis are as follows:

- Scenario 1 – Impact of climate change on claims (Severe Weather Events)
- Scenario 2 – Change to ERGO quota share
- Scenario 3 – Ransomware attack
- Scenario 4 – Rapid increase in utility and policy volumes

Reverse Stress-Testing

In addition to stress-testing, DAS LEI also performs reverse stress testing. A range of adverse scenarios are identified that could lead to the business plans becoming unviable and working backwards to understand what circumstances could lead to these scenarios crystallising.

The table below summarises the most recent scenarios. For each analysis management consider any mitigating actions required:

- Scenario 1 – Failure of Legacy IT Systems (Op Risk)
- Scenario 2 – Reserving Data Integrity (Insurance Risk)
- Scenario 3 – Failure of DAS to Anticipate a Persistent and Sizeable Increase in Claims
- Scenario 4 – Realisation of Market Losses

Prudent person principle

As with the stress and scenario tests and the reverse stress testing, the disclosure requirements on the prudent person principle in Articles 295(2) (c) of the Delegated Regulations are documented below to aid the reader.

DAS LEI ensures that its assets are invested in accordance with the prudent person principle as set out in Article 132 of the SII Directive, and hence sections 2, 3 and 5 of the "Investments" Chapter of the PRA Rulebook, through the collective application of its risk management policies. These ensure that DAS LEI invests in assets where the risks can be properly identified, measured, monitored, managed, controlled and reported on to appropriately take into account in the assessment of its overall solvency needs. Assets are invested in a manner to ensure the security, quality, liquidity and profitability of the portfolio of assets of DAS LEI as a whole and localised such as to ensure their availability. Assets are invested in a manner appropriate to the nature and duration DAS LEI's insurance liabilities and in the best interests of all policyholders.

D. Valuation for Solvency Purposes

In accordance with 2.1 of the "Valuation" Chapter in the PRA Rulebook and Article 75 of the SII Directive, all assets and liabilities are valued at fair value.

The table below sets out, for each asset and liability shown on DAS LEI's SII balance sheet, the SII value and the value of the corresponding asset and liability shown in DAS LEI's Financial statements, which are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, '*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*' (FRS 102), Financial Reporting Standard 103, '*Insurance Contracts*' (FRS 103).

The reconciliation between the equity shown in the financial statements and the own funds for SII purposes is shown in section E.1.

As at 31 December 2023 Amounts in £'000s	Financial statements	SII	Difference
Assets			
Deferred acquisition costs	**3,424**	**-**	**3,424**
Deferred tax asset	**1,736**	**-**	**1,736**
Property, plant & equipment held for own use	**-**	**964**	**(964)**
Investments **(other than assets held for index-linked and unit-linked contracts)**	**138,841**	**139,645**	**(803)**
Bonds	***135,661***	***136,464***	**(803)**
Government Bonds	*76,355*	*76,669*	*(314)*
Corporate Bonds	*55,385*	*55,843*	*(458)*
Structured Notes	*3,921*	*3,952*	*(31)*
Collective Investment Undertakings	***3,180***	***3,180***	**-**
Reinsurance recoverables from:	**225,834**	**137,836**	**87,998**
Non-life excluding health	225,834	137,836	87,998
Insurance and intermediaries receivables	**113,418**	**39,341**	**74,077**
Reinsurance receivables	**6,062**	**-**	**6,062**
Receivables (trade, not insurance)	**17,272**	**18,373**	**(1,101)**
Cash and cash equivalents	**18,203**	**18,203**	**-**
Any other assets, not elsewhere shown	**2,407**	**25**	**2,382**
TOTAL ASSETS	527,198	354,386	172,812
Liabilities			
Technical provisions – non-life	**258,856**	**146,864**	**111,992**
Technical provisions – non-life (excluding health)	***258,856***	***146,864***	***111,992***
Best Estimate	*n/a*	*144,739*	*n/a*
Risk margin	*n/a*	*2,125*	*n/a*
Provisions other than technical provisions	**-**	**-**	**-**
Deposits from reinsurers	**198,357**	**148,193**	**50,164**
Deferred tax liabilities	**-**	**5,679**	**(5,679)**
Financial liabilities other than debts owed to credit institutions	**-**	**988**	**(988)**
Insurance & intermediaries payables	**3,749**	**3,749**	**-**
Reinsurance payables	**2,445**	**438**	**2,007**
Payables (trade, not insurance)	**5,296**	**5,908**	**(612)**
Any other liabilities, not elsewhere shown	**37,907**	**-**	**37,907**
TOTAL LIABILITIES	506,610	311,819	194,791
EXCESS OF ASSETS OVER LIABILITIES	20,588	42,567	(21,979)

Where the categories of assets and liabilities in the financial statements differ from the SII categories, the SII categories are shown in the table above. However included as a difference is the reclassification of Accrued interest on bonds shown in "Any other assets, not shown elsewhere" for the "Financial statements" column but in Investments (Bonds) for SII purposes.

See Appendix 1 for the following QRTs that are required to be disclosed in relation to the Valuation for Solvency Purposes:

- S.02.01.02 - Balance sheet
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 – Non-Life Insurance Claims

D.1. Assets

No changes were made to the recognition and valuation bases used or to estimations during the reporting period for SII reporting.

Deferred acquisition costs

Deferred acquisition costs must be valued at nil according to SII regulations. In the financial statements, acquisition costs, which represent commission and other related expenses, are recognised over the period in which the related premiums are earned.

Deferred tax asset

See deferred tax liability in section D.3 below.

Investments (other than assets held for index-linked and unit-linked contracts)

All of DAS LEI's bonds are included in the SII balance sheet at fair value.

All of these assets are market to market, as quoted prices in active markets for identical assets are available. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis i.e. on the stock exchange.

DAS LEI also held a Collective Investment Undertaking which was valued at fair value for SII purposes.

DAS LEI's financial statements also record the value at fair value according to the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), which is allowable under FRS 102.

The only difference between the financial statements valuation and the SII valuation shown in the balance sheet above is the interest accrued at the Balance aheet date. For the SII valuation this is included in the underlying asset class, whereas for the financial statements it is disclosed as Accrued income.

Reinsurance recoverables

Reinsurance recoverables shown in the SII balance sheet are valued at fair value. The calculation of the recoverable amounts from reinsurance contracts for financial statement valuation and SII valuation is based on the same principles as for the technical provisions. Therefore, similar to SII technical provisions, SII Reinsurance recoverables are lower than the financial statement valuation as there will be significant future reinsurance premium cash flows on ATE business which need to be considered when valuing these assets.

The value of this asset on the SII balance sheet has been adjusted for the expected level of default risk associated with such assets taking into account the creditworthiness (rating) of the counterparty. The credit ratings of counterparties are also considered within the calculation of the SCR and additional risks taken into account if appropriate.

Insurance and intermediaries receivables

Insurance and intermediaries receivables represent amounts due or past due but not yet paid by policyholders or intermediaries that are not included in cash inflows of technical provisions.

For DAS LEI's financial statements, this balance includes ATE premium written but not yet earned and also includes BTE instalment debtors. These receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment.

Both of these items are included in the valuation of the technical provisions as they relate to future cash inflows.

The fair value of the remaining receivables is deemed to be materially the same as amortised cost given the short term nature of these assets.

The value of this asset on the SII balance sheet has not been adjusted for the impact of uncertain events, but the SCR incorporates an allowance for the potential default of counterparties at the 1 in 200 risk level. Please refer to the SCR in section E for further details.

Reinsurance receivables

For DAS LEI's financial statements, this balance as at 31 December 2023 includes an amount owed by ERGO under the quota share reinsurance agreement. For SII, this is considered as part of Reinsurance recoverable as it relates to future cash flows associated with the reinsurance contract. The remaining balance is valued at fair value. These balances and timing of payments, which are expected to be within one year, are fairly certain as they are set out in the reinsurance contracts.

Receivables (trade, not insurance)

These are included in the SII balance sheet at fair value. Given the short-term nature of these assets, this is deemed materially the same as amortised cost, which is the valuation used in the financial statements.

Cash and cash equivalents

Cash and cash equivalents are included in the SII balance sheet at fair value, being nominal value. DAS LEI's financial statements also record the value at fair value according to the provisions of FRS102.

Any other assets, not elsewhere shown

This balance mainly relates to a prepayment to a fellow DAS UK Group undertaking. These items are valued at amortised cost for the financial statements. However for SII reporting, as the fair value is difficult to fully support this specific prepayment is valued at £nil.

The SII valuation shown in the balance sheet above also excludes the interest accrued at the Balance sheet date, as these are included in the underlying asset classes. For the financial statements these are disclosed as Accrued income. Also see "Investments (other than assets held for index-linked and unit-linked contracts)" above.

D.2. Technical provisions

Insurance undertakings have to establish technical provisions with respect to all their (re)insurance obligations towards policyholders and beneficiaries. The value of technical provisions corresponds to the current amount (re)insurance undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another (re)insurance undertaking.

The technical provisions have been calculated as a sum of the best estimate and risk margin and include all policies to which DAS LEI is contractually bound by the balance sheet date. The best estimate liability is made up of the sum of claims provision and the premium provisions.

Claims provision

The outstanding claims provision represents the estimated cost of claims incurred as at the balance sheet date, together with profit shares and reinsurance settlements relating to incurred risks. The provision includes an allowance for claims management and claims handling expenses. It is calculated using best estimate discounted future cash flows.

The ultimate cost of outstanding claims is estimated using standard accident-period-based actuarial methods based on past claims payment patterns and current case reserves, with appropriate adjustments using expert judgement to ensure that they are applicable to the future.

In DAS LEI's financial statements, claims provisions are not discounted.

Premium provision

The premium provision represents the estimated cost of future claims incurred and expenses arising from current and contractually bound insurance contracts net of future premium receipts.

The cost of future claims and expenses is estimated using actuarial projections based on expected loss ratios and appropriate expense/commission factors applied to unearned premiums and new business premiums for contractually bound business. These are based on recent experience, appropriately adjusted for trends and inflation, and checked for consistency with corresponding assumptions in the claims provision.

The discount rate applied to the premium and claims provision is the relevant risk-free rate for each currency and duration of liabilities.

In DAS LEI's financial statements, premium provisions are the unearned premium reserve for all incepted business, and technical provisions are also subject to a liability adequacy test.

Risk margin

A risk margin is added to the best estimate provisions to represent the additional cost of capital charge that a third party would require to take on and run off the liabilities (as represented by the technical provisions). The addition thus allows for the inherent uncertainty of future cash flow projections. This uncertainty generally relates to the risk that past claims trends may not apply in the future, for example, as a result of changes in economic conditions or internal factors, such as, claims management procedures.

The risk margin method is prescribed by the Solvency UK regulations and requires that a 4% cost-of-capital charge is applied to the present value of projected solvency capital for unhedgeable risks. Prior to Q4 2023 the cost-of-capital charge applied was 6% but this has reduced to 4% as per the Solvency UK regulation change. The risk margin is calculated net of reinsurance.

The projected solvency capital is calculated by approximating the run-off pattern for material risks within the underwriting and operational risk modules.

A separate risk margin is not included in DAS LEI's financial statements.

The table below gives an overview of the technical provisions as at 31 December 2023 in both of the SII and financial statements balance sheets:

All amounts in £'000s	SII	Financial statements
Total gross	144,739	258,856
Risk margin	2,125	N/A
Reinsurance recoverable*	(137,836)	(225,834)
Total net	**9,028**	**33,022**

**Total recoverable from reinsurance after the adjustment for expected losses due to counterparty default*

The table below gives an overview of the net SII technical provisions, per SII line of business ("LOB").

Net (of reinsurance) technical provisions (£'000s)

Type	LoB	31 December 2023
Direct business and accepted proportional reinsurance	**Total**	**9,036**
	Legal expenses insurance	2,500
	Assistance	896
	Miscellaneous financial loss	5,641
Non-proportional reinsurance	**Total**	**(1)**
Total		**9,036**

The technical provisions in SII are calculated by each separate class and sub-class of product sold and mapped to SII LOB split by direct or inwards reinsurance.

A more detailed breakdown of the above figures showing the best estimate and the risk margin separately is given below.

Direct business and accepted proportional reinsurance

Technical provisions: Legal expenses insurance LOB

31 December 2023 (£'000s)	Financial statements	Solvency II	Difference
Total gross	244,903	112,181	132,722
Risk margin	N/A	1,814	(1,814)
Reinsurance recoverable*	(213,151)	(111,507)	(101,644)
Total net	**31,752**	**2,488**	**29,264**

**Total recoverable from reinsurance after the adjustment for expected losses due to counterparty default*

Technical provisions: Assistance LOB

31 December 2023 (£'000s)	Financial statements	Solvency II	Difference
Total gross	3,895	3,680	215
Risk margin	N/A	30	(30)
Reinsurance recoverable*	(3,448)	(2,813)	(635)
Total net	**447**	**897**	**(450)**

**Total recoverable from reinsurance after the adjustment for expected losses due to counterparty default*

Technical provisions: Miscellaneous financial loss LOB

31 December 2023 (£'000s)	Financial statements	Solvency II	Difference
Total gross	10,862	28,878	(18,016)
Risk margin	N/A	281	(281)
Reinsurance recoverable*	(9,631)	(23,516)	13,885
Total net	**1,231**	**5,643**	**(4,412)**

**Total recoverable from reinsurance after the adjustment for expected losses due to counterparty default*

The explanation for the differences between the SII valuation and the financial statements by SII LoBs are the same for each LoB; these are noted in the "Claims provision", the "Premiums provision" and the "Risk Margin" sections above.
A lower level of detail for non-proportional reinsurance is not shown on grounds of materiality.

Level of uncertainty associated with the value of the technical provisions

Technical provisions represent a probability-weighted estimate of all future cash flows. They are formulated by making actuarial selections for each component and adjusting the results for events not in data ("ENID"). Any estimation process is subject to uncertainty, but the following are the principal sources of ENID in the technical provisions.

ENID in Claims Provisions ("CPs") is £3,700k (£3,700k at 31 December 2022). The key items justifying the ENID held in CPs are the extent and quality of data, level of sophistication of reserving methods and changes over time in the legal environment.

For BTE and Assistance business Premium Provisions ("PPs"), the ENID assumption within the loss ratios was set at 2% of premium net of commission for all BTE classes, reflecting the level held for CPs and the risks underlying that assessment.

When deciding on the additional ENID assumption for ATE PPs, the following factors were taken into account:

- Policies have an indeterminate length of exposure because they are linked to the underlying legal process,
- The legal environment affecting the outcome of cases and recoverability of costs and premiums has changed substantially over the last few years and continues to evolve, and
- Civil litigation cases are small in number and large in size.

For these reasons, the ENID for incepted ATE policies was set at 15% of projected claims cost for civil litigation and 5% for other ATE classes. A small amount of legally obliged but not yet incepted business also carries a higher ENID loading.

Explanation of the differences between the valuation for SII and financial statements

The gross undiscounted CPs are identical to the valuation in the financial statements booked reserves with the addition of the profit share reserve of £8,218k (2022: £6,597k). The booked reserves include an allowance for potential adverse experience, which is removed and replaced with an identical amount for ENID.

Gross undiscounted PPs are significantly different from the corresponding values in the financial statements. These differences arise from the following sources:

- PPs reflect the estimated profit/loss from all future cash flows including deferred premium and commission payments and other technical income closely related to the insurance contract, rather than being a simple proportion of the gross premium; and
- PPs include the profit/loss from legally obliged new business within the contract boundary.

Reinsurance

Reinsurance was applied to the claims and premium provisions to reflect the treaties in place described in Section C2.

The cash flow patterns of the deposits from reinsurers were assumed to follow those of the claims and expenses elements of the incepted unearned business. For the ERGO quota share treaty, interest payments were also calculated.

As the reinsurance commission arising out of the ERGO quota share treaty is payable on an earned basis, this was assumed to follow the same cash flow pattern as the reinsurance deposits, which is a proportionate simplification of the real settlement arrangement.

Discounting and default adjustment

Discounting and default adjustments were made using the basis and method described by EIOPA amended by the PRA requirements where necessary.

Changes in methodologies and assumptions since previous valuation

Changes in methodologies and assumptions since previous valuation are:

- The ERGO Quota Share ended 31 December 2023 and was replaced with a comparable Quota Share with ARAG plc from 1 January 2024 under revised terms for the commission (increases from 28.5% in 2023 to 31.5% in 2024) and removal of the profit share.
- Interest rate used for calculating the reinsurer deposit for ARAG has changed from a fixed 0.15% per quarter to a fixed 0.3% per quarter.

D.3. Other liabilities

For the values of the other liabilities please refer to the balance sheet at the start of section D. No changes were made to the recognition and valuation bases used or to estimations during the reporting period for SII reporting.

Deposits from reinsurers

Deposits from reinsurers include funds withheld by DAS LEI that will cover the reinsurers' share of future claims and unearned premiums (excluding instalments and ATE premiums not yet due/notified). The deposit is discounted due to the longer-term nature of the balance and hence is valued at fair value for SII purposes.

This balance is in respect of deposits held on behalf of two reinsurers, ERGO being almost the entirety. It represents ERGO's share of claims provisions and premiums. This has been valued as the present value of expected future cash flows, which includes payment of the deposit interest to ERGO under the reinsurance arrangement, allowing for the additional default risk associated with that counterparty. As the liabilities due under this arrangement are a share of the gross liabilities (claims and premiums associated with the core business of DAS LEI) it is appropriate to use the same risk-free discount rate here as in the technical provisions themselves.

Deferred tax liabilities

Under SII, deferred tax assets and liabilities are calculated in compliance with International Accounting Standard ("IAS") 12 "Income Tax". In DAS LEI's financial statements, the same accounting standard is applied, therefore a consistent measurement principle is used.

Deferred tax assets and liabilities are determined by reference to the difference between the value of assets and liabilities for tax purposes and their carrying value in the SII balance sheet. Deferred tax assets and liabilities are carried at the value for which it is expected they can be realised in the future, i.e. where sufficient future taxable profits are expected.

Deferred tax assets are recognised if assets are lower in the SII balance sheet or liabilities are higher than in the tax balance sheet of DAS LEI and these differences will be offset in the future with tax effects (temporary differences). Deferred tax assets are also recognised for tax losses carried forward.

As at 31 December 2023, there were tax losses carried forward of £1.1m (2022: £nil).

Breakdown of deferred tax in: (All amounts are in £'000s)	Financial statements	SII	Difference
Insurance and intermediaries receivable	-	20,035	(20,035)
Investments	1,450	1,475	(25)
Other assets/liabilities	286	396	(110)
Deferred tax asset	**1,736**	**21,906**	**(20,170)**
Net technical provisions incl. deferred acquisition costs	-	(13,016)	13,016
Investments	-	-	-
Other liabilities	-	(14,568)	14,568
Deferred tax liability	**-**	**(27,584)**	**27,584**
Net deferred tax asset/(liability)	**1,736**	**(5,678)**	**7,414**

The valuation differences between the SII and the financial statements balance sheet positions generate the additional deferred tax assets and liabilities in accordance with SII requirements, resulting in an overall net deferred tax liability.

The majority of the UK deferred tax assets are expected to unwind in the long-term rate and have been valued at the rate of 25% (2022: 25%) reflecting the corporation tax rate applicable from 1 April 2023.

Deferred tax assets are recognised to the extent that recovery is probable, following consideration of future activity. The deferred tax asset recovery does not rely on future profitability.

Insurance and intermediaries payables

Insurance and intermediaries payables represent amounts due or past due but not yet settled at the balance sheet date from policyholders, insurers and other business linked to insurance, but that are not technical provisions and are valued at their fair value. For DAS LEI's financial statements this balance includes commission in respect of ATE business. In addition, payables are measured at amortised cost, using the effective interest rate. The ATE commission should be removed for SII reporting as it is considered part of the technical provision. However, the commission is not currently allowed for in the technical provisions as a simplification. The fair value is deemed to be materially the same as amortised cost given the short-term nature of these assets. The timing of payments, which are expected to be within one year, and amounts are fairly certain.

Reinsurance payables

For DAS LEI's financial statements this balance includes premiums in respect of reinsured ATE business. For SII valuation this is considered in the Reinsurance recoverables, except for an amount relating to HDI which is still included in the reinsurance payables as a simplification. The remaining balance is valued at fair value. These balances and timing of payments, which are expected to be within one year, are fairly certain as they are set out in the reinsurance contracts.

Payables (trade, not insurance)

Payables, which are primarily intercompany balances, are included in the SII balance sheet at fair value, which is materially consistent with the valuation in the financial statements due to the short term nature of these debts. The timing and amounts are fairly certain.

Any other liabilities, not elsewhere shown

These balances represent accruals and deferred income as recognised in the financial statements. This balance relates to reinsurance deferred acquisition costs in respect of unearned Quota Share Commission of £29,038k (2022 restated: £27,812k), and profit share owed to distribution partners of £8,218k (2022: £6,597k). For the SII valuation, both of these items are considered in the valuation of the reinsurance recoverables and hence are removed for the SII balance sheet.

D.4. Alternative methods for valuation

DAS LEI has used "mark-to-market" valuations for all bonds for SII reporting, as quoted prices in active markets for identical assets are available. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis i.e. on the stock exchange.

For all other assets and liabilities, there are no quoted market prices in active markets for those or similar assets and liabilities. These balances are held at fair value for SII reporting and comprise the following:

- Property, plant & equipment held for own use
- Deferred tax assets/liabilities
- Reinsurance receivables
- Insurance and intermediaries receivables
- Receivables (trade, not insurance)
- Any other assets, not elsewhere shown
- Deposits from reinsurers
- Financial liabilities other than debts owed to credit institutions
- Insurance and intermediaries payables
- Reinsurance payables
- Payables (trade, not insurance)
- Any other liabilities, not elsewhere shown

These are deemed the most appropriate valuation methods and are consistent with the approach used in the financial statements, which is based on the fair value concept. The nominal amount of the contractually owed asset or liability is used unless specified above. Due to the short-term nature of some of the assets, they are not discounted on grounds of materiality. DAS LEI regularly compares the valuations against experience.

All other assets and liabilities valuation methods are provided elsewhere in the Delegated Regulations. No material derogation has been used in the valuation of assets or liabilities.

D.5. Any other information

There is no other material information to disclose.

E. Capital Management

E.1. Own funds

Objectives, polices and processes employed in managing own funds

Capital management focuses on analysis and monitoring capital adequacy requirements and ratios from the following key perspectives:

- Regulatory, and
- Rating capital requirements.

It also aims to achieve optimal capitalisation from the Munich Re Group perspective, taking restrictions from single entities into account.

DAS LEI is required to apply capital management procedures in accordance with the applicable regulatory and rating requirements, and also, during the year, standards defined by the Munich Re Group, in particular, the Munich Re Capital Management Guidelines. DAS LEI has set a risk appetite which is agreed by the Board.

The capital management process is a continuous cycle of monitoring and assessment actions designed to ensure that the business has a thorough understanding of the level of capital solvency needed to maintain the optimal level of capitalisation. The DAS UK Group Capital Management Policy establishes a framework detailing systems and controls for capital oversight and management. It seeks to ensure that DAS LEI adheres to regulatory and business requirements and maintains optimal capitalisation from a regulatory and credit rating perspective.

The Board of DAS LEI is responsible for overseeing the management of capital in the best long-term interests of DAS LEI and its shareholders by agreeing an appropriate level of capitalisation and challenging the CFO over the effectiveness and appropriateness of the capital management framework and practices.

The CFO has primary executive responsibility for the management of capital adequacy issues and sets the capital management strategy, which the Board approves in line with DAS UK Group's established corporate governance framework. The CFO receives internal capital adequacy reporting from the Reporting Manager.

In 2023 and 2022, DAS LEI's time horizon for business planning, including solvency planning, was four years.

Structure, amount and quality of own funds

The Solvency Capital Requirement, Minimum Capital Requirement and eligible own funds of DAS LEI are presented in the following table:

All amounts in £'000s unless stated	31 December 2023		31 December 2022	
Item	Total	Tier 1 - unrestricted	Total	Tier 1 - unrestricted
Basic own funds				
Ordinary share capital	**13,000**	13,000	**13,000**	13,000
Reconciliation reserve	**29,567**	29,567	**21,296**	21,296
Total basic own funds after deductions	**42,567**	**42,567**	**34,296**	**34,296**
Total available own funds to meet SCR	**42,567**	42,567	**34,296**	34,296
Total available own funds to meet MCR	**42,567**	42,567	**34,296**	34,296
Total eligible own funds to meet SCR	**42,567**	42,567	**34,296**	34,296
Total eligible own funds to meet MCR	**42,567**	42,567	**34,296**	34,296
SCR	**18,672**		**18,987**	
MCR	**4,668**		**4,747**	
Ratio of eligible own funds to SCR	**227.98%**		**180.63%**	
Ratio of eligible own funds to MCR	**911.92%**		**722.53%**	

The increase in basic own funds is largely due to an increase in retained profit, and differences in the valuation of Technical provisions, net of RI and net of deferred tax on a Solvency II basis.

There are no ancillary own funds, and there were no own funds issued or redeemed in the year. No transitional rules were applied for and no restrictions to the own funds were required.

The own funds can be further explained as follows:

Basic own funds	31 December 2023 £'000	Description
Share Capital (Tier 1)	13,000	This is the allotted, issued and fully paid share capital and is included in Tier 1 capital in accordance with Article 69 (a) (i) of the Delegated Regulations. This ranks after all claims in the event of winding-up proceedings, is undated and not redeemable. Dividends are payable at the discretion of the Directors.
Reconciliation Reserve (Tier 1)	29,567	This is included in Tier 1 capital in accordance with Article 69 (a) (vi) of the Delegated Regulations. This is calculated in accordance with Article 70 of the Delegated regulations as follows: i) total excess of assets over liabilities as calculated for solvency purposes, less the following: ii) the share capital, and iii) the net deferred tax asset shown in Tier 3 capital when applicable. This is mainly made up of the following items: Retained profit and loss reserves and other capital reserves adjusted for the differences between the financial statements' valuations and the SII valuations, see reconciliation below.
Total basic own funds	**42,567**	

Material differences between equity in DAS LEI's financial statements and the excess of assets over liabilities as calculated for solvency purposes

The material difference between equity shown in DAS LEI's statutory financial statements and the excess of assets over liabilities as calculated for SII purposes is the differing valuations rules for assets and liabilities under the two regimes. See section D for detailed explanations of the differences between the valuations of the assets and liabilities. A reconciliation of SII own funds to equity presented in the financial statements is shown below.

Reconciliation of SII own funds with equity in the financial statements

31 December 2023	£'000s
Equity in financial statements	20,588
Reinsurance recoverables adjustment in respect of future reinsurance premiums on ATE business (see section D.1)	(87,998)
Insurance and intermediaries receivables in respect of ATE premium written but not yet earned and BTE instalment debtors not yet received considered in valuation of technical provisions (see D.1)	(80,139)
Difference in the valuation of prepayments (see D.1)	(2,382)
Change in deposits from reinsurers due to treatment of ATE business not yet earned on the SII basis considered in the valuation of the reinsurance recoverables (see D.3)	50,164
Amount owed by ERGO under the quota share reinsurance agreement included under Reinsurance receivables for DAS LEI's financial statements but for SII this is considered as part of Reinsurance recoverable as it relates to future cash flows associated with the reinsurance contract (see D.1)	-
Reinsurance payables premiums in respect of reinsured ATE business considered in the valuation of the reinsurance recoverables (see D.3)	2,007
Reinsurance deferred acquisition costs in respect of unearned Quota Share Commission, and amounts that will be repaid to reinsurers as their share of profit on the reinsured business considered in the valuation of the reinsurance recoverables (see D.3)	37,907
Change in technical provisions due to recognition on SII basis largely offsetting differences above (see D.2)	114,117
Risk margin added to best estimate technical provisions (D.2)	(2,125)
Removal of deferred acquisition costs (D.1)	(3,424)
Movement in net deferred tax (D.1)	(7,414)
Lease adjustment – necessary due to the difference in SII lease reporting (IFRS 16) vs statutory reporting (UK GAAP FRS 102)	(24)
Other	1,290
SII basic own funds	**42,567**

See Appendix 1 for the following QRT that is required to be disclosed in relation to the Own Funds: S.23.01.01 – Own funds.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The SCR is calculated using the basis and method for the SII Standard Formula described by the SII regulations. The calculation of the SCR follows a two-step process to determine the SCR without material simplifying assumptions.

The following table shows the elements that contribute to the SCR at the most recent two year-ends.

Components of the SCR (£'000s unless stated)	31 Dec 2023	31 Dec 2022
Market risk	3,514	3,160
Counterparty default risk	8,062	7,061
Non-life underwriting risk	13,337	10,857
Diversification	(4,905)	(4,265)
Basic Solvency Capital Requirement*	20,009	16,814
Operational risk	4,342	4,708
Loss-absorbing capacity of deferred taxes	(5,679)	(2,535)
Net Solvency Capital Requirements calculated using Standard Formula	**18,672**	**18,987**
SII eligible own funds	42,567	34,296
Solvency ratio	227.98%	180.63%

***(including the loss-absorbing capacity of technical provisions, which is zero in this case)**

The SCR shown above is subject to supervisory assessment.

The SCR has decreased due to increases in LACDT and in diversification, and a decrease in operational risk. These movements were partially offset by increases in non-life underwriting risk, counterparty default risk and - market risk.

The reasons for the largest movements are explained below.

The increase in LACDT is driven by the increased deferred tax liability because of the increased difference between the FRS102 balance sheet and the Economic Balance Sheet. This is mainly as a result of increased embedded profit in the ATE technical provisions which is not recognised on the FRS102 balance sheet.

The increase in non-life underwriting risk is driven by:

- Increase in reserve risk following an increase in net reserves
- Increased lapse risk exposure

The increase in counterparty default risk is driven by:

- Increased cash held
- Increased Type 2 Exposures (Intermediaries), excluding those over-due by more than 3 months

The MCR for 31 December 2023 is 25% of the SCR (the capital "floor" as prescribed in the regulations). The MCR decreased from £4,747k as at 31 December 2022 to £4,668k as at 31 December 2023. This decrease reflects movements in the SCR given that the 25% floor is applicable.

The relevant outputs relating to the MCR are shown in the table below:

31 December 2023	£'000s	%
Linear MCR	2,345	50.2
SCR with add-on	18,672	400.0
MCR cap	8,402	180.0
MCR floor	4,668	100.0
Combined MCR	4,668	100.0
Absolute floor of the MCR	2,178	46.7
MCR	4,668	**100.0**

E.3. Use of the duration-based equity risk sub-module in the calculation of the SCR

DAS LEI introduced equities to the assets held during 2021. Equity risk has been calculated using the equity risk submodule set out in the standard formula regulations. The regulations also provide the definitions used to allocate the assets to the equity risk types.

£'000s	31 Dec 23	31 Dec 22
Type 1 Equities	3,105	1,530
Type 2 Equities	41	0
Total Market Value of Equities	**3,146**	**1,530**
SCR Equity	**1,227**	**550**

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

DAS LEI does not use an internal model. The SCR is determined using the standard formula without modification.

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

There are no instances of non-compliance to report. DAS LEI produces regular financial plans and forecasts to ensure that the risk of non-compliance with the SCR and MCR is insignificant.

E.6. Any other information

There is no other material information regarding the capital management of the insurance or reinsurance undertaking to report.

Appendix 1: Quantitative Reporting Templates

Appendix 1 also comprises Appendices 1.1 to 1.8, which contain the QRTs that are required to be disclosed in this document.

All amounts in this appendix are shown in £'000s, unless they are ratios, in accordance with the Commission Implementing Regulation (EU) 2015/2452[1] of 2 December laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council ("(EU) 2015/2452").

[1] As amended subsequently amended by further Commission Implementing Regulations.

Appendix 1.1: S.02.01.01 – Balance sheet

S.02.01.01.01

Balance sheet

					Solvency II value	Statutory accounts value
					C0010	C0020
Assets	Goodwill			R0010		0
	Deferred acquisition costs			R0020		3,424
	Intangible assets			R0030	0	0
	Deferred tax assets			R0040	0	1,736
	Pension benefit surplus			R0050	0	0
	Property, plant & equipment held for own use			R0060	964	0
	Investments (other than assets held for index-linked and unit-linked contracts)			R0070	139,645	138,841
	Investments (other than assets held for index-linked and unit-linked contracts)	Property (other than for own use)		R0080	0	0
		Holdings in related undertakings, including participations		R0090	0	0
		Equities		R0100	0	0
		Equities	Equities - listed	R0110	0	0
			Equities - unlisted	R0120	0	0
		Bonds		R0130	136,464	135,661
		Bonds	Government Bonds	R0140	76,669	76,355
			Corporate Bonds	R0150	55,843	55,385
			Structured notes	R0160	3,952	3,921
			Collateralised securities	R0170	0	0
		Collective Investments Undertakings		R0180	3,180	3,180
		Derivatives		R0190	0	0
		Deposits other than cash equivalents		R0200	0	0
		Other investments		R0210	0	0
	Assets held for index-linked and unit-linked contracts			R0220	0	0
	Loans and mortgages			R0230	0	0
	Loans and mortgages	Loans on policies		R0240	0	0
		Loans and mortgages to individuals		R0250	0	0
		Other loans and mortgages		R0260	0	0
	Reinsurance recoverables from:			R0270	137,836	225,834
	Reinsurance recoverables from:	Non-life and health similar to non-life		R0280	137,836	225,834
		Non-life and health similar to non-life	Non-life excluding health	R0290	137,836	225,834
			Health similar to non-life	R0300	0	0
		Life and health similar to life, excluding health and index-linked and unit-lin		R0310	0	0
		Life and health similar to life, excluding health and index-linked and unit-linked	Health similar to life	R0320	0	0
			index-linked and unit-	R0330	0	0
		Life index-linked and unit-linked		R0340	0	0
	Deposits to cedants			R0350	0	0
	Insurance and intermediaries receivables			R0360	39,341	113,418
	Reinsurance receivables			R0370	0	6,062
	Receivables (trade, not insurance)			R0380	18,373	17,272
	Own shares (held directly)			R0390	0	0
	Amounts due in respect of own fund items or initial fund called up but not yet paid in			R0400	0	0
	Cash and cash equivalents			R0410	18,203	18,203
	Any other assets, not elsewhere shown			R0420	25	2,407
	Total assets			R0500	354,386	527,198

Appendix 1.1: S.02.01.01 – Balance sheet (continued)

S.02.01.01

Balance sheet

					Solvency II value	Statutory accounts value
					C0010	C0020
Liabilities	Technical provisions - non-life			R0510	146,864	258,856
	Technical provisions - non-life	Technical provisions - non-life (excluding health)		R0520	146,864	258,856
		Technical provisions - non-life (excluding health)	Technical provisions calcu	R0530	0	
			Best Estimate	R0540	144,739	
			Risk margin	R0550	2,125	
		Technical provisions - health (similar to non-life)		R0560	0	0
		Technical provisions - health (similar to non-life)	Technical provisions calcu	R0570	0	
			Best Estimate	R0580	0	
			Risk margin	R0590	0	
	Technical provisions - life (excluding index-linked and unit-linked)			R0600	0	0
	Technical provisions - life (excluding index-linked and unit-linked)	Technical provisions - health (similar to life)		R0610	0	0
		Technical provisions - health (similar to life)	Technical provisions calcu	R0620	0	
			Best Estimate	R0630	0	
			Risk margin	R0640	0	
		Technical provisions - life (excluding health and index-linked and unit-linked)		R0650	0	0
		Technical provisions - life (excluding health and index-linked and unit-linked)	Technical provisions calcu	R0660	0	
			Best Estimate	R0670	0	
			Risk margin	R0680	0	
	Technical provisions - index-linked and unit-linked			R0690	0	0
	Technical provisions - index-linked and unit-linked	Technical provisions calculated as a whole		R0700	0	
		Best Estimate		R0710	0	
		Risk margin		R0720	0	
	Other technical provisions			R0730		0
	Contingent liabilities			R0740	0	0
	Provisions other than technical provisions			R0750	0	0
	Pension benefit obligations			R0760	0	0
	Deposits from reinsurers			R0770	148,193	198,357
	Deferred tax liabilities			R0780	5,679	0
	Derivatives			R0790	0	0
	Debts owed to credit institutions			R0800	0	0
	Financial liabilities other than debts owed to credit institutions			R0810	988	0
	Insurance & intermediaries payables			R0820	3,749	3,749
	Reinsurance payables			R0830	438	2,445
	Payables (trade, not insurance)			R0840	5,908	5,296
	Subordinated liabilities			R0850	0	0
	Subordinated liabilities	Subordinated liabilities not in Basic Own Funds		R0860	0	0
		Subordinated liabilities in Basic Own Funds		R0870	0	0
	Any other liabilities, not elsewhere shown			R0880	0	37,907
	Total liabilities			R0900	311,819	506,610
Excess of assets over liabilities				R1000	42,567	20,588

Appendix 1.2: S.05.01.01 – Premiums, claims and expenses by line of business

s.05.01.01.01

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Total
			Legal expenses insurance	Assistance	Miscellaneous financial loss	
			C0100	C0110	C0120	C0200
Premiums written	Gross - Direct Business	R0110	72,624	5,419	29,812	107,855
	Gross - Proportional reinsurance accepted	R0120	31,450	0	0	31,450
	Gross - Non-proportional reinsurance accepted	R0130				0
	Reinsurers' share	R0140	93,455	4,856	26,712	125,023
	Net	R0200	10,619	563	3,099	14,281
Premiums earned	Gross - Direct Business	R0210	70,654	5,209	29,141	105,004
	Gross - Proportional reinsurance accepted	R0220	30,635	0	0	30,635
	Gross - Non-proportional reinsurance accepted	R0230				0
	Reinsurers' share	R0240	91,028	4,679	26,136	121,843
	Net	R0300	10,261	531	3,005	13,796
Claims incurred	Gross - Direct Business	R0310	44,755	4,888	18,831	68,474
	Gross - Proportional reinsurance accepted	R0320	19,412	0	0	19,412
	Gross - Non-proportional reinsurance accepted	R0330				0
	Reinsurers' share	R0340	57,917	4,383	16,842	79,143
	Net	R0400	6,250	505	1,988	8,743

* In 2023, for Solvency II purposes, there was a reclassification of certain portfolios within business class 300 relating to Rent guarantee. Gross Written Premium, Gross Earned Premium and Gross Claims Incurred for those portfolios were reclassed from Legal expenses insurance (LoB 10) to Miscellaneous financial loss (LoB 12). The lines of business split in DAS LEI's Financial Statements at 31 December 2023 does not include this reclassification, and alignment to Solvency II lines of business has been differed to a future year.

Appendix 1.2: S.05.01.01 – Premiums, claims and expenses by line of business (continued)

s.05.01.01.01

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

				Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Total
				Legal expenses insurance	Assistance	Miscellaneous financial loss	
				C0100	C0110	C0120	C0200
Expenses incurred			R0550	6,479	479	1,880	8,839
Expenses incurred	Administrative expenses	Gross - Direct Business	R0610	11,680	870	4,787	17,337
		Gross - Proportional reinsurance accepted	R0620	5,066	0	0	5,066
		Gross - Non-proportional reinsurance accepted	R0630				0
		Reinsurers' share	R0640	0	0	0	0
		Net	R0700	16,746	870	4,787	22,403
	Investment management expenses	Gross - Direct Business	R0710	97	7	40	143
		Gross - Proportional reinsurance accepted	R0720	42	0	0	42
		Gross - Non-proportional reinsurance accepted	R0730				0
		Reinsurers' share	R0740	0	0	0	0
		Net	R0800	138	7	40	185
	Claims management expenses	Gross - Direct Business	R0810	3,829	428	1,600	5,857
		Gross - Proportional reinsurance accepted	R0820	1,661	0	0	1,661
		Gross - Non-proportional reinsurance accepted	R0830				0
		Reinsurers' share	R0840	0	0	0	0
		Net	R0900	5,489	428	1,600	7,518
	Acquisition expenses	Gross - Direct Business	R0910	6,265	466	2,564	9,295
		Gross - Proportional reinsurance accepted	R0920	2,713	0	0	2,713
		Gross - Non-proportional reinsurance accepted	R0930				0
		Reinsurers' share	R0940	28,056	1,458	8,019	37,534
		Net	R1000	-19,078	-992	-5,456	-25,526
	Overhead expenses	Gross - Direct Business	R1010	2,220	165	910	3,295
		Gross - Proportional reinsurance accepted	R1020	963	0	0	963
		Gross - Non-proportional reinsurance accepted	R1030				0
		Reinsurers' share	R1040	0	0	0	0
		Net	R1100	3,183	165	910	4,258
Balance - other technical expenses/income			R1200				4,234
Total technical expenses			R1300				13,073

Appendix 1.3: S.05.02.01 – Premiums, claims and expenses by country

Given that the home country represents more than 90% of the total gross written premiums, this template is not disclosed in accordance with the requirements of (EU) 2015/2452.

Appendix 1.4: S.17.01.02 – Non-life Technical Provisions

s.17.01.02.01
Non-Life Technical Provisions

					Direct business and accepted proportional			Accepted non-proportional		Accepted non-proportional		
					Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport	Non-proportional property reinsurance	Total Non-Life obligation
					C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole				R0010	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to				R0050	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM	Best estimate	Premium provisions	Gross	R0060	-10,881	2,261	9,526	0	0	0	-1	905
			Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	14,333	1,828	8,302	0	0	0	0	24,463
			Net Best Estimate of Premium Provisions	R0150	-25,215	433	1,224	0	0	0	-1	-23,558
		Claims provisions	Gross	R0160	123,064	1,419	19,352	0	0	0	0	143,834
			Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	97,173	985	15,215	0	0	0	0	113,373
			Net Best Estimate of Claims Provisions	R0250	25,890	434	4,137	0	0	0	0	30,461
	Total Best estimate - gross			R0260	112,182	3,680	28,878	0	0	0	-1	144,739
	Total Best estimate - net			R0270	675	867	5,362	0	0	0	-1	6,903
	Risk margin			R0280	1,816	29	279	0	0	0	0	2,125
Technical provisions - total	Technical provisions - total			R0320	113,999	3,709	29,157	0	0	0	-1	146,864
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment			R0330	111,507	2,813	23,516	0	0	0	0	137,836
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re -			R0340	2,492	896	5,641	0	0	0	-1	9,028

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Appendix 1.5: S.19.01.21 – Non-Life insurance claims

S.19.01.21
Non-life insurance claims
(GBP in thousands)

Accident year / Underwriting year	1 – Accident year

S.19.01.21.01 | S.19.01.21.02

		Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business											
		0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											986	986	986
N-9	R0160	49,636	13,623	6,766	3,809	3,144	2,176	2,253	1,098	610	596		596	83,711
N-8	R0170	61,486	19,421	6,109	6,323	3,051	3,161	1,791	1,273	1,712			1,712	104,328
N-7	R0180	54,184	16,677	9,393	5,167	3,890	1,729	1,225	2,038				2,038	94,302
N-6	R0190	47,371	13,928	8,185	6,713	3,436	3,348	2,109					2,109	85,091
N-5	R0200	38,669	14,380	7,875	5,635	2,924	4,666						4,666	74,150
N-4	R0210	38,926	13,811	5,860	4,262	3,722							3,722	66,582
N-3	R0220	32,826	13,216	5,884	5,978								5,978	57,904
N-2	R0230	40,776	20,160	5,928									5,928	66,864
N-1	R0240	35,993	14,856										14,856	50,849
N	R0250	45,868											45,868	45,868
Total	R0260												88,460	730,637

Appendix 1.5: S.19.01.21 – Non-Life insurance claims (continued)

S.19.01.21
Non-life insurance claims
(GBP in thousands)

Accident year / Underwriting yea	1 – Accident year

S.19.01.21.03 | S.19.01.21.04

		Gross undiscounted Best Estimate Claims Provisions – Development year (absolute amount). Total Non-Life Business											
		0	1	2	3	4	5	6	7	8	9	10 & +	Year end
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											14,589	4,427
N-9	R0160	0	0	16,296	9,735	6,547	4,675	4,026	3,155	2,062	806		753
N-8	R0170	0	29,868	16,386	10,322	6,638	6,715	5,062	3,613	2,884			2,690
N-7	R0180	50,506	28,224	15,306	10,051	8,322	7,326	5,407	3,438				3,207
N-6	R0190	48,608	28,696	15,829	11,080	9,311	7,205	5,478					5,108
N-5	R0200	50,451	31,286	16,894	13,041	10,925	7,513						7,007
N-4	R0210	47,493	27,055	18,183	13,143	10,641							9,924
N-3	R0220	40,232	28,016	19,352	14,979								13,969
N-2	R0230	47,570	32,509	21,011									19,600
N-1	R0240	50,941	31,258										29,170
N	R0250	51,372											47,979
Total	R0260												143,834

Appendix 1.6: S.23.01.01 – Own funds

s.23.01.01.01

Own funds

			Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Ordinary share capital (gross of own shares)	R0010	13,000	13,000		0	
	Share premium account related to ordinary share capital	R0030	0	0		0	
	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
	Subordinated mutual member accounts	R0050	0		0	0	0
	Surplus funds	R0070	0	0			
	Preference shares	R0090	0		0	0	0
	Share premium account related to preference shares	R0110	0		0	0	0
	Reconciliation reserve	R0130	29,567	29,567			
	Subordinated liabilities	R0140	0		0	0	0
	An amount equal to the value of net deferred tax assets	R0160	0				0
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions	Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions		R0290	42,567	42,567	0	0	0

Appendix 1.6: S.23.01.01 – Own funds (continued)

s.23.01.01.01

Own funds

			Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
	Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
	Other ancillary own funds	R0390	0			0	0
Total ancillary own funds		R0400	0			0	0
Available and eligible own funds	Total available own funds to meet the SCR	R0500	42,567	42,567	0	0	0
	Total available own funds to meet the MCR	R0510	42,567	42,567	0	0	
	Total eligible own funds to meet the SCR	R0540	42,567	42,567	0	0	0
	Total eligible own funds to meet the MCR	R0550	42,567	42,567	0	0	
SCR		R0580	18,672				
MCR		R0600	4,668				
Ratio of Eligible own funds to SCR		R0620	2.2798				
Ratio of Eligible own funds to MCR		R0640	9.1192				

*The Ratio of Eligible own funds to SCR and The Ratio of Eligible own funds to MCR are ratios and are therefore not in £'000s.

Appendix 1.6: S.23.01.02 – Own funds (continued)

S.23.01.01.02

Reconciliation reserve

			Value
			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	42,567
	Own shares (held directly and indirectly)	R0710	0
	Foreseeable dividends, distributions and charges	R0720	0
	Other basic own fund items	R0730	13,000
	Adjustment for restricted own fund items in respect of matching adjustment	R0740	0
Reconciliation reserve		R0760	29,567
Expected profits	Expected profits included in future premiums (EPIFP) - Life business	R0770	0
	Expected profits included in future premiums (EPIFP) - Non-life business	R0780	26,379
Total Expected profits included in future premiums (EPIFP)		R0790	26,379

Appendix 1.7: S.25.01.01 – SCR – for undertakings on Standard Formula

s.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	3,514	3,514	0
Counterparty default risk	R0020	8,062	8,062	0
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	13,337	13,337	0
Diversification	R0060	-4,905	-4,905	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	20,009	20,009	

s.25.01.01.02

Calculation of Solvency Capital Requirement

			Value
			C0100
Adjustment due to RFF/MAP nSCR aggregation		R0120	0
Operational risk		R0130	4,342
Loss-absorbing capacity of technical provisions		R0140	0
Loss-absorbing capacity of deferred taxes		R0150	-5,679
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		R0160	0
Solvency Capital Requirement excluding capital add-on		R0200	18,672
Capital add-ons already set		R0210	0
Other information on SCR	Capital requirement for duration-based equity risk sub-module	R0400	0
	Total amount of Notional Solvency Capital Requirements for remair	R0410	0
	Total amount of Notional Solvency Capital Requirements for ring fe	R0420	0
	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
	Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
	Net future discretionary benefits	R0460	0

s.25.01.01.03

Approach to tax rate

		C0109
Approach based on average tax rate	R0590	1 - Yes

s.25.01.01.04

Calculation of loss absorbing capacity of deferred taxes

			Before the shock	After the shock
			C0110	C0120
DTA		R0600	0	0
DTA	DTA carry forward	R0610	0	0
	DTA due to deductible temporary differences	R0620	0	0
DTL		R0630	5,679	0

s.25.01.01.05

Calculation of loss absorbing capacity of deferred taxes

			LAC DT
			C0130
LAC DT		R0640	-5,679
LAC DT	LAC DT justified by reversion of deferred tax liabilities	R0650	-5,679
	LAC DT justified by reference to probable future taxable economic profit	R0660	0
	LAC DT justified by carry back, current year	R0670	0
	LAC DT justified by carry back, future years	R0680	0
	Maximum LAC DT	R0690	-6,088

Appendix 1.8: S.28.01.01 – MCR — Only life/non-life insurance/reinsurance activity

S.28.01.01.01

MCR — Only life/non-life insurance/reinsurance activity

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	2,345

S.28.01.01.02

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	675	10,233
Assistance and proportional reinsurance	R0120	867	547
Miscellaneous financial loss insurance and proportional reinsurance	R0130	5,362	3,173
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

S.28.01.01.05

Overall MCR calculation

		Value
		C0070
Linear MCR	R0300	2,345
SCR	R0310	18,672
MCR cap	R0320	8,402
MCR floor	R0330	4,668
Combined MCR	R0340	4,668
Absolute floor of the MCR	R0350	2,178
Minimum Capital Requirement	R0400	4,668

Appendix 2: Glossary of abbreviations and terms

Abbreviations/Term	Definition
AIRMIC	Association of Insurance and Risk Managers in Industry and Commerce.
Alternative valuation method	Valuation methods that are consistent with Article 75 of the SII Directive and hence section 2 of the "Valuation" Chapter of the PRA Rulebook, other than those which solely use the quoted market prices for the same or similar assets or liabilities.
ATE	"After the Event", this is the provision of insurance after a substantive incident has occurred and therefore the risk insured is the risk of losing the litigation. Cover is provided for defendants' costs, their own disbursements and premium indemnity. Solicitors have an alignment of interest as their own costs, which are not indemnified under the terms of the policy, are at risk.
BAFIN	Bundesanstalt für Finanzdienstleistungsaufsicht. This is the German regulator, which is responsible for Munich Re Group supervision. It is the German equivalent of the PRA.
BCM	Business Continuity Management.
Best estimate for non-life insurance obligations	This forms part of the TPs and is made up of the premium provision and the provision for claims outstanding. This is the best estimate of obligations that DAS LEI have in respect of all of the insurance policies that they have issued.
BTE	"Before the Event", this is the provision of insurance in the traditional sense, where cover is purchased to protect the policyholder in respect of the occurrence of potential future events.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Civil Litigation	Commercial and complex one-off pieces of litigation.
Concentration risk	All risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.
CoCON	The FCA's Code of Conduct rules, the FCA regulate DAS LEI for their conduct.
CPs	Claims provisions. The outstanding claims provision represents the estimated cost of claims incurred as at the balance sheet date, together with profit shares and reinsurance settlements relating to expired risks. The provision includes an allowance for claims management and claims handling expenses. It is calculated using best estimate discounted future cash flows.
Credit risk	See section C.3.
Critical or important outsourcing	See section B.7.
Currency risk	See section C.2.
DAS Law	DAS Law Limited, a fellow DAS UK company.
DAS LEI	DAS Legal Expenses Insurance Company Limited, the company that is required to prepare this SFCR.
DAS UK	This comprises of DAS UK Holdings and all of its subsidiaries. DAS UK Group is managed on a unified basis.
DAS UK Holdings	DAS UK Holdings Limited, the holding company of the DAS UK Group of companies. It is also DAS LEI's immediate parent company.
Delegated Regulations	"Commission Delegated Regulations (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)" including subsequent amendments to that Regulation.
Diversification effect	The reduction in the risk exposure of DAS LEI related to the diversification of their business, resulting from the fact that the adverse outcome from one risk can be offset by a more favourable outcome from another risk, where those risks are not fully correlated.
EIOPA	European Insurance and Occupational Pension Authority. The objective of EIOPA is to protect the public interest. Among its tasks is to contribute to the establishment of high-quality common regulatory and supervisory standards and practices in the European Union for insurers. EIOPA's powers include i) issuing guidelines to further clarify the Delegated regulations and the SII Directive, ii) developing templates to be used for public disclosure and in regulatory submissions (i.e. QRTs) and iii) developing draft changes to the SII regulations and the SII Directive, all through public consultations. These draft changes need to be endorsed by the European Commission before being enshrined into European legislation.
Eligible own funds	For DAS LEI, this means: (1) as to compliance with the SCR, the aggregate of DAS LEI's: (a) Tier 1 own funds; and (b) eligible Tier 2 own funds; and I eligible Tier 3 own funds; and (2) as to compliance with the MCR, the aggregate of DAS LEI's: (a) Tier 1 own funds; and (b) eligible Tier 2 own funds; Please note however, that DAS LEI does not currently have any Tier 2 or Tier 3 own funds (see section E.1 for further details).
EMC	Executive Management Committee. This Committee includes all Senior Managers within DAS UK Group and reports up into the Board.
ENID	Events 'Not In Data'. These are events not deemed to be captured by the data which need to be separately allowed for within the best estimate calculations to take appropriate account of uncertainty.
ERGO	ERGO Versicherung AG, a fellow Munich Re Group company.

Abbreviations/Term	Definition
ERGO Group	ERGO Versicherungsgruppe AG, a fellow Munich Re Group company up to 2 January 2024.
ERMF	Enterprise Risk Management Framework. This is the framework that the Governance structure of DAS LEI, implements risk identification, assessment, management and reporting to the Board and its subcommittees, see section B.3 for more details.
FCA	Financial Conduct Authority, they are responsible for regulating the conduct of DAS LEI and other UK regulated firms.
FCA Handbook	This is the where the FCA rules are located, DAS LEI are required to follow the conduct rules relevant to insurers.
FRS 101	"Financial Reporting Standard 101 Reduced Disclosure Framework". This is the basis on which DAS LEI's statutory financial statements are prepared. This applies the recognition and measurement of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and permits various disclosure exemptions.
Head of	Typically direct reports of the EMC members.
IA	Internal Audit.
IAS	International Accounting Standards.
IAS 12	An International Accounting Standard on "Income Tax".
IAS 39	An International Accounting Standard on "Financial Instruments: Recognition and Measurement".
ICS	Internal Control System. This is required to ensure DAS LEI is compliant with applicable laws, regulations and administrative provisions.
IFoA	Institute and Faculty of Actuaries, the UK's only chartered professional body dedicated to educating, developing and regulating actuaries based both in the UK and internationally.
Interest rate risk	See section C.2.
International Financial Reporting Standards	Where references to "International Financial Reporting Standards" are made it also includes International Accounting Standards. These are the Accounting Standards that need to be applied for companies adopting International Financial Reporting Standards.
INED	Independent Non-Executive Director
Key Functions	means each of the following in relation to the carrying on of the insurance business by DAS LEI: (a) the risk-management function; (b) the compliance function; (c) the internal audit function; (d) the actuarial function; (e) the function of effectively running DAS LEI; and (f) any other function which is of specific importance to the sound and prudent management of DAS LEI;
Liquidity risk	See section C.4.
LEI	Legal Expenses Insurance.
LoB	Line of business. The SII LoBs are set out in Annex I of the Delegated Regulations.
LOI	Limit of Indemnity.
Market risk	See section C.2.
Market risk concentrations	See section C.2.
Material outsourcing	See section B.7.
MEAG	Munich ERGO Asset-Management GmbH, a fellow Munich Re Group company.
MCR	Minimum Capital Requirement. The calculation of this number is defined in the SII regulations and is the capital required to ensure that DAS LEI will be able to meet its obligations over the next 12 months with a probability of at least 85%. DAS LEI must hold eligible own funds covering the MCR. (Article 128 of the SII Directive and hence 2.1 in the "Minimum Capital Requirement" Chapter of the PRA Rulebook). Breach of the MCR is designed, unless remedied quickly, to lead to a loss of the insurer's authorisation.
Munich Re	Münchener Rückversicherungs-Gesellschaft AG, DAS LEI's ultimate parent company up to 2 January 2024.
Munich Re GIM	Munich Re Group Investment Management, DAS LEI's investment portfolio manager. They manage investments for Munich Re Group companies.
Operational risk	See section C.5.
ORSA	Own Risk and Solvency Assessment a SII requirements which forms part of DAS LEI's risk-management system.
PCC	Protected Cell Captive. A PCC is a single legal entity, made up of a core and a number of ring-fenced, protected cells.
Outsourcing	See section B.7.
PPs	Premium provisions. The premium provision represents the estimated cost of future claims incurred and expenses arising from current and contractually bound insurance contracts net of future premium receipts

Abbreviations/Term	Definition
PRA	Prudential Regulation Authority. They are DAS LEI's Prudential Regulator, and they have a general objective to promote the safety and soundness of the firms it regulates. DAS LEI are approved and regulated by the PRA.
Prudential Regulation Authority (or PRA) rules	These are the rules that are written by the PRA which DAS LEI need to comply with.
PRA Rulebook	This is the where the PRA rules are located, the rules that are applicable to DAS LEI are the Solvency II firm rules, see http://www.prarulebook.co.uk/
QRTs	Quantitative Reporting Templates. These are templates need to be used for i) public disclosure as set out in Appendix 1 of this document, and in ii) some SII submissions to the PRA.
RMF	Risk Management function.
Scenario analysis	Means the analysis of the impact of a combination of adverse events.
SCR	Solvency Capital Requirement. The calculation of this number is defined in the SII regulations and is the capital required to ensure that DAS LEI will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. A firm must hold eligible own funds covering its SCR (Article 100 of the SII Directive and hence 2.1 in the "Solvency Capital Requirement - General Provisions" Chapter of the PRA Rulebook). Breach of the SCR results in supervisory intervention designed to restore the SCR level of capital.
SF	Standard Formula. This is used by DAS LEI for the calculation of the Risk Margin, SCR and MCR.
SFCR	Solvency and Financial Condition Report, i.e. this document.
SII	Solvency II.
SII Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) including subsequent amendments to that Directive.
SII line of business	See LoB above.
Solvency II (or SII) regulations	This comprises various sets of legislation including the Delegated Regulations, Implementation rules, Technical Standards and Guidelines developed by EIOPA. However excluded from this definition are the SII Directive and the PRA Rulebook.
SIMF	Senior Insurance Management Function. That aspect of any key function relating to the carrying on of a regulated activity by DAS LEI, which is specified by the PRA in sections 3 to 10 of the "Insurance – Senior Insurance Management Functions" Chapter in the PRA Rulebook pursuant to section 59 of the Financial Services and Markets Act 2000. See SMF below however.
SIMR	Senior Insurance Managers Regime. This regime applied to the most senior executive management and directors who are subject to regulatory approval. Firms must allocate prescribed responsibilities across their Senior Managers setting out their duties. This forms part of the overall firm management and governance map. Under section 59 of the Financial Services and Markets Act 2000, authorised firms are required to ensure that individuals seeking to perform one or more of the PRA–designated Senior Management Functions seek PRA approval prior to taking up their position.
SMF	Senior Management Function, this superseded the SIMFs, see SMCR below. That aspect of any key function relating to the carrying on of a regulated activity by DAS LEI, which is specified by the PRA in the "Insurance – Senior Management Functions" Chapter in the PRA Rulebook pursuant to section 59 of the Financial Services and Markets Act 2000.
SMCR	Senior Managers and Certification Regime. On the 10th December 2018, the SIMR regime merged with the Banking Senior Managers and Certification Regime, specifically for Approved Persons. Existing roles were migrated to the revised framework in accordance with the requirements set out by the FCA and PRA.
Spread risk	See section C.2.
Regulatory risk	See section C.6.
Reverse stress-testing	This is done by identifying a range of adverse scenarios that could lead to the business plans becoming unviable and working backwards to understand what circumstances could lead to these scenarios crystallising.
Risk margin	Is the amount equal to the cost that a third party would incur in order to hold eligible own funds to cover the SCR necessary to support the insurance and reinsurance obligations over their lifetime.
Tier 1 own funds	The strongest form of Capital which is required to meet certain criteria as set out in the Delegated Regulations and the PRA Rulebook.
TP	Technical provisions. For DAS LEI, this is made up of the best estimate for non-life insurance obligations and the risk margin.
Underwriting result	See section A.2.
Underwriting risk	See section C.1.