

Borealis Insurance A/S (captive insurance company) Solvency and Financial Condition Report Financial Year ended 31st December 2022

General

The harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the Company's public website. This document is the fifth version of the Solvency and Financial Condition Report ("SFCR") that is required to be published by Borealis Insurance A/S (captive insurance company) (BIAS).

This report covers the Business and Performance of BIAS, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate responsibility for all these matters is the BIAS's Board of Directors with the support of various governance and control functions that has been put in place to monitor and manage the business.

BIAS is an active retention vehicle operated as a Captive for the Borealis Group. BIAS's strategy is to insure own assets or assets under management control. BIAS is required to hold sufficient assets to always match its policyholder liabilities and a primary responsibility of the Board of Directors is to ensure that BIAS's capital is adequate to cover the required solvency for the nature and scale of the business and the expected operational requirements of the business. A number of mechanisms are in place to evaluate those levels and the outcome of those assessments indicates that BIAS's capital is adequate and sufficient.

Table of Contents

A.	Business and Performance.....	3
A.1	Business	3
A.2	Insurance results	3
A.3	Investment results.....	4
A.4	Results of other activities.....	4
A.5	Other information	4
B.	Management System.....	5
B.1	General information	5
B.2	Compliance with Fit and Proper requirements	5
B.3	The risk management system and ORSA	7
B.4	The internal control system.....	9
B.5	Internal Audit Function.....	10
B.6	Actuarial Function	11
B.7	Outsourcing	11
B.8	Other information	12
C.	Risk Profile.....	12
C.1	Insurance Risks	12
C.2	Market Risks	12
C.3	Credit Risks.....	12
C.4	Liquidity Risks	12
C.5	Operational Risks	13
C.6	Other material risks.....	13
C.7	Other information	13
D.	Valuation for solvency purpose	14
D.1	Assets	14
D.2	Provisions of insurance and reinsurance.....	14
D.3	Other liabilities	15
D.4	Alternative asset valuations	15
D.5	Other information	15
E.	Capital Management.....	15
E.1	Own Funds.....	15
E.2	Solvency capital requirement and Minimum Capital Requirement.....	16
E.3	Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.....	16
E.4	Differences between the standard formula and any internal model used	16
E.5	Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	16
E.6	Other information	17

A. Business and Performance

A.1 Business

BIAS was established in 1996. BIAS operates as a Captive for the Borealis Group, including entities where the Group has management control. BIAS provides insurance protection for selected Group risks world-wide:

- The Company Name is: Borealis Insurance A/S (captive insurance company)
- The Company Address is: c/o Gorrissen Federspiel, Axeltorv 2, DK - 1609 Copenhagen V, Denmark
- Registration no: 19 32 32 93

BIAS is incorporated as a privately owned company with limited liability (A/S: Aktieselskab) and is a 100% owned subsidiary of Borealis AG. BIAS has granted a loan to Borealis AG according to permission from the Danish Financial Supervisory Authority. The loan yields interest at arm's length basis. BIAS has entered into an agreement with the Borealis Group, related to risk management services and other services for Captive operation.

BIAS is domiciled in Denmark under supervision of the Danish Financial Services Authority Finanstilsynet (DFSA), Århusgade 110, 2100 Copenhagen Ø.

BIAS has license to conduct direct insurance and reinsurance business for the below listed insurance classes:

- 7 (Marine Cargo)
- 8 (Fire and natural forces)
- 9 (Other damage to property)
- 12 (General liability)
- 16 (Miscellaneous financial losses)

BIAS is audited by PricewaterhouseCoopers (PWC), Strandvejen 44, 2900 Hellerup.

BIAS mitigate and protect the risk and capital by procurement of reinsurance. In accordance with BIAS' reinsurance policy, all reinsurers must have a minimum A- rating by Standard & Poors or similar unless specifically approved by the Board.

A.2 Insurance results

BIAS writes risks within the business areas of Marine Cargo, Property Damage / Business Interruption (PD/BI) and Liability.

Net risk retentions are limited per incident and in the aggregate. As of the end of December 2022, BIAS's maximum net exposure is limited for PD/BI to EUR 28 million per occurrence and EUR 44 million in the aggregate per policy year, and for casualty to EUR 2.0 million per occurrence and in the annual aggregate.

In 2022, business involved companies of the Borealis group located in Austria, Belgium, Finland, France, Germany, Italy, Sweden, The Netherlands and USA. The Company's fixing of the premium is made at market prices, based on a general evaluation of the market level made by international insurance consultants.

The Company has maintained the investment activities in conservative investments with a low risk profile, in accordance with the Company's Investment policy.

In 2022 the Company has finalized the settlement of the fire damage at a production facility in Sweden which occurred in 2020.

The liquidity of the company is satisfactory.

BIAS results 2022:

TEUR:

Year	Total gross premium	Total net premium	Total gross claims	Total net claims	Operating Expenses	Profit after tax	Combined ratio
2018	16,664	6,592	5,063	5,063	(259)	1,382	0.92
2019	17,271	6,214	3,739	3,739	(192)	2,571	0.87
2020	19,068	4,606	(134,751)	(28,793)	(206)	(20,525)	2.28
2021	25,694	4,605	(20,069)	1,688	(331)	5,779	0.76
2022	29,260	5,704	(17,271)	(849)	(371)	1,828	0.84

A.3 Investment results

BIAS investment portfolio 31 December 2022 consists of:

Instruments		Currency	TEUR
Deposits/Cash	Nordea	EUR	31,066
Bonds (Market value)	EU Government Bonds	EUR	11,753
Mutual Funds		EUR	8,968
Loan Borealis Group		EUR	40,000
Total investments at market value			91,787

BIAS' result 31 December 2022 from Investment activities can be specified as:

Investment result (TEUR)	2022	2021	2020	2019	2018
Interest Income	0,930	0,566	0,724	0,897	1,059
Value adjustments	(3,532)	0,378	0,207	0,119	(0,547)
Total	(2,602)	0,944	0,931	1,016	0,512

A.4 Results of other activities

BIAS does not perform other activities.

A.5 Other information

There is no other information.

B. Management System

B.1 General information

The Board of Directors in BIAS is involved in strategic decisions as well as significant decisions which fall outside the scope of the Management.

Members of the Board of Directors are:

- Sandra Müller (Chair)
- Gernot Kriegbaum
- Koen Timmermans
- Niels Bang

BIAS has no separate audit committee, as the Board of Directors has decided that the Board of Directors are responsible for taking care of all tasks and responsibilities related to the audit committee work.

Executive Board:

- Peter Rienckens, Director
- Claus Kirk, Director and Key person for the Actuarial, Risk Management and the Compliance functions

BIAS has to a large extent outsourced the operations, including Risk Management, Compliance, Actuarial activity, Underwriting, Reinsurance, Claims handling, Legal, Tax, Accounting, Investment, Reporting, IT, etc.

Risk Management, Underwriting, Reinsurance, Claims handling, Legal, Tax, Accounting, Investments, Reporting and IT are outsourced to the parent company Borealis AG. The Actuarial activities including the Actuarial function, the Internal audit function and the Compliance function are outsourced to external parties.

Key persons for the 4 functions:

Internal audit function	Compliance function	Actuarial function	Risk Management function
Martin Tripax, Deloitte	Claus Kirk, RISK MAP	Claus Kirk, RISK MAP	Claus Kirk, RISK MAP

Remuneration

The Chair of the Board of Directors in BIAS must submit the remuneration policy for the general assembly at the annual general meeting.

The Board of Directors carries out ongoing monitoring and verification of the remuneration policy and will review the policy at least annually.

BIAS does not pay remuneration to the executive directors and has no pension scheme or incentive scheme. If an external executive director is employed, who does not work for another company in the Borealis Group, the fee payable to such a director shall not exceed EUR 10,000 per year.

B.2 Compliance with Fit and Proper requirements

Legal requirement

1. FIL § 64 defines the requirements which individual members of the Board and Directors of financial companies must meet with regard to Fit and Proper.

2. FIL § 71 paragraph 3, Group 1 insurance companies identify 4 key persons to perform specific responsibilities. In accordance with § 64 paragraph 8, an assessment of integrity and Fit and Proper for the 4 key persons must be performed.

A policy for fit & proper has been approved by the Board of Directors in BIAS. The purpose of the policy is to establish the framework and requirements for the procedures for assessing Fit & Proper, to ensure that the persons responsible for operation of BIAS, at any time are Fit and Proper.

Based on the business model, the risk profile and the organization - the Board of Directors assess that following persons are subject to Fit and Proper compliance:

- Board of Directors members
- Managing Directors
- The key persons for the 4 functions

Individual requirements for suitability - Fit and Proper assessment

The assessment of whether a person is suitable, will include an assessment of the person's professional and formal qualifications, knowledge and relevant experience in the insurance industry and other financial sectors or other companies, and should take into account the respective duties that the person has been assigned to and, where applicable, the person's insurance, financial, accounting, actuarial and management skills.

In assessing whether a member of the Management is fit, the duties that the individual members have been assigned to must be taken into account. This is done to ensure adequate diversification in terms of skills, knowledge and relevant experience, so they can manage and supervise the company in a professional manner.

The assessment of whether a person is proper, includes an assessment of the person's honesty and financial soundness based on the evidence of their character, personal behaviour and business conduct, including any criminal, financial and regulatory aspects relevant to the assessment.

The persons covered by the fit & proper requirements, are obliged to, without delay, inform the Management or the Chairman of the Board of Directors, if there are any changes in the factors underlying the assessment of fit & proper.

Fit & proper assessment from the DFSA

In relation to election or recruitment, persons subject for Fit & Proper shall be approved by the DFSA - Fit and Proper approval. The form and criminal record must be submitted to the DFSA. If any changes in the reported conditions occurs, a new Fit and Proper form must be submitted to the DFSA.

Board of Directors self-assessment

The Board of Directors performs at least once a year a self-assessment, to examine whether the Board of Directors has the necessary knowledge and experience to run the company. In relation to this evaluation, each Board of Directors member confirms that no changes that can affect the previous approved assessment of the Fit & Proper have occurred.

B.3 The risk management system and ORSA

It is company policy that the risks arising from the normal activities should be covered or reduced to a level that allows Borealis Insurance A/S to maintain normal operations and implement planned business activities also in case of unfavourable developments in the external environment.

Risks are handled so that the risk exposure for BIAS at any time is at an acceptable level compared to the accepted risk profile. For this purpose, BIAS has prepared written policies and guidelines to ensure that identification, categorization and management of all major risks takes place.

The policies and guidelines shall as a minimum take care of:

- Insurance risks
- Market risks
- Operational risks

Specific procedures for reporting ensure that information about significant risks are identified, measured and reported to the Management and the Board of Directors.

The risk management function identifies, assesses and quantifies the risks exposed for BIAS.

BIAS does not tolerate economic unlimited risk and the company operates with a maximum loss per damage.

BIAS takes all reasonable and necessary precautions to ensure a stable and controlled operation of the business, and in the policies, guidelines and procedures it is stated how all significant risks are handled.

The Managing Directors in BIAS must keep the Chairman of the Board of Directors informed of all issues with significant relevance to BIAS.

The following issues must be presented to the Board of Directors for approval:

- Loan agreements, guarantees, or security which are not part of the usual business.
- Significant changes in existing agreements with bank connections.
- Purchase, sale, or mortgaging of significant assets of BIAS, including properties or facilities.
- Significant changes in BIAS's structure, including the capital structure or type of business.
- Significant changes to the operating budgets.
- Start of significant new activities, including activities within new classes of insurance.
- Significant changes to the organisation of BIAS, including significant reductions and increases in the number of employees.
- Entering settlements in larger trial cases or arbitrations.
- Entering into or changes to reinsurance agreements.
- Activities or matters that fall outside the description of BIAS's description of procedures and operational plan.
- Activities which fall outside the guidelines and policies.

The Risk Management Function

The risk management function in BIAS must:

- Assist the Board of Directors and other functions in the effective operation of the risk management system.
- Monitor the risk management system and the general risk profile of BIAS.
- Provide detailed reporting on risk exposures and advising the Board on risk management matters, including strategic affairs such as corporate strategy, mergers and acquisitions, major projects, and investments.
- Report to the Board at least on an annual basis

- Identify and assess emerging risks.
- Ensure the effectiveness of the risk management system according to BIAS's risk appetite and overall risk tolerance limits, as well as manage the main risk management strategies and policies.
- Establish, implement and maintain a risk management system to be undertaken in the upcoming years when taking into account all activities and the complete system of governance of BIAS.
- Take a risk-based approach in deciding its priorities.
- Verify compliance with the decisions taken by the Board of the undertaking based on the recommendations.
- Co-operate closely with the actuarial function.
- Provide self-assessment of the function and the processes and implement or monitor needed improvements.

Own risk and solvency assessment - ORSA

The Risk management function must conduct BIAS's own risk and solvency assessment, ORSA. The ORSA must be an integrated part of the business strategy and must be taken into account in the strategic decisions of BIAS on an ongoing basis.

In addition, an assessment of whether the calculated solvency capital requirement takes sufficiently into account all significant risk effects within the next 12 months should be carried out. This assessment is made based on the business model, risk profile and risk tolerance limits.

This assessment is documented in the ORSA submitted to the Board of Directors for approval at least once a year. The Board of Directors and the Management must ensure that procedures for risk measurement and risk management are in place and updated, so BIAS can continuously assess, maintain and ascertain that the capital is of such a level that it is sufficient to cover the risks. The capital plan and a capital contingency plan describe the actions to be taken, in case of loss of capital or increasing solvency capital requirements.

The Management shall approve the calculation of the solvency capital requirement and make sure that there is evidence that the Board of Directors have approved the method used. The documentation must include Board of Directors approval and assessment of the methods, assumptions and procedures that are used. This documentation derives from the ORSA.

The Board of Directors are responsible for assessing own risk and solvency requirement based on the business model, the risk profile and the risk tolerance limits. The Board of Directors shall ensure that the assessment of own risk and solvency requirements is made from a going concern assumption for both short term and the long-term perspectives. The risks caused by the activities carried out by BIAS, are primarily due to the insurance risks, operational risks and market risks.

For calculation of the solvency capital requirement the Board of Directors have decided to use the standard model according to the Commission Delegated Regulation (EU) 2015/35 of October 10th, 2014 and the Order no. 1164 of October 31st, 2017 regarding the calculation of the solvency capital requirement by using the standard formula. As a part of the Management and Board of Directors' approval of the applied method for calculation of the solvency capital requirement, the Management and the Board of Directors are obliged to assess whether the applied method gives a true and fair estimate of the calculated solvency for BIAS.

This requires that the Board of Directors and the Management:

- Are aware of the principles for provisions and major risks connected hereto.
- Are aware of risks that shall be covered by capital and risks that shall be covered in other ways.
- Approves estimated risk amounts that cannot be quantified specifically.
- Assess whether the company has the required expertise on selected areas.

The Board of Directors and Management shall in relation to the solvency capital requirement ensure that BIAS has the required resources to calculate the solvency capital requirement. In case external assistance is needed, these resources must be available.

The Board of Directors and Management shall on a regular basis and at least once a year, re-estimate the method used. The Management shall ensure that the necessary follow-up on the solvency capital requirement is an ongoing process and that the follow-up and control is carried out.

B.4 The internal control system

The internal control system shall ensure that BIAS complies with applicable laws and regulations, and that BIAS is operated efficiently in accordance with the decided business model and that financial and non-financial information is available and reliable.

The Management must ensure that the employees know their responsibilities and tasks within the internal control system.

The Management must also ensure that checks are done in relation to all essential and risk bearing tasks, including:

- Compliance with all limits set by the Board of Directors according to adopted policies and guidelines and limits in the legal legislation.
- Tasks that can cause significant economic risks or other significant risks for BIAS, including the disposition of the company accounts and tasks relating to the production or preparation of the basis for accounting reports, calculation of the solvency capital requirement and the risk assessment.

The Management must ensure that the internal control system is operating according to the following structure:

- In the 1st line of defense, quality checks of the work done in the performing part of the organization are carried out. It should be checked whether the work is performed in accordance with agreed procedures and chosen limits and restrictions set by the Board of Directors. It must also be checked whether potential limitations under the law are fulfilled. (day-to-day controlling of daily work tasks)
- In the 2nd line of defense, controls are carried out by the compliance function, the risk management function and the actuarial function. The functions are controlling compliance with laws and standards, significant risks which may affect the company as well as provisions and liabilities. This is described in detail in the policies and descriptions for the functions.
- In the 3rd line of defense the internal audit function monitors that the control system is operating and functioning properly so that all significant risks are subject to a minimum of 3 lines of defense.

All employees must have the necessary qualifications and experience to perform their work tasks.

BIAS has established a compliance function. Tasks and requirements for the compliance function are:

- Verify and assess whether BIAS has adequate and effective procedures and methods to detect and reduce the risk of non-compliance with the current regulations, market standards and internal regulations (compliance risk).
- Advise Management in BIAS in relation to compliance with financial legislation
- Assess consequences for the company of legislative changes

- Identify and assess risks in case of non-compliance with financial legislation, market standards or internal regulations.
- In assessing potential consequences for the company regarding legal changes, which do not concern the financial legislation, the compliance function shall ensure that the assessment is carried out with the required competence by involving employees from other organizational units within the company or consultants and specialists from outside the company.
- The compliance function shall establish, implement and maintain a compliance plan that contains the compliance activities planned, and takes into account all relevant areas of the company and the company's exposure to compliance risks.
- The compliance function shall report to the Management and the Board of Directors. Any conditions detected that will affect the compliance risks are reported immediately.
- The compliance function shall, at least annually prepare a report to the Management and the Board of Directors regarding the work carried out including the results and possible recommendations.

B.5 Internal Audit Function

Tasks and requirements for the internal audit function in BIAS:

- Assess whether the internal control system and other elements of management and control are appropriate and adequate, including whether the internal control system is sufficient and effective.
- The internal audit function must establish, implement and maintain an audit plan that includes the work to be performed in the coming years, taking into account all the activities and the entire management system. The audit plan must be based on a methodical analysis of the risks and should use a risk-based approach in defining priorities.
- The Management and the Board of Directors may ask the internal audit function to include specific items in the internal audit, if this does not conflict with the function's independence.
- The internal audit function must prepare an audit plan to be presented and approved by Management and the Board of Directors.
- The internal audit function cannot without approval from the Board of Directors perform other special tasks in addition to those set forth in this policy, the description of the function or in the audit plan.
- The internal audit function may carry out audits not included in the approved audit plan.
- The work performed in the internal audit function must be documented to assess the effectiveness of the function and enable a review of the performed internal audit and the results. The documentation must be set up in a way that makes it possible to track the audits performed and as well as the results hereof.
- The internal audit function shall report to the Management and the Board of Directors Any conditions detected that will affect the compliance risks are reported immediately.
- The internal audit function shall at least annually prepare a report to the Management and the Board of Directors regarding the work carried out including the results and possible recommendations. The report shall include a time limit, to remedy any deficiencies and provide information on the status of recommendations that have not been remedied since the release of the previous audit report.

B.6 Actuarial Function

The actuarial function has the overall responsibility for the insurance provisions for BIAS.

The tasks for the actuarial function in relation to insurance provisions are:

- Coordinate the calculation of insurance provisions.
- Ensure that the methods and models used in the calculation are reassuring.
- Assess the adequacy and quality of data and provide recommendations on internal procedures for improving the quality of the data where appropriate.
- Assess whether the methods and assumptions used in the calculation is relevant for the business, as well as for the manner in which the business is conducted.
- Compare best estimates with previous experience.
- Inform the Board of Directors whether the calculations of insurance provisions are adequate and reliable.
- Supervision of the calculation of insurance provisions, in the specific cases where data is insufficient.

The actuarial function shall report to the Management and the Board of Directors. Any conditions detected that will impact the compliance risks are reported immediately.

The actuarial function shall, at least annually, prepare a report to the Management and the Board of Directors regarding the work carried out including the results and possible recommendations.

The report must document the tasks which the actuarial function has carried out and the results thereof. The report must also clearly identify any deficiencies and make recommendations to correct such deficiencies.

The report must also explain significant discrepancies between actual experience and best estimates, investigate the reasons and propose changes in assumptions and modifications in the valuation model in order to improve the best estimate.

The report shall include a reasoned analysis of the reliability and adequacy of the calculations and the sources and the uncertainty associated with the estimation of insurance provisions.

B.7 Outsourcing

Outsourcing of important areas of activity must be decided by the Board of Directors.

The Board of Directors shall receive regular reports and information about outsourced activities to ensure compliance.

The Board of Directors must assess regularly whether activities are being carried out satisfactorily. The responsibility for the outsourced activities is at the Board of Directors. The responsibility may not be outsourced.

When entering an outsourcing-contract, BIAS must ensure that the service provider possesses the ability and capacity to carry out the outsourced activities satisfactorily, and in this respect, has the licenses required by the relevant legislation for the specific outsourcing area.

BIAS shall regularly check that the service provider meets the obligations in the outsourcing-contract. BIAS shall monitor whether, when carrying out the outsourced activities, the service provider is complying with the relevant regulations for the area.

If the service provider fails to meet the requirements of the outsourcing-contract, BIAS shall take appropriate measures to ensure that the service provider meets the requirements. If necessary, BIAS itself or through a new outsourcing-contract with a new service provider must ensure that the requirements of the outsourcing-contract are met within an appropriate time limit given the circumstances.

BIAS shall have adequate insight to ensure that the service provider and the delivered services meets the requirements listed in the outsourcing-contract.

B.8 Other information

No other information.

C. Risk Profile

C.1 Insurance Risks

The insurance risk for BIAS is limited to risks within the insurance classes for which BIAS holds a license.

BIAS writes risks within the areas of Marine Cargo, Liability and Property Damage / Business Interruption (PD/BI) risks.

Net retention/Risk Appetite:

BIAS' risk appetite is constituted by the maximum possible net exposures undertaken (net of reinsurance), combined with the goal to fulfil the solvency requirement 140 %

BIAS' net retention (net of reinsurance cover) is for the policy period 2022/23:

PD/BI: EUR 28 million per occurrence.

Environmental liability: EUR 2 million per occurrence.

C.2 Market Risks

BIAS is exposed to a selected range of market, counterparty, and credit risks which are summarised in the table below. All risks that BIAS is exposed to are approved by the Board of Directors.

C.3 Credit Risks

BIAS is exposed to a selected range of market, counterparty, and credit risks. All risks that BIAS is exposed to are approved by the Board of Directors.

Exposure defined as loans, deposits, bonds and shares, and market-to-market of derivatives.

Concentration risk for the company's risks from excessive reliance on a particular asset class, investment market or a particular investment.

BIAS' reinsurers are selected in accordance with the following criteria:

- Minimum rating S&P – A.
- Good level of capital surplus which also takes into account the potential gross exposures and ratings.
- BIAS has a large number of high-quality reinsurers and therefore benefits from diversification.

C.4 Liquidity Risks

Due to the nature of the business model, the liabilities in BIAS are short termed as they are mainly consisting of claims which are onetime payments. To match the duration of the liabilities, the assets are short termed as well. Bonds have less than 8 year duration, the loan to Borealis Group company can be withdrawn within 10 banking days, and all

deposits are of few months duration. This ensures a balanced liquidity in BIAS as claims can be paid on time even with short notice.

C.5 Operational Risks

The Board has assessed that the following types of events are a part of operational risks:

- losses due to administration errors to the extent they are not covered by the administrator (the supplier in the outsourcing agreement).
- Costs resulting from fraud.
- Costs due to key staff severance.
- Losses due to the termination of the outsourcing agreement by the system administrator.
- Losses due to IT downtime, fire damage, etc.

The list is not exhaustive.

The policy for operational risk states that administrative tasks are outsourced to Borealis Group company, which according to the outsourcing agreement is assumed to run administration and IT at a comfortable level.

Economic losses caused by reasons other than insurance events and developments in the financial market are continuously recorded based on booked loss values.

To ensure that the Board of Directors is aware of operational risks in BIAS, they review a yearly report.

C.6 Other material risks

The Board of Directors has identified a number of strategic risks which include:

- Board competence.
- Mix of risks accepted.
- Premium level.
- Change in law incl. tax law.
- Reputational risks.

The strategic risks are assessed at least once a year in connection with the Board of Directors assessment of own risk and solvency (ORSA).

C.7 Other information

Outsourcing

BIAS has to a large extent outsourced the operation, including underwriting, reinsurance, claims handling, actuarial services, legal, tax, accounting, investment, reporting, IT, risk management functions, etc.

Underwriting, reinsurance, claims handling, legal, risk management, tax, accounting, investment, reporting, IT are outsourced to Borealis Group company.

The actuarial function, the Internal audit function and the compliance function are outsourced to external parties.

D. Valuation for solvency purpose

D.1 Assets

The valuation of assets for solvency purposes follows the same methods and primary assumptions, that are used for valuation in the financial accounts.

D.2 Provisions of insurance and reinsurance

Premium provisions

The provisions for insurance premiums are following the expected damage and risk period.

Unearned premium provisions are calculated with 1/12 per month or pro rata to the number of months covered by the premium payments.

It is estimated that the risk is evenly distributed during the period of risk.

Premium provisions are not discounted, since the insurance contract usually covers a maximum of 12 months. The short period of time until the liability settlement is made is not deemed to have any material effect on the amount of the provisions.

Claims provisions

Claims provisions shall be calculated as the sum of amounts, which, according to the best estimates, are expected to be payable for insured events. The claims provisions also include expenses for surveys and assessment of the claims by independent loss adjusters. As claims are paid shortly after they occur, the claims provisions are in general calculated without consideration of interest (discounting). Gains or losses arising from the claims provisions from previous years are recognized in the income statement.

Risk Margin

The risk margin is calculated as the amount which another insurance company may be expected to require for taking over the risk of settling the claims provisions.

The risk margin is calculated by determining the cost of providing an amount eligible own funds equal to SCR necessary to support these obligations.

Adjustments

For BIAS no matching adjustments are applied.

For BIAS no volatility adjustments are applied.

For BIAS no transitional measures or deductions are applied.

BIAS does not utilise special purpose vehicles, however, reinsurance recoverable are included in the valuation of assets as described in section 1.

There are no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting periods. BIAS has followed the same approach since 2012.

D.3 Other liabilities

No other liabilities.

D.4 Alternative asset valuations

No alternative valuation methods.

D.5 Other information

No other information.

E. Capital Management

E.1 Own Funds

The management of own funds is governed by the Policy for Capital Structure where the overall responsibility and tasks are defined. According to this policy, the equity of the company must be sufficient to ensure the continued operation of the company and at the same time sufficient to meet all regulatory requirements. BIAS is constantly focusing on matters which might influence the capital structure. The value creation of BIAS is primarily meant to be generated from acceptance of insurance risk rather than by acceptance of investment risk. The time horizon for business planning including development of own funds is minimum 3 years.

Own funds consist only of tier 1 capital as follows:

Own funds (tEUR)	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Ordinary share capital	7,092	7,092	7,092	7,092	7,092
Accumulated profit	83,109	81,281	50,502	71,027	68,456
Total own funds	90,201	88,373	57,594	78,119	75,548

According to the Commission Delegated Regulation (EU) 2015/35 of 10th October 2014, the Tier 1 capital must, at any time, at least be at a minimum of 50% of Solvency Capital Requirement and 80% of the minimum capital requirement. This part of the capital must not be imposed by any burdens and shall fully absorb losses.

Total own funds as shown above are eligible for meeting both the SCR and MCR.

The development of own funds is based on the assumption that dividend is not paid to shareholders during the planning period.

E.2 Solvency capital requirement and Minimum Capital Requirement

The company uses the standard formula for calculating the SCR and MCR.

As of 31 December 2022, the capital requirements of the company were as follows:

Solvency Capital Requirement: tEUR 59,949

Minimum capital requirement: tEUR 14,987

SCR and capital base (TEUR)	2022
Insurance risks	31,610
Counterparty risks	31,891
Market risks	10,921
Operational risks	0,869
Diversification	-15,342
SCR	59,949
Base capital	90,201
Excess	30,252
Excess in %	150%

Simplified calculations are not used in any of the risk modules of the standard formula.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This section is not relevant for BIAS.

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

The company does not make use of an internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Board of Directors has decided that the solvency ratio of the company as a minimum target shall be 1.40. This target is considered whenever new business opportunities are evaluated and when considering the future strategy of the company.

The actual solvency ratio is calculated on a quarterly basis and additionally in connection with assessing new significant risks. The future estimated solvency ratio is included in the BIAS budgets which are updated yearly and covers at least a three-year period.

E.6 Other information

There is no other information in relation to capital management.