ALPHA INSURANCE

SOLVENCY AND FINANCIAL CONDITION REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Version 2022

Contents

Preliminary Information

The following abbreviations have been used in this report:

Alpha	Alpha Insurance NV
BCP	Business Continuity Planning
The Company	Alpha Insurance SA
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
ER	Emerging Risks
EU	European Union
NBB	National Bank of Belgium
Enstar	Enstar Group Limited
EEUL	Enstar (EU) Limited
Enstar Group	Collectively the companies ultimately owned by Enstar Group Limited

NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
RSR	Regular Supervisory Report
S&P	Standard & Poor's
SFCR	Solvency and Financial Condition Report
SII	Solvency II Directive
SIMR	Senior Insurance Managers Regime
SIMF	Senior Insurance Management Function
SLA	Service Level Agreement
BE	Belgium
UK	United Kingdom

About this document:

General:

This Solvency and Financial Condition Report (SFCR) is prepared by Alpha Insurance (the Company) in accordance with the requirements and principles of Article 35, 51, 53, 54 of the Insurance Directive 2009 commonly referred to as the Solvency II Directive and Article 96 of the Belgian Law of 13 March 2016 on the Status and Supervision of Insurance and reinsurance companies.
Article 35 requires the Company to ensure that its SFCR considers:
a) qualitative or quantitative elements, or any appropriate combination thereof;
b) historic, current or prospective elements, or any appropriate combination thereof; and
c) data from internal or external sources, or any appropriate combination thereof.

The provided information shall comply with the following principles:
a) it must reflect the nature, scale and complexity of the business of the undertaking concerned, and in particular the risks inherent in that business;
b) it must be accessible, complete in all material respects, comparable and consistent over time; and
c) it must be relevant, reliable and comprehensible.

The Company's Reporting and Disclosure Policy follows these requirements and principles and the full requirements of the Solvency II Directive as they relate to the SFCR.
The SFCR is subject to the external audit requirements currently set out in the NBB circular 2017_20 and, requires the Board of Directors to approve this report prior to submission.

Version: 2022

Data as at: 31 December 2021

Currency: The Company's functional reporting currency is Euro.

Consistency: This report contains information which is consistent with the Annual Report for the year ended 31st December 2021.

Materiality principle: The information disclosed in the solvency and financial condition report is considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities.

Company Information

Registered Office: Nerviërslaan 85,
B-1040 Etterbeek (Brussels)

Company Registered Number: 0403 274 332

Regulator:

1. National Bank of Belgium (NBB)
   14 Boulevard de Berlaimont, B-1000 Brussels
2. Financial Services and Market Authority (FSMA).
   12-14 Rue du Congrès, B-1000 Brussels

NBB / FSMA Registered Number: 0124

External Auditors:
KPMG Bedrijfsrevisoren/Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL, represented by Karel Tanghe and Jean-François Kupper, Luchthaven Brussel Nationaal 1K, 1930 Zaventem, Belgium

Summary

1. Background

Alpha Insurance NV ("Alpha" or the "Company") is authorised and regulated in Belgium by two insurance regulatory bodies, the National Bank of Belgium (NBB) and the Financial Services and Market Authority (FSMA). It is ultimately owned by Enstar Group Limited ("Enstar"), a company domiciled in Bermuda and which is publicly quoted on the NASDAQ stock exchange in the USA under symbol ESGR. The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

The principal activity of the Company is the conduct of general insurance business. The Company is in run-off, having voluntarily ceased to underwrite new business as from March 2015. Following approval from the NBB, the Company transferred its Life insurance portfolio to Monument Assurance Belgium on the 31st of May 2019. As from then onwards the Company only conducts Non-Life insurance business.

On 11 March 2020, the World Health Organization ("WHO") declared the Covid-19 outbreak as a global pandemic. Alpha closely monitored the situation and is actively assessed the impact on its investment portfolio and Solvency II ratio, with recent assessments still showing a solvency ratio well above the required 150%, which demonstrates that Alpha passed the stress test of the pandemic. At the end of 2021, the Omicron variant of the virus caused volatility on the stock markets causing unrealised losses in the portfolio.

On 24 February 2022 Russia invaded Ukraine. This has led to various countries significantly increasing the level of sanctions applicable to Russia and other territories associated to this action. Compliance together with Risk are continuously and actively monitoring the situation and the policy exposure in the affected areas as well as exposure to sanction risk. Alpha has no policy nor potential loss exposure to the affected areas. Sanctions do not only apply to direct payments to named individual or entities, but may also apply to provision of financial services such as insurance that would lead to a benefit to these parties. The invasion has also led to significantly increased market volatility in the beginning of 2022. Management is monitoring the impact of the increased market volatility.

2. Performance

The Company's results for the year are shown below in section A Business and performance.

The BEGAAP result as reported in the Company's audited financial statements as per 31 December 2021 is a net profit of €1,45m compared to a net profit of €3,98m in 2020. Note that the 2020 result of €3,98m prior year included €0,32m Life result as per final Life transfer price settlement.
The technical result of the Non-Life business was favourable thanks to

- a release of the "Unallocated Loss Adjustment Expense" (ULAE) provision as per Liability Adequacy Test assessment with a P&L impact of €0,26m in 2021.
- an IBNR decrease of €0,677m in 2021 following the actuarial review at year end.
- An adverse incurred of €0,28m gross and a favourable incurred of €0,27m net.

The Non-Life investment results were positive despite the impact of Covid-19 impact on financial markets causing significant market volatility in the course of the year. Year to date investment result of 2021 is positive mainly due to realized gains on funds.

The positive net result of €1,45m was mainly driven by the favourable developments within the non-life technical result and the positive investment result.

The Solvency II Company's Own Funds decreased to €26,18m as per 31 December 2021 compared to €27,54m in the previous year, mainly explained by a decrease in the liabilities: the Non-Life best Estimate and Risk Margin decreased following the actuarial review and the run-off of the portfolio, partially offset by the review and increase of the future projected expenses.

During 2021 the solvency ratio increased from 260% to 274%.

We observed the following movements:

- Total assets in Solvency II decreased from €66,21m at year-end 2020 to €61,89m at year-end 2021 which can be attributed to the cash outflow from the payment of claims and expenses.
- The total liabilities in Solvency II decreased from €38,67 m in 2020 to €35,71m in 2021 due to the run-off of the portfolio and the provisions release as per actuarial review. Compared to 2020 the Non-Life Best Estimate liabilities and Risk Margin decreased from €34,56m at year-end 2020 to €32,43m at year-end 2021.
- Alpha realised a statutory profit of €1,45m as per 31 December 2021.
- The Company did not pay any dividend to its shareholders during the year 2021 However, in 2019, funds were distributed to the shareholders following a capital reduction of €21,4m.

Following approval from the NBB, the entirety of Alpha Life business transferred to Monument Assurance Belgium on 31 May 2019. Since the transfer, the Company is a 100% Non-Life run-off business, and the growth of the Company will be achieved through external growth by acquisition of new Non-Life run-off portfolios.

Whilst Alpha no longer issues new business, it does continue to service the remaining in-force business and open claims. Alpha's operations focus on efficient client servicing & claims management and ensure that service levels to existing policyholders are maintained. The result of the company depends on changes in actuarially determined ultimate claims reserves, which reflect the results of claims development throughout the year including claims related legal matters (Non-Life), release of old, redundant reserves, in line with regulation, internal policies and procedures, changes in bad debt provisions, investment performance and expense management.
The main geographical area where the company carries out its activities is Belgium.

Despite the continued difficulties caused by the Covid-19 crisis in 2021 such as delayed court dates, high market volatility and working from home, the Company can report a strong performance.

3. Solvency position

The Company considers the Standard Formula methodology, prescribed by EIOPA, to be an appropriate basis for the calculation of the Company's Solvency Capital Requirement (SCR). Using this methodology, the Company's SCR is calculated to be €9,6m (2020: €10,6m).

in m€	**2021**	**2020**	**Δ**
Market risk	4,0	5,1	-1,1
Counterparty default risk	0,6	0,4	0,2
Non-life risk	6,4	6,8	-0,4
Life risk	0,0	0,0	0,0
Diversification	-2,3	-2,6	0,3
Operational risk	0,9	0,9	0,0
LAC DT	0,0	0,0	0,0
SCR	**9,6**	**10,6**	**-1,0**

The continued run-off activities explain the decrease of the SCR.

The following table shows the Company's solvency position as at 31 December 2021, with a comparison to the prior year.

in m€	**2021**	**2020**	**Δ**
Total eligible own funds to meet the SCR	26,2	27,5	-1,3
Total eligible own funds to meet the MCR	26,1	27,3	-1,2
Solvency Capital Requirement	9,6	10,6	-1,0
Minimum Capital Requirement	3,7	3,7	0,0
Ratio of Eligible own funds to SCR	274%	260%	14%
Ratio of Eligible own funds to MCR	705%	737%	-31%

For 2021 the Company observed increased uncertainty in relation to its investment portfolio as a result of COVID-19 and its continued impact on the volatility within financial markets. However, there is no indication that it poses a major threat for the future of the Company. As per the ORSA we note that Alpha's Solvency ratio at year-end 2021 is higher compared to year-end 2020. The solvency ratio is expected to further improve over the planning period. As previously noted the ORSA incorporates the Part VII transfer on a forward looking basis.

The Company does not use the matching adjustment or any other transitional arrangements. Nor does it use the Volatility Adjustment for the calculation of Alpha's solvency position. The use was no longer considered appropriate after the transfer of the Life portfolio (Non-Life portfolio has a short duration).

The eligible amount of own funds to cover the SCR and MCR is fully classified as unrestricted Tier 1, except for the Deferred Tax Assets (DTA) of €0.1m, which were classified as Tier 3.

Further details of the Company's Own Funds and SCR are provided in section E.

4. System of Governance

The Company's business is limited to the settlement of Non-Life insurance liabilities. The system of governance is proportionate to the nature, scale and complexity of these activities.

The Company has a unitary Board comprised of a combination of executives, non-executives, and independent non-executives. All Board members are selected based on their skills, competence and experience.

The Company considers the following key functions:

- Finance function: dealing with finance & investments
- Claims function: dealing with claims & reinsurance
- Actuarial function: dealing with reserving & capital modelling
- Risk management: dealing with the risk management and internal control systems
- Compliance: dealing with, regulatory, administration and supervisory compliance
- Internal Audit function: dealing with the evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance.

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing and reporting. All governance documentation is reviewed on a regular basis by either the management committee or the Board according to its nature. Section B provides a more detailed overview of the Company's system of governance.
There have been no significant changes to the Company's system of governance during the year and the system is compliant with the Belgian SII Supervision Law of 13 March 2016.

5. Risk Profile

The Company's business model and risk profile hasn't materially changed over the reporting period compared to the previous year. The risks remained the same in nature, but their relative importance increased with lower risk tolerance thresholds as a result. The fact that the size of the business decreased, logically makes the business more sensitive to various risks. The following represents a summary of the key risks:

- Underwriting Risk:
    - Non-Life Reserving Risk
    - Non-Life Claims Management Risk
- Market Risk
- Liquidity Risk
- Credit Risk
- Operational risk

Alpha Insurance's capital risk profile is dominated by Non-Life Underwriting Risk and Market Risk. These risk categories are extensively reported through Alpha's ORSA.

These risks are discussed in more detail in section C below.

6. Other significant events during SFCR review period having a material impact on the Company on a forward-looking basis

Following Brexit and the uncertainty associated with the passporting rights at the beginning of 2021, Enstar commenced an Insurance Business Transfer under Part VII of the UK Financial Services and Markets Act 2000 ("Part VII"), in order to transfer a number of EEA policies from three UK domiciled entities to the Company.

The UK domiciled companies are:

- Rombalds Run-off Ltd ("Rombalds")
- River Thames Insurance Company Ltd ("River Thames")
- Mercantile Indemnity Company Ltd ("Mercantile").

Subject to regulatory approval, the Part VII transfer is expected to take place in the second half of 2022. As per ORSA projections over the planning period incorporating the Part VII transfer we note that Alpha is sufficiently capitalized. The inward Insurance Business Part VII transfer from River Thames, Mercantile and Rombalds planned for Q2 2022 does not result in any significant reduction in capital.

The beginning of 2022 is marked by increased geopolitical tension due to the Russian invasion into Ukraine on 24th of February 2022. This has led to various countries significantly increasing the level of sanctions applicable to Russia and other territories associated to this action. United Kingdom, European Union, United States, Australia, Canada and Japan, have begun to announce punitive sanctions and export controls, including blocking sanctions on significant Russian financial institutions and members of Russia's government and elite; trading restrictions on Russia's sovereign debt; and designation of the DNR (Donetsk People's Republic) and LNR (Luhansk People's Republic) areas, as well as Russia's financial services sector, as targets for further sanctions.
Sanctions does not only apply to direct payments to named individual or entities, they apply to any payments or financial services that would lead to a benefit to these parties. Compliance is actively monitoring the current situation to identify and handle sanctions risks as well as potential loss exposure.
Alpha has no exposure in terms of potential losses nor in terms of sanctions risk to the affected areas (Russia, Belarus and Ukraine). Management continues to monitor the situation.
Recent increased geopolitical tension and inflation have led to increased market volatility in the beginning of 2022. Given Alpha's high quality, well diversified, short duration investments, mainly in main European markets, the impact of the recent developments on the market value of the portfolio has been limited. These unrealized losses are a result of rising interest rates and widening credit spreads due to continued high inflationary prints and more hawkish commentary from the Federal Reserve. Alpha has limited exposure to the affected areas and management continues to closely monitor the situation as it evolves.

A. Business and Performances

A.1 Business

Alpha Insurance NV is authorised and regulated in Belgium by two insurance regulatory bodies, the National Bank of Belgium ("NBB") and the Financial Services and Market Authority ("FSMA"). The Company is ultimately owned by Enstar Group Limited ("Enstar"), a company domiciled in Bermuda, and which is publicly quoted on the NASDAQ stock exchange in the USA (ticker ESGR). The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

The Company was acquired by Enstar on 13 November 2015. Enstar acquired the Company (previously a subsidiary of the Nationale Suisse Group) from the Helvetia Group.

The incorporation of the Company into Enstar was done after the transfer of three lines of business of the insurance company Compagnie Européenne d'Assurance des Marchandises et des Bagages SA ("Européenne") which was also a subsidiary of the Nationale Suisse Group.

On 31 May 2019, after obtaining regulatory approval from the NBB, the Company transferred the entire Life business to Monument Assurance Belgium NV under a business transfer agreement. The transaction had a significant impact on the balance sheet total as the total Life reserves were transferred out the balance sheet, with the investments decreasing by a similar amount. The transaction was followed up by a capital decrease of €21,4m in the second half of 2019, to adapt the capital position of the Company to the decreased capital requirements.

Since the transfer of the Life business, the principal activity of the Company is the conduct of general (Non-Life) insurance business. The Company is in run-off, having voluntarily ceased to underwrite new business as from March 2015. Whilst Alpha no longer issues new business, it does continue to service the remaining in-force business. Alpha's operations focus on efficient client servicing & claims management and ensure that service levels to existing policyholders are maintained.

The material geographical area where the company carries out its activities is Belgium.

The Company currently does not engage in reinsurance activities (only direct business).

The Company's ultimate parent, Enstar Group Limited, is supervised in Bermuda by the Bermuda Monetary Authority that is located at BMA House, 43 Victoria Street, Hamilton, Bermuda. The name and contact details of the Company's external auditor is shown in the section with company information.

The main trends and factors that contribute to the development, performance and position of the Company include:

- For Non-Life insurance activities, changes in actuarially determined ultimate claims reserves, which reflect the results of claims development throughout the year.
- Investment performance, which was strongly influenced by the Omicron variant of the COVID-19 virus in the last quarter of 2021.
- Expense management.
- Changes in bad debt provisions, but to a lesser extent.

Alpha results on a Belgian GAAP basis

The Non-Life business was generated through a broker channel on one side and through underwriters on the other side (the main underwriters are Vander Haeghen and Arena).

Alpha Result	**12/2021**	**12/2020**
Net earned premiums	108	255
Investment income	3.020	3.605
Net other technical income	0	0
Net claim expenses	248	3.080
Net operating expenses	-921	-1.017
Investment expenses	-1.159	-2.028
Net other technical expenses	0	0
Variation in equalization provision	31	32
Net technical result - Non-Life	**1.327**	**3.927**
Life result	0	324
Exceptional result	-5	
Corporate tax	131	-269
Net result - Non-Life	**1.453**	**3.982**

- Further decrease of the net earned premiums due to the run-off of the portfolio. The earned premiums consist mostly of the release of unearned premiums. At year end 2021 the company no longer has policies in force except in the Surety business.
- The investment income consists mainly off:
  - €1,4m of regular investment income such as interest income from bonds and dividends from the equity fund. €0,4m of reversal of unrealised losses.
  - €1,3m of realised gains on various sale transactions

- Last year there was a €2,5m release of ULAE after changing the methodology in 2019. This year in anticipation of a transfer of a portfolio we already accounted for the required ULAE for this portfolio as it is not part of the transfer. Therefor the release of ULAE is limited to €0,2m in 2021.

- The decrease in the investment expenses is due to the fact that in Q1 2020 we needed to account for more unrealised losses due to the volatility on the financial markets as a consequence of the Covid-19 pandemic.

A.2 Underwriting performance

Non-Life

The following table analyses the technical result by line of business as presented in QRT S.05.01. There is no accepted reinsurance, and all business is in the EEA (all in Belgium except for a minor portion in the Netherlands).

2020

amounts in k€	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Miscellaneous financial loss	Total
Premiums written									
Gross	0	0	4	-3	0	0	0	-17	**-15**
Reinsurers' share	0	0	0	0	0	0	0	0	**0**
Net	0	0	4	-3	0	0	0	-17	**-15**
Premiums earned									
Gross	0	0	4	42	0	261	0	-17	**291**
Reinsurers' share	0	0	0	35	0	0	0	0	**35**
Net	0	0	4	6	0	261	0	-17	**255**
Claims incurred									
Gross - Direct Business	-330	-111	-20	-344	-43	-497	80	269	**-997**
Reinsurers' share	0	-48	0	80	0	0	0	340	**372**
Net	-330	-63	-20	-424	-43	-497	80	-71	**-1.369**
Expenses incurred	1.408	32	105	109	254	-53	0	44	**1.899**

2021

amounts in k€	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Miscellaneous financial loss	Total
Premiums written									
Gross - Direct Business				-36				-6	**-42**
Reinsurers' share									
Net				-36				-6	**-42**
Premiums earned									
Gross - Direct Business				-27		154		-6	**121**
Reinsurers' share				8				0	**8**
Net				-34		154		-6	**114**
Claims incurred									
Gross - Direct Business	241	3	-60	-370	-66	-441	-25	447	**-271**
Reinsurers' share	0	7		-74				482	**416**
Net	241	-6	-60	-296	-66	-441	-25	-35	**-688**
Expenses incurred	961	24	71	198	374	54	0	19	**1.701**

Gross claims paid in the run-off business are below budget. The remaining claims are more complex cases and the timing of pay-out is difficult to estimate. Since the claim reserves in the Motor Line of Business were strengthened in 2017 there has been favourable development in both 2020 and 2021 on claims that were closed. In 2020 and 2021 there have also been delays in settlement of claims that have a pending litigation before court, as the Covid-19 pandemic caused a delay in court dates.

A.3 Investment result

The Company holds all its investments in Euro. The main asset classes are government and corporate bonds but as from 2017 there has also been invested in equity and bond funds following the revised investment strategy based on the annual asset liability management (ALM) study). There are no investments in real estate.

The following tables give an overview of the investment results in k€ as presented in QRT S.09 for 2020 and 2021.

2020

Asset category	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total
Government bonds		700			-437	262
Corporate bonds		283		1	366	650
Equity instruments	1					1
Collective Investment Undertakings				6	271	277
Cash and deposits		-33		0	0	-33
Mortgages and loans		74		0	9	83
Total	**1**	**1.024**	**0**	**7**	**208**	**1.240**

2021

Asset category	Dividends	Interest	Rent	Net gains and losses	Unrealised gains and losses	Total
Government bonds		668			-963	-295
Corporate bonds		257		7	-386	-122
Equity instruments						0
Collective Investment Undertakings	432			1.284	-275	1.441
Cash and deposits		-33				-33
Mortgages and loans		17			16	32
Total	**432**	**909**	**0**	**1.291**	**-1.610**	**1.022**

In 2021 the investment result is €0,2m lower than the year before. There were €0,4m more dividends, the interest received decreased with €0,1m while the realised gains increased with €1,3m. The positive result from the previous elements were however partly offset by an increase of unrealised losses of €1,8m. The unrealised losses are due to another COVID-19 wave (omicron) of which it was said that it would spread much faster. This caused the financial markets to become volatile by the end of the year.

A.4 Result of other activities

The Company did not engage in any material other activities in 2021. All income and expenses are attributed to the insurance activities as described in the previous sections.

A.5 Any other information

The World Health Organization ("WHO"), on 11 March 2020, declared the Covid-19 outbreak as a global pandemic. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Company has a formal business continuity plan which is being continually reviewed considering current developments and being actively deployed as events require, which includes office closures where required. From an employee wellbeing and business continuity perspective the Company, supervised by Enstar, is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. The local Business Continuity Team convened on March 5 and as from March 16 it was decided to have all Alpha employees work from home. All business functions remain fully operational, while management continues to monitor the situation to appropriately adjust measures as needed. As per 31 December 2021, the employees were still working from home.

As the situation evolves the Company is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company’s risk appetite, including the impact following the recent volatility in the financial markets. Even though the longer-term impact of this situation is difficult to estimate, the analyses performed so far have not indicated that it poses a major threat for the future of the Company. As per 31 December 2021 the Solvency II ratio was 274%. Due to the nature of Alpha Insurance's Non-Life insurance activities in run-off, the impact on both liquidity and technical results is extremely limited. The only significant impact on profitability, is related to the investment portfolio which was exposed to extreme volatility by the end of 2021. However, Alpha Insurance has an investment portfolio with a low risk profile, which as at year-end 2021 consisted primarily of investment grade bonds. As previously explained the news of the Omicron variant of the COVID-19 virus caused the financial markets to drop in the last quarter of the year.

The Company maintains a very robust financial and operational position to deal with the current pandemic. The impact as described above does not threaten the continuity of the Company and the going concern assumption remains appropriate. In line with the internal capital management policies and the recommendations of EIOPA and the NBB, no distributions will be made to shareholders until further notice.

B. Governance system

B.1 General Information about the governance system

B.1.1. Board of Directors

Alpha Insurance is managed by a Board of at least seven members, all being natural persons, appointed for three or six years by the General Assembly of Shareholders. The Board convenes at least four times per year to fulfil its responsibilities effectively and prudently.
The current Alpha Board consists of:

- three Executive Directors;
- two Non-Executive Directors; and
- two Independent Non-Executive Directors.

The Alpha Board consists of an appropriate mix of Executive Directors and Non-Executive Directors. Two Non-Executive Directors fulfil the criteria of independence as set out in the Belgian Company Code. The majority of the Board members are Non-Executive Directors.
In carrying out the duties of the Board, Directors act in accordance with all relevant and applicable legislative and regulatory rules.
The Board has adopted corporate governance practices and policies to promote the effective functioning of the Board.

Attendance and eligibility to vote at each meeting is evidenced in the minutes of each meeting.

The Chief Executive Officer ("CEO") and Company Secretary are responsible for maintaining the Board meeting calendar, invitations and for the circulation of relevant material in advance of Board meetings.

The roles of Chairman of the Board and CEO are undertaken by different Board members.

The Company Secretary is responsible for taking minutes each meeting.

Alpha is, represented by three Directors, acting collegially in accordance with the Articles of Association of the Company.

a) Strategy, Goals of the Company and Internal Control/Risk Management

The Board is the decision-making body for all matters material to Alpha in strategic, financial and reputational terms. The Board approves expenditure over certain limits and has overall responsibility for management of the business and affairs of the Company, the establishment of strategy and capital raising and allocation.

The Alpha Board has the responsibility to ensure that management maintain a system of internal control that provides assurance of effective and efficient operations, risk management and internal controls and compliance with applicable regulations and laws.

The Board is also responsible for creating and sustaining shareholder value through management of Alpha's business and its risk appetite. It is Alpha's policy to strive to achieve the highest level of professional and ethical standards in the conduct of its business affairs. Alpha and the ultimate parent Enstar Group place importance upon its reputation for honesty, integrity and high ethical standards.

b) Supervision

The Board monitors and oversees Alpha's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of risk management and internal control and for compliance with statutory and regulatory obligations.

The Board has an active role in overseeing management of risks faced by Alpha. The Board regularly reviews information regarding (re)insurance (including reserving), operations, credit, liquidity, finance and investments and the associated risks.

Standing agenda items are listed at each quarterly Board Meeting.

B.1.2. Management Committee

The Company has a management structure that guarantees effective and prudent management, considering the nature, scale and complexity of the risks inherent to the company's business model and activity. There is a clear division between the senior management of the insurance company and the supervision of this management in accordance with article 42, § 1, 1° of the Solvency II Law. There is a distribution of competences at the highest level between:

- the Board of Directors, which (i) determines the overall business strategy as well as the risk policy and (ii) supervises activities;
- the Management Committee ("the committee"), which is responsible for the specific management of the insurance company's activity.

To enable the Board to carry out its objectives, authority and terms of reference are delegated to the committee.
The committee consists of persons who exercise a direct and decisive influence on the management of Alpha's business.

In accordance with 1.3.4 of the Solvency II Governance Circular the committee undertakes the following responsibilities as a collegial body:

- Implementation of the strategy of the Board
- Implementation of the Risk Management System
- Set-up, follow-up and assessment of the organisational and operational structure
- Reporting to the Board of Directors and the National Bank of Belgium

In addition, the committee discusses, validates and approves the quarterly Quantitative Reporting Templates (QRTs) in accordance with the articles 80 §5, and 202 of the Belgian Solvency II-Law of 13 March 2016 ("the Belgian Solvency II Law").

Members of the committee have day-to-day responsibility for risk management and establishing risk management practices within key functions.
To meet the requirements of the Belgian Solvency II Law of ensuring a direct link with the Board of Directors all members of the committee participate as an executive director in the Board of Alpha.

The committee's membership consists of:

Kim Torbeyns	Chief Executive Officer	Chairman of the committee
Maxime Ronsmans	Chief Finance Officer	Member of the commitee
David Matthys	Compliance Officer/Chief Risk Officer	Member of the committee

Minutes are held of all meetings of the committee.

B.1.3. Audit/Risk/Remuneration Committees

As Alpha employs less than 250 employees and has an annual net turnover of less than €50m the establishment of a local Alpha audit/risk/remuneration committee is not required.
The Board of Directors performs all the tasks in accordance with the Belgian Solvency II Law.
The Internal Audit Function as well as the Risk Management Function report directly to the Board of Directors and they submit detailed reports on a quarterly basis.

At group level, a UK/EU Management risk Committee has been created. The purpose of the Committee is to enhance and to embed the Enterprise Risk Management Framework across the Non-Life Run-Off (NLRO) entities domiciled in the UK/EU (such as Alpha insurance) and to assist the UK/EU Boards in reviewing and evaluating the risks to which the UK/EU Group is exposed.

B.1.4. Remuneration Policy

a) Principles

This policy applies to all officers and employees of the Company, including the "identified staff" as described in the Belgian NBB Circular "Circulaire over de prudentiële verwachtingen van de Nationale Bank van België inzake het governancesysteem voor de verzekerings-en herverzekeringssector" ("NBB governance circular").

Considering the size of Alpha Insurance NV, the proportionality principle and the qualification as a less significant insurance Company there is no independent remuneration committee at entity level which periodically supports the administrative, management or supervisory body in overseeing the design of the remuneration policy and remuneration practices, their implementation and operation. However, there is a Compensation Committee at EGL level that provides a supporting role. The Enstar Compensation Committee oversees the Enstar Group's approach to remuneration. The Enstar Compensation Committee is comprised entirely of non-executive directors. Annually, the Enstar Compensation Committee conducts a review of group compensation policies and practices. The ultimate responsibility for the Remuneration policy of the Company resides with the Board of Directors of Alpha.

The Board of Directors approves the annual populated template "Submission of figures relating to the remuneration of Identified Staff through OneGate" (Cfr. NBB Circular NBB_2019_05)

- Independent Non-Executive Director ("INED"):

INEDs are remunerated by the Company to which they provide services to under the terms of a service agreement. INEDs are expected to attend, quarterly Board Meetings and conduct their duties in accordance with their terms of reference. Their appointment is approved by the National Bank of Belgium.

Remuneration for INEDs is agreed by the Board of Directors and their fixed remuneration is paid on a quarterly basis. No variable remuneration may be granted to an independent director.

- Non-Executives Director ("NED")

The appointment of a NED is approved by the National Bank of Belgium. NEDs are remunerated by the Company they are contracted to. The contracting company may recharge Alpha for the time and costs of the Non-Executive Directors.

- Executives, Independent control functions and employees:

The remuneration of the local Executive Directors and all employees including the ones responsible for independent control functions is set by the Board and is not linked to the financial performance of the Belgian regulated entity in any way.
Every employee shall have a contract of employment. Every Executive Director shall have a contract based on a self-employed status.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package. The four remuneration components are:

- fixed remuneration (including fixed supplements)
- performance-based remuneration (variable salary)
- pension schemes
- other benefits

b) Fixed and variable parts

As the remuneration scheme includes both fixed and variable components, such components are balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid employees or Executive Directors being overly dependent on the variable components and allowing the undertaking to operate a fully flexible bonus policy. When evaluating performance as a basis for the variable compensation, a downwards correction can be applied when the employee or Director does not meet the requirements which have been set and agreed upon in the context of the appraisal process.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package. The four remuneration components are:

- fixed remuneration (including fixed supplements)
- performance-based remuneration (variable salary)
- pension schemes
- other benefits

The fixed remuneration is determined based on the role and position of the individual employee/Executive Director, including professional experience, responsibility, job complexity and local market conditions.

c) Collective/individual criteria

Bonuses, payable to employees are entirely discretionary based upon the success and financial performance of Enstar Group as a whole and the individual employee's contribution to that financial performance. The employee's or Executive Director's contribution will be measured (Yearly Appraisal

Process) on individual realisation of objectives and Key Performance Indicators and is not related to the success of any individual Belgian regulated entity.

Performance based remuneration is disbursed as a cash bonus.

Pursuant to the principle of proportionality, identified staff receiving significant variable remuneration are subject to stricter requirements. ‘Identified staff receiving significant variable remuneration’ refers to identified staff that receive an annual variable remuneration which exceeds € 50,000 gross and represents more than a third of their total annual remuneration.
Exceedance of the threshold for significant variable remuneration of Alpha Directors or employees will give rise to additional prudential requirements as set out in point 8.4 of the NBB governance circular to which the Company will comply.

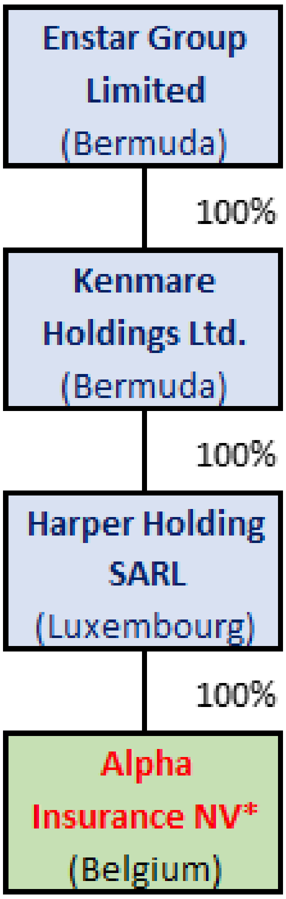
d) Supplementary pension schemes

The Company collaborates with an insurance company to organise the pension scheme. Company and employee contributions are defined in the pension scheme plan.

e) Share Plan

All employees are entitled to participate in the company’s share plan. In accordance with the latest plan, employees can choose to transfer a maximum of 15% of their gross remuneration to buy Enstar Shares with a 15% discount.

B.1.5. Shareholders



Alpha is a subsidiary of Enstar Group Limited.

Enstar Group Limited ("EGL") registered in Bermuda (EC 30916), is a Bermuda based holding company formed in 2001. EGL is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol « ESGR ». The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

A copy of the EGL Financial Statements can be found on the EGL website at:
https://investor.enstargroup.com/annual-reports

Kenmare Holdings Ltd.("Kenmare"), registered in Bermuda (EC 30917) is an intermediate holding company for Alpha and other EGL subsidiaries. Kenmare is a private company incorporated under the laws of Bermuda to acquire and manage insurance and reinsurance companies in run-off, and to provide management, consulting and other services to the insurance and reinsurance industry. Kenmare also operates active underwriting businesses, including the Atrium group of companies, which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609, and the StarStone group of companies, an A-rated global insurance group with multiple global underwriting platforms.

Harper Holdings SARL ("Harper") – is a "société à responsabilité limitée" incorporated under the laws of Luxembourg on October 15, 2004. Harper is incorporated for an unlimited period. The Company has its registered address at 25C Boulevard Royal, L-2449 Luxembourg and is registered at the Luxembourg Commercial Register under number R.C,S Luxembourg Mo B 103670. The purpose of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio. Harper may further guarantee, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the company. Harper may carry out any commercial, industrial or financial activities which it may deem useful in accomplishment of this purpose.

EGL actively supports good corporate governance practices. Sound principles of corporate governance are critical to obtaining and retaining the trust of investors and to Enstar's goal of performance with integrity. The Board of Directors of EGL has adopted corporate governance practices and policies to promote the effective functioning of its own Board of Directors, its committees, as well as for group subsidiary Boards of Directors and all employees.
All group employees are required to comply with the EGL Code of Conduct at all times.

B.2 Fit and proper requirement

B.2.1. Description of the required skills

The Company expects all employees to meet the Company's internal and regulatory requirements applicable to their professional qualifications and integrity in accordance with NBB Circular NBB_2018_25 (This circular relates to the "fit and proper" requirements of persons who hold or wish to hold key positions within financial institutions).

The Company adopted the Enstar Fit and Proper Policy of which the wide scope also covers the persons highlighted in the Overarching Circular on System of Governance NBB_2016_31. Appendix 1 of the Policy reflects the Belgian requirements as set out in circular NBB_2018_25 and the Fit & Proper Handbook.
The Policy applies to the Company's Directors and Officers[1], including personnel undertaking those roles for regulated companies under a services or other agreement (collectively referred to as "Covered Persons").
A Covered Person should have the necessary qualities, competencies and experience to perform his/her duty and carry out the responsibilities required of his/her position in an effective manner. Each Covered Person must meet the criteria outlined below, as well as any additional criteria relevant to local jurisdictions, to be deemed fit and proper.
Each Covered Person shall:

[1] A "Senior Manager" or "Officer" is defined as an employee who effectively runs a business unit or who undertakes, or is involved in, any of the following activities to the extent that they materially affect the Group's business or financial standing:

- has the authority to make, or has substantial influence in making, decisions that affect the whole, or a substantial part of the company;
- is principally accountable or responsible, whether solely or jointly with other persons for implementing and enforcing strategies and policies approved by the Board;
- has primary or significant responsibility for key controls and/or functions
- is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems that identify, assess, manage or monitor risk in the company.

- possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the specific duties and responsibilities of the role;
- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and license obligations applying to the relevant entity; and
- be able to identify and appropriately manage any conflicts of interest, in accordance with the conflict of interest policy.

No Covered Person shall:
- have (or have been involved with an entity that has) been refused admission, reprimanded, disqualified or removed by a professional or regulatory body due to matters relating to such Covered Person's honesty, integrity or business conduct;
- have been terminated, resigned or asked to resign from a position as a director or manager or professional service provider to an entity in circumstances which reflected adversely on their honesty or integrity in discharging their responsibilities in that role; have been the subject of civil or criminal proceedings or enforcement action, in which such Covered Person was determined in a final judgment to lack honesty or integrity; or
- have intentionally hindered, obstructed or misled, or failed to be truthful with a regulatory agency.

B.2.2. Fit & proper assessment process

With the assistance of the HR department, each Covered Person is assessed against the Fit & Propriety criteria outlined in the policy.
The Board takes all reasonable steps to ensure that each Covered Person is aware of and, understand this Policy and their obligation to continue to meet the fit & proper requirements on an on-going basis.
Candidates for Covered Person positions will be pre-assessed prior to joining the Enstar Group using the following process:
- individuals applying for Covered Person positions, including in an interim capacity, must be assessed with the assistance of the HR department against the Fit & Proper Policy and the NBB circular;
- references and proofs of industry/ professional qualifications are sought and retained; and
- background checks to include criminal records check are sought and retained.

Where a candidate for a Covered Person position is assessed as not fit & proper for a position, the candidate shall not be appointed to the position.
In particular, regarding the Fit & Proper assessment by the National Bank of Belgium, when a new person is deemed fit by the Company, authorisation from the NBB will follow where applicable, taking into account variables in the assessment and the characteristics of the institution in question. For the purposes of its own assessment the NBB will primarily consider the information supplied by the institution (through standard forms) and by the person in question as a basis. The Company is best placed to determine which knowledge, experience and skills are required for a given position at the Company. The NBB expects the institution to carry out this exercise thoroughly, and analyses the responsibilities relating to a given position and the knowledge. Assessments of suitability carried out by the NBB are based firstly on all of the information which must be sent by the company and the person who is to be assessed, and the NBB has designed a standard form for this purpose. This form

allows financial institutions to inform and document the NBB, consistently and uniformly, about the expertise and professional integrity of persons who fall within the scope of the law.

Human Resources and Compliance continue to monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness & propriety.

A Covered Person must immediately inform his/her local Compliance or HR Department of any event that may result in them no longer being able to meet the Fit & Proper criteria.. Where the Company considers that doubts might arise about the fitness and propriety of a person who holds a position or the collective suitability of the board of directors or management committee, the Company will take steps as quickly as possible and will make every effort to take a close look at these doubts. The undertaking must also inform the NBB immediately thereof. Where it has been assessed by the institution or the NBB the appropriate party that a Covered Person is no longer fit & proper for a position, the Board shall take reasonable steps to remove the person from such position as soon as practicable possible and in the interim, institute necessary measures to mitigate risks associated with the person continuing to hold the position and inform the NBB.

B.3 Risk management system including the internal risk and solvency assessment

B.3.1. Principles

Risk Management is one of the key functions of the Company's corporate governance. The Risk Management function's key responsibilities are:

- Ensure independent review and challenge of first line activities.
- Develop, maintain, and implement the ERM Framework across the Company.
- Oversee the operation of the ERM framework, ensuring emerged and emerging risks are identified on an ongoing basis.
- Lead and facilitate the ongoing maintenance of a robust Risk Appetite Framework to provide a holistic view and ongoing assessment of risk for the Executives and Board, guiding and informing enterprise risk management.
- Report to the Board analysis of aggregate risk appetite, risk profile and capital adequacy as part of the ORSA where required
- Identify, measure, manage and, monitor the risk profile of the Company to inform the decision-making process.
- Ensure high rated risks have appropriate controls which are tested on a frequent basis.
- Conduct comprehensive risk assessments on strategic initiatives.
- Investigate, remediate and (where appropriate) escalate both control failures risk appetite breaches to the appropriate governance forums.
- Establish a proactive risk culture within the Company and provide required risk management training.
- Analyse the SCR and develop the risk profile of, and interactions between, different risk categories.
- Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance (ESG) risks in the business planning and strategic priorities process.
- Oversee, collate and include stress and scenario testing into the wider framework, and where appropriate ensure risk mitigation measures are designed and implemented.

- Perform root cause analysis on reported incidents / risk events (as appropriate).

Effective risk oversight is a priority for the Company Board and the Company strongly emphasises facilitating the operation of a robust ERM Framework to identify, measure, manage, , monitor and report risks that affect the achievement of all strategic, operational, and financial objectives.

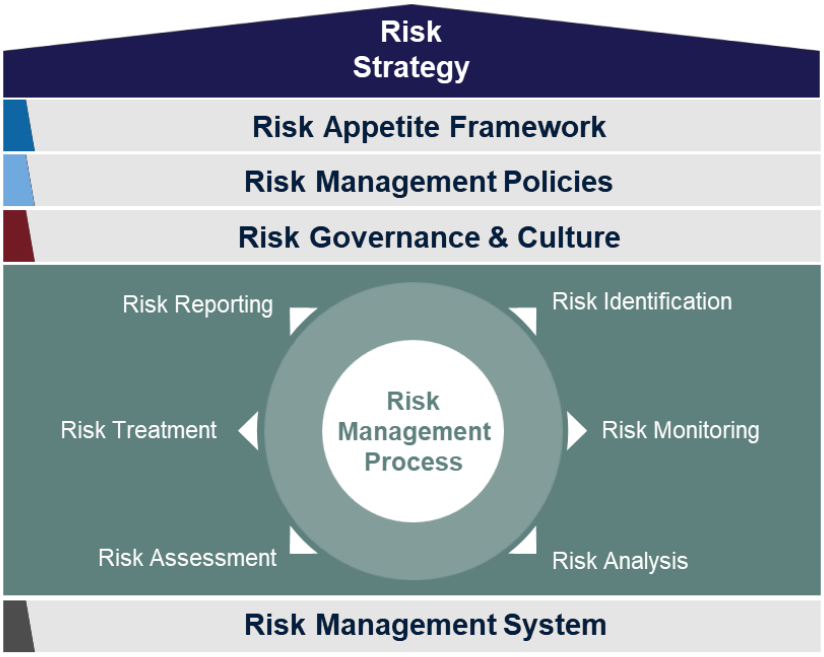
The overall objective of the ERM Framework is to:
- Support the achievement of business strategy and objectives in accordance with the Board approved risk appetite
- Ensure appropriate methods for the identification and mitigation of risk are in place and operating as intended.
- Support good risk governance, responsibility, and accountability.
- Ensure a consistent approach to risk management is embedded within the Company.

The Company uses its risk management capabilities in a strategic context to support the following three activities related to its operations:

- Identify, assess, and measure risks to understand value creating and value destroying risks and their associated risk levels for the purpose of capital allocation and business planning.
- Establish a risk appetite and underlying risk tolerances for key risks undertaken for the purpose of maintaining and controlling risk levels to be aligned to the Group's business strategy.
- Monitor and report risk levels to evaluate the Company's performance and appropriateness of the business strategy.

The overarching principle of the ERM Framework is to ensure the Company appropriately assesses and manages risk as it continues to take opportunities to meet its business objectives.

The ERM framework and its key components are outlined in the schematic below.



B.3.2. Risk Strategy

The main components of the Company's Risk Strategy are:

- To support business objectives by ensuring appropriate solvency levels, liquidity and capital management.
- To ensure that an appropriate risk management framework and system of internal control is maintained according to policies agreed by the SISE Board of Directors.
- To secure appropriate reinsurance coverage, as needed, at a cost that is acceptable to the SISE Board of Directors.
- To oversee the business conduct of SISE in accordance with best practice and applicable regulations.
- Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance ("ESG") risks in the business planning and strategic priorities process.

Several key principles underpin the design of the Company's Risk Strategy. These are that Risk Management is:

- an integral part of the organisational processes
- part of decision making
- addresses uncertainty
- systematic, structured and timely
- based on best information
- tailored
- transparent and inclusive
- dynamic, iterative and responsive to change
- facilitating / driving continual improvement
- focused on protecting the Company's stakeholders and policyholders.

The Company's Risk Strategy enables the proactive management of risks arising in day-to-day operations, primarily through the implementation and maintenance of an effective ERM framework to ensure a robust control environment.

B.3.3. Risk Appetite Framework

The Company's Risk Appetite Framework ("RAF") monitors the Company's risk taking by linking business strategy and planning with available capital and risk. It outlines the amount of risk that the Company is willing to accept based on the Company's shareholders' equity, capital resources, potential financial loss and other risk-specific measures. The framework is designed to:

- Monitor and protect the Company from an unacceptable level of loss, compliance or operational failures and adverse reputational impact.
- Support the wider strategic decision-making process.

A qualitative risk appetite statement is set for each material risk and is supported by quantitative tolerances which align to the Company's business plan. The RAF is reviewed and approved by the Board annually or as determined by the Board outside the annual review cycle in the event of a material change.

Accountability for the implementation, monitoring, and oversight of the RAF is aligned with individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and any deviations from pre-established levels are reported to the Board via the quarterly risk report to facilitate responsive action or acceptance of the evolving risk profile.

Risk Management Policy

The Company maintains several Risk Management policies which supports:

- The proactive and consistent identification, assessment, and management of risks across operations.
- Management of risks within the limits of the Company's prescribed risk appetite and as directed by defined corporate policies.
- The Board notification process, where events may have, or are likely to, breach risk appetite.

These policies are reviewed and approved annually by the Board.

B.3.4. Risk Governance

The Company operates under the "Three Lines of Defence" model to delineate accountabilities as illustrated below:

<table>
<tr><th colspan="3">Board (oversight)</th></tr>
<tr><th>1st Line</th><th>2nd Line</th><th>3rd Line</th></tr>
<tr><td>Risk Owners
Control Owners</td><td>Risk Management Function
Compliance Function</td><td>Internal Audit
External Audit</td></tr>
<tr><th colspan="3">Responsibilities</th></tr>
<tr><td>Board(s)</td><td colspan="2">Business & Risk Strategy
Overall Risk Appetite(s)
Approves Business Plan(s)</td></tr>
<tr><td>1st Line</td><td colspan="2">Control & Risk owners – those managing risk on a day-to-day basis</td></tr>
<tr><td>2nd Line</td><td colspan="2">Risk Management overview
Stress & Scenario Testing
Risk reports and ORSAs
Compliance monitoring activities</td></tr>
<tr><td>3rd Line</td><td colspan="2">Internal Audit/External Audit reports</td></tr>
</table>

The first line consists of Senior Corporate Executives and their function leaders and risk owners. They are accountable for executing the risk management strategy. They are responsible for the appropriate management of the activities and conduct of the business functions and for ensuring that staff understand the business strategy, risk mitigating policies, and procedures and have in place personal objectives focused on achieving these.

The second line comprises Risk and Compliance. The Risk Management function reports to the Board via the Executive Committee and focuses primarily on facilitating an efficient, effective, and consistent approach to risk management. The management assurance is further complemented by the Compliance function which seeks to mitigate legal and regulatory compliance risks and ensures that appropriate, effective, and responsive compliance services are available to the business units across the Company.

The third line comprises internal audit which independently reviews the effectiveness of the ERM Framework. The results of audits are monitored by the Board. Independent assurance from external Auditors also sits within our third line of defence. Adopting this framework ensures appropriate ownership of the risk from the business and allows for sufficient challenge from the second and third lines.

Risk Management System
The Risk Management team has a system in place to record key ERM related data such as, risk and control assessments.

B.3.5. Emerging Risk Management

Emerging risks are defined as 'risks which may develop, or which already exist but are difficult to quantify.' They are marked by a high degree of uncertainty. Emerging risks are not fully understood or explicitly considered within the day-to-day operations of the business given a lack of quantifiable data. Emerging risks can be expected to crystalise over time and therefore merit further analysis, assessment, monitoring, evaluation and, when appropriate, treatment.

A four-step process is in place for managing emerging risks:

1. **Identify**: All employees within the Company, the Risk Management Function and Risk Committees have responsibility for the initial identification of emerging risks which have the potential to have a financial, reputational and/or regulatory impact.
2. **Analysis**: Risk in conjunction with any identified SMEs have ongoing responsibility for ensuring emerging risks are analysed on an ongoing basis for their relevancy to the business, as well as their impact and speed of emergence.
3. **Assessment**: Emerging risks, once evaluated and adequately assessed, can be added to either the emerging risk or Company risk register. Outputs from emerging risk assessments are included within the quarterly risk report.
4. **Treatment**: Treatment plans are developed for emerging risks where required with a project lead assigned for completing the associated actions.

B.3.2. Own Risk and Solvency Assessment

1. In order to demonstrate appropriate solvency and sound risk management strategies on both a current and forward-looking basis, the Own Risk and Solvency Assessment ("ORSA") framework incorporates assessment of the following:

Area	Annual Business Processes	Quarterly Business Processes
Current Risk Profile	• Strategy Setting & Business Planning • Risk Appetite / Tolerance Setting • Risk Identification & KRIs	• Risk Appetite/Tolerance Monitoring • Risk Identification, Assessment & Monitoring • Emerging Risk Identification, Assessment and Management • Internal Control Assessment & Monitoring
Capital Requirements & Solvency	• Review of deviations of assumptions between the Internal Capital Model ('Own View of Capital Requirements') and the current risk profile • Comparison of relevant Regulatory (Bermuda	• Available Funds and Solvency Assessments– • Review of compliance with relevant Regulatory Capital Requirements • Technical Provisions Assessment & Monitoring, including compliance with requirements

	<u>Solvency Capital Requirement (**BSCR**) calculation), Rating Agency and Economic Capital measures to determine risk coverage appropriateness and solvency</u>	
<u>**Forward Looking Assessments**</u>	• <u>Strategic opportunity assessment</u> • <u>Available Funds Projections</u> • <u>Capital Management / Liquidity Contingency Planning processes</u>	• <u>Ad-hoc, as necessary (e.g. at the time of Acquisitions/Transactions)</u>
<u>**Stress & Scenario Testing**</u>	• <u>Sensitivity analysis</u> • <u>Stress & Scenario Analysis</u> • <u>Reverse Stress Testing</u>	• <u>Ad-hoc, as necessary (e.g. at the time of Acquisitions/Transactions)</u>

2. Through an iterative process of information gathering, output and use, the Company seeks to develop the ORSA to support its strategic plans and objectives within the context of a consistent and Company-wide view of the potential risks and solvency impacts and the Company's appetite and tolerance to assuming such risks.

3. The ORSA process and report are an integral part of the business planning cycle; providing an assessment of the key risks associated with the plan. They also provide, from the Company's programme of scenario testing and the risk appetite, the corresponding solvency capital requirements for the short and long term. The ORSA process and report set out the Company's forward looking risk profile and risk drivers and considers them against the Company's risk appetite and the capital resources required to support current and emerging risks.

4. The ORSA process itself involves a combination processes through which the Board satisfies itself that the Company has appropriate capital (or plans for managing capital) to support the business and its risks on a forward-looking long-term basis and has adequate credible processes for managing risks. The ORSA process and report demonstrates to the Board that the risk profile and risk-based capital position of the Company is clearly reflected and understood and that the results have been validated.

5. The ORSA policy sets out the process for determining its capital needs linked to its risk profile. The risk profile is determined by the Company with the assistance of the Risk Management function and is recorded in the Risk Management system. The Company uses the Standard Formula in line with regulatory requirements and performs an own economic capital assessment (OECA), both results are included in the ORSA report. An appropriateness exercise is performed on the main capital drivers to ensure that risks are considered alongside, capital and the appropriateness assessments. A forward-looking assessment of both the capital measures is made and actual performance is compared with forecasts over time.

6. The ORSA process operates continuously throughout the course of the business year and ORSA reports are produced on an annual and ad hoc basis:
   - A full annual ORSA report is produced in line with the annual business planning process and the setting of regulatory capital. The ORSA report will be provided to the entity Board on at least an annual basis.

- Continual ad hoc ORSA reporting – following the occurrence of a trigger event (a major loss event or significant change to the risk profile), the ORSA processes are performed to assess the impact of the event on the risk profile and capital and solvency position. The ORSA processes performed will be proportionate to the significance of the trigger event and may result in an ad hoc ORSA report.

Standard Formula Appropriateness

7. Standard Formula appropriateness is reviewed annually in conjunction with the ORSA production. Standard Formula appropriateness is evaluated by Subject Matter Experts ("SME's"), along with Risk Management and Compliance.

   To ensure each risk area is considered equally, meetings and detailed reports are produced for each risk area (i.e., Insurance Risk, Counterparty Default Risk, Investment Risk and Operational Risk). A separate report has also been produced for risks explicitly not covered by the Standard Formula (e.g., Liquidity Risk).

   The analysis of each area includes qualitative comparison of the risks on the Company's risk register and those explicitly included in the Standard Formula assumptions.

   The Company has not identified any material risks that it considers are not fully included in the Standard Formula SCR calculation.

The Board of Alpha is actively involved in the ORSA process as described in its policy, directing and challenging the performance and outcomes where appropriate.

The Board engages in the process of assessing all of the risks inherent in the Alpha's business and determines the corresponding economic capital required to meet regulatory and strategic business objectives.

Alpha is using the Standard Formula ("SF") approach to calculate its solvency capital requirement ("SCR") in the Solvency II context. The use of the Standard Formula approach is considered appropriate in view of the limited size and complexity of the business.

The ORSA is both quantitative and qualitative. The Board is aware of all material risks faced by the company, whether these risks are covered by:

- the SF SCR,
- ORSA quantitative results, or
- an assessment using qualitative information (e.g. operational risk and reverse stress testing).

The scope of the Alpha run-off business activities is significantly more limited than those of an 'active' underwriting business. The ORSA process is proportional to the nature, scale and complexity of the risks inherent in each entity.

The key elements of the ORSA include:

- the overall solvency needs consideration of the specific risk profile, the approved risk tolerance limits and the business strategy of the undertaking;
- the compliance, on a continuous basis, with relevant capital requirements and with the requirements regarding technical provisions;
- the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the Solvency Capital Requirement calculated with the standard formula;

- the own-risk and solvency assessment shall be an integral part of the business strategy and shall be considered on an ongoing basis in the strategic decisions of the undertaking;
- a reassessment referred to in without any delay following any significant change in the risk profile;
- risks the undertaking is or could be exposed to, taking into account potential future changes in its risk profile due to the business strategy or the economic and financial environment, including operational risks;
- the nature and quality of own fund items or other resources appropriate to cover the risks identified;
- valuation and recognition bases that are appropriate for the business and risk profile;
- periodic reporting to the supervisory body;
- the internal control and risk-management systems and approved risk tolerance limits;
- assessment whether the business activities and associated solvency needs are properly determined and matched at the relevant time horizons.

Alpha is required to comply with the principles as set out in the NBB circular 2019_30 of 3 December 2019 on the Own Risk and Solvency Assessment. In addition to the ORSA report, the Company is required to submit a template which is populated with information about the five most material risks affecting the business.

The ORSA is an ongoing process with periodic reporting. An ORSA Report will be monitored at least annually or as determined by the Board.

The ORSA basis is based on the Business Plan which is approved by the Board. The Business plan is representative of the business strategy.

The ORSA Report will include analysis of the updated year- or quarter-end SF SCR and Risk Management position. The ORSA Report also includes a 3-year forward looking assessment of the capital requirements to support the prospective business goals. Furthermore, specific requests from the NBB in the context of the envisaged part VII portfolio transfer have been included in the latest ORSA.

An ORSA is re-run for an entity in full in the event of a material change in the:
- underlying risk profile.
- to the system of governance
- market or macroeconomic conditions

The requirement for this is determined by the Board based on a change with is expected to move the SF SCR significantly.

The type of change and impact is evaluated and documented including the effect on the SF SCR and the impact of this change is justified on both a quantitative and qualitative level.

The Alpha ORSA policy and process sets out the keys steps which would need to be undertaken to meet the requirements:

- Risk Assessment
- Capital Assessment
- Solvency Assessment
- Forward Looking Assessment
- Stress & Scenario Testing
- Governance

B.4 Internal control system

B.4.1. Principles

The Company has an effective internal control environment which is established and governed through the Internal Control Policy and Procedures. The purpose of this policy is to provide a mechanism for the implementation, monitoring and reporting on the internal controls of the Company.

The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations and ultimately meet the business objectives. Non-adherence to such controls may cause the entities to fail to meet these objectives or to materially increase the costs or risks of operation.

There are several components to the internal control system which operate alongside the risk management system. Internal controls operate at many different points in the Company's business but can be summarised as follows:

- Each key function is required to document its operational procedures; these are owned by the relevant function heads, reviewed at least annually and approved by an executive body.
- Each key process across all key functions is required to have process flow documentation which is owned and approved by the function head in which the relevant process is located.
- All relevant controls are documented within the arrangements above and then recorded in the internal control library (which is within the risk management system) and given a control owner (who will usually be reporting to the function head). All these controls are then matched to the risks described in the risk register.
- At least on a quarterly basis, control owners assess the operation and effectiveness of the control operation and make an attestation which is recorded and filed. The control owner is encouraged to make any relevant comments about the control and may record its operation as 'effective', 'partially effective' or 'ineffective'. Any record of the control not being effective requires a narrative explanation as well as the assessment.
- The Internal Audit function may, from time to time, assess the operation of the controls and raise a report that suggests improvements can be made to the internal control environment. These are raised by way of an open action which is also recorded in the risk management system. An annual audit plan is agreed between the Company and the internal audit function. Over the several iterations of the audit plan, all key functions will be audited.
- The operation and effectiveness of internal controls is fundamental to the accurate assessment of the risks facing the Company; which is done both before ('inherent') and after ('residual') internal control operation. Alpha therefore can assess the impact of internal control problems or failures (if any) on the risk profile.
- Each quarter there is a process which starts with internal control attestation followed by risk attestation by which the risk owners can see the internal control operation prior to risk sign off. The data is then fed through to a series of dashboards through the risk management system and this is then included in the reporting to the Board together with risk and solvency information.

B.4.2. Risk management system 'Magique-Galileo'

The Company's risk and control registers are maintained and managed in the risk management system 'Magique-Galileo' which records:

- Key business activities/processes: identified in discussion with management and recorded in process flow/policy documentation;
- Risks associated with those business processes and the relevant risk owners;
- Controls that are in place to mitigate those risks and the relevant control owners;
- Risk assessments: inherent (gross) risk and residual (net) risk;
- Emerging risk;
- Action generated and their status includes interaction with Internal Audit;
- Incidents and near misses;
- Risk tolerance levels/risk appetite (qualitative- in terms of impact and likelihood);
- Recommendations from Internal Audit Reviews.

B.5 Internal Audit Function

The Internal Audit function of Alpha Insurance is managed and organised by the Enstar group.

The Company's Internal Audit function is provided through the Group function and overseen by the Group head of Internal Audit. In accordance with the Solvency II requirements on outsourcing, the Company appointed a local person with overall responsibility for the outsourced independent control function ('contact person responsible'), the Alpha CEO.
The Group head of Internal Audit has specific responsibility for leading the Internal Audit function for the Group and for Alpha. An Internal Audit Report is submitted to and presented at the occasion of each quarterly Alpha Board meeting.

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems to establish policies, plans and procedures and to ensure compliance with those policies, plans, procedures laws, and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate.
- Reviewing the quality and assurance provided by other internal governance functions and third-party providers.
- Reviewing the reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Reviewing the internal control statement prepared by senior management and the related opinion by the attest auditor.

Annually, the Internal Audit Function submits to the Board an internal audit plan for approval that takes into account all activities and the complete system of governance. The plan includes a summary of the audit work schedule, staffing plan, and budget for the following year.

B.6 Actuarial Function

Alpha Insurance operates its Actuarial function with reporting lines to the local Alpha Board and the Management Committee.

The Actuarial function has been outsourced to the Group, Enstar (EU) Ltd represented by David Bishop.

In accordance with the Solvency II requirements on outsourcing, the Company appointed a local person with overall responsibility for the outsourced independent control function ('contact person responsible'), Maxime Ronsmans. This contact person responsible possesses the required expertise to put the performance and results of the service provider to the test. Both David Bishop and Maxime Ronsmans have knowledge of actuarial and financial mathematics commensurate with the nature, scale and complexity of the risks inherent in Alpha, and they are able to demonstrate their relevant experience with applicable professional and other standards.

The Company has put in place an Actuarial function terms of reference.

For the purpose of the carrying out this role the terms of reference are:

- to coordinate the calculation of technical provisions;
- to ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- to assess the sufficiency and quality of the data used in the calculation of technical provisions;
- to compare best estimates against experience;
- to inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- to oversee the calculation of technical provisions; and
- to express an opinion on the adequacy of reinsurance agreements.
- As per Solvency II regulations contribute to the effective implementation of the risk management system referred to in Article 44 of Level 1 (Risk management), in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in Chapter VI, Sections 4 and 5 and to the assessment referred to in Article 45 (Own risk and solvency assessment)
- To produce a written report to be submitted to the administrative, management or supervisory body, at least annually. The report shall document all tasks that have been undertaken by the actuarial function and their results and shall clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied.

B.7 Outsourcing

B.7.1. Main elements of the Outsourcing Policy

The Belgian Solvency II Law requires the company to treat outsourced functions within the Enstar group in the same way as outsourced functions to an external provider. The intragroup service provider Enstar (EU) Ltd ("EEUL") is the main service provider of Alpha Insurance.

New outsourcing agreements (intragroup as well as external) are required to be executed in full compliance with the Outsourcing Policy ,the requirements of article 92 of the Belgian Law of 13

March 2016 on the legal status and supervision of insurance or reinsurance companies ("the Solvency II Law"), section 7 of the Circular NBB_2016_31 on the National Bank of Belgium's prudential expectations concerning the governance system in the insurance and reinsurance sector(the "NBB Governance Circular". To set out the specific outsourcing requirements in Belgium an appendix has been added to the Policy.

The purpose of the Outsourcing Policy is to set out and explain the steps and actions that need to be performed by the Company to ensure that a common set of procedures are performed in all relevant jurisdictions to govern the selection, acceptance, maintenance and on-going monitoring of contractual relationships with suppliers and outsource service providers whilst ensuring compliance with our internal control framework and reporting requirements.

Before committing to an Outsourcing arrangement, there are precursor activities that must be completed:

1. Service classification determination (Outsourcing or Material Outsourcing).
2. Appropriate pre-Outsourcing analysis and due diligence concluded.
3. Relevant Regulator(s) consulted and notified.
4. Outsourcing Agreement between the parties and service management plan (including the appointment of a Service Owner by the Cost Centre Owner / Project Sponsor) approved by Vendor Management Forum.

The Outsourcing Service Owner is responsible for ensuring the services provided by the Outsourcing Service Provider continue to be delivered in accordance with the Outsourcing Agreement (including agreed service levels), and that the Outsourcing Agreement continues to be reflective of the Regulator requirements.

B.7.2. Identification of all outsourced critical or important functions or activities

The strictness of the rules on outsourcing depends on whether it is critical, or important ("material") functions or activities being outsourced. Stricter rules apply to outsourcing critical or important functions or activities, than to outsourcing functions or activities that are not critical or important.

Before entering into an outsourcing agreement with regard to a critical or important function or activity, the Company (cf. section 7.3.1 NBB governance circular):

- assesses whether the outsourcing authorization conditions are met;
- conducts the necessary verifications with regard to the service provider;
- identifies and assesses all relevant risks of the outsourcing arrangement; and identify and assess the conflicts of interest that could arise from the outsourcing.

At the contractual stage there exists a mandatory minimum content of the agreement in writing with the service provider as set out in article 7.3.1 of the NBB governance circular.
The Company that outsources important or critical functions, activities or operational tasks must also comply with mandatory requirements to be met after entering into an outsourcing agreement (cf. section 7.3.3. NBB governance circular).

A significant part of Alpha's critical functions are managed within the Belgian entity.

In view of the run-off status of the Company some functions have been (partly) outsourced to EEUL, the main outsourcing provider, and other external providers/suppliers.

B.8 Other information

No other information is considered relevant to report.

C. Risk profile

Introduction

Alpha Insurance is a Belgian insurance undertaking being part of the Enstar group. The insurance portfolio consists of Non-Life underwriting. Since 2015, the business is entirely in run-off.

The Non-Life underwriting business includes the following lines of business:

- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Legal assistance insurance
- Miscellaneous financial loss

In view of the envisaged part VII transfer, the Company applied for the following Belgian insurance classes:

- Aviation liability
- Marine liability
- Non-life reinsurance activities

As the transferring liabilities are located in several EEA states the Company also applied for additional passporting rights.

The Company's ERM Framework aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirements. Where risk is considered to be excessive, the Company may mitigate that risk. (see Section B.3). Where risk is considered to be excessive Alpha Insurance may mitigate that risk. The primary risk mitigation tool used by Alpha Insurance is effective claims management. All claims matters are reviewed regularly, with all material matters reviewed and authorised by management prior to any action being taken.

Risks in Alpha Insurance's risk profile are grouped into the Solvency II risk types. Because of Alpha Insurance's business the concentration profile is dominated by reserving risk and market risk.

The following extract from QRT form 25.01 summarizes the Solvency Capital Requirement for each type of risk as at 31 December 2021.

Risk	Value in k€
Life Underwriting	-
Non-Life Underwriting	6.459
Health Underwriting	-
Market Risk	3.982
Counterparty Default Risk	574
Diversification	***-2.319***
Intangible assets	-
Basic Solvency Capital Requirement	**8.695**
Operational Risk	873
Loss Absorbing Capacity Deferred Taxes	-
Solvency Capital Requirement	**9.568**

Table 1: Risk components (x 1,000 EUR)

The table here above shows that Alpha Insurance's capital risk profile is dominated by Non-Life Underwriting risk, market risk and operational risk. These risk categories are extensively reported through Alpha Insurance's ORSA.

A further discussion of Alpha Insurance's management of the risks is given below.

C.1 Underwriting risk

C.1.1 Non-Life underwriting risk

In accordance with the article 105 of the Solvency II directives, the underwriting risk is defined as "the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions". Underwriting risk is the risk that insurance premiums and/or reserves are ultimately insufficient to fully settle claims and associated expenses.

Underwriting risk spans many aspects of the insurance operations, including premium risk and risk associated with our reserving assumptions. Underwriting risk relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities that have been assumed through the underwriting process.

Premium Risk is the risk that policy terms, premiums and RI protection will not be sufficient to cover ultimate loss and expense costs and achieve target rates of return.

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, and legal and regulatory matters.

The table below shows Non-Life underwriting risk components. Note that the lapse risk has been set to 0 as the Non-Life business of Alpha Insurance is in run-off since March 2015.

Risk	Value in k€
Premium and reserve risk	6.433
Lapse risk	-
Catastrophe risk	102
Diversification	**-76**
SCR Non-Life underwriting risk	**6.459**

Table 2: Non-Life underwriting risk components (x 1,000 EUR)

Alpha Insurance Non-Life business is in run-off since March 2015 and therefore no new business is written since this date. However, Alpha Insurance must assure that it has adequate reserves to cover its liabilities for insurance policies that were written in prior years. To achieve this:

- The actuarial Non-Life team uses statistical methods including industry benchmarking methodologies to estimate appropriate Incurred But Not Reported ("IBNR") reserves for Alpha Insurance various exposures. These methods are based on comparisons of Alpha Insurance loss experience on its various exposures relative to industry loss experience for comparable exposures.
- Alpha Insurance has implemented effective claims management and administration procedures. To ensure that claims are appropriately handled and reported accordingly (including with the Belgian regulatory requirements in this matters), all claims matters are reviewed regularly, with all material matters reviewing and authorized by management prior to any action being taken. The table below shows the gross best estimate liability by Solvency 2 lines of business determined by Alpha Insurance as at year-end 2021.
- The solvency capital requirement and the technical provisions for Non-Life underwriting of Alpha Insurance are at least calculated and monitored on a quarterly basis to ensure that the company can meet its obligations. In 2021 the Non-Life Best Estimate and Risk Margin decreased due to run-off, the actuarial review at year-end 2021 and the release of the provision for 2021 expenses. However, the decrease was less significant as expected, because the reported SII figures already take into account, on a forward-looking basis, higher future expenses: following the Part VII transfer, Alpha's run-off will be prolonged and as such expected future expenses increase. An assessment has been made to quantify the expected future expenses associated with the transferred Part VII Portfolio specifically together with an updated budgeting exercise for the Company.

Solvency 2 lines of business	Gross best estimate in k€
Motor vehicle liability insurance	16.181
Other motor insurance	1.033
Marine, aviation and transport insurance	1.043
Fire and other damage to property insurance	2.622
General liability insurance	4.511
Credit and suretyship insurance	1.875
Legal expenses insurance	110
Miscellaneous financial loss	1.717
Total gross best estimate liability	**29.091**

Table 3: Technical provisions per solvency 2 lines of business (x 1,000 EUR).

C.1.2 Life underwriting risk

The Life underwriting risk module reflects the risk arising from the Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Since the second quarter-end of 2019, there is no Life risk any more as the Life portfolio has been transferred to Monument Assurance Belgium.

C.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or investment will fluctuate because of changes in market prices. The market risk module shall reflect the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of the undertaking. It shall properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

Market risk may be triggered by multiple economic, political, and regulatory factors such as recessions, political upheavals, structural changes or regulatory changes. Additionally, Market risk may be amplified by excessive concentration and exposure to individual securities, asset types, or asset and fund managers through relative movements in the underlying valuations of the assets).

The management of the investments is partially outsourced to Candriam, a pan-European asset management company, and partially taken up by the Alpha CFO and CEO.

The Company manages Market risk in a number of ways, including use of investment guidelines; regular reviews of investment opportunities; market conditions; portfolio duration; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; established tolerance levels; and, where possible, foreign currency asset/liability matching.

The Prudent Person Principle is embedded in Solvency II and is used to guide the Company to invest in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. They are invested in a manner to ensure the security, quality, liquidity, and profitability of the portfolio, and such that they are available to the Company in the relevant currency as required. Assets held to cover technical provisions are also invested in a manner appropriate to the nature and duration of the Company's liabilities. They are invested in the best interest of all stakeholders, taking in particular into account the Company's customers. Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geography, asset class or other risk attribute.

Risk treatment and mitigation strategies are driven by established risk appetite approved by the Board. Risk treatment/mitigation (e.g. establishing controls, procedures and the implementation of modified strategic activities designed to for example rebalance the portfolio into or away from specific asset classes given the underlying risk profile) or accepting risks to the extent at par with Board approved risk appetite is the responsibility of risk owners and oversight by senior management.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

Alpha Insurance's policies and procedures for managing market risk have been developed within the Solvency II regulatory framework which requires sensitivities to risk to be identified and measured.

Alpha Insurance manages market risk using a Value at Risk ("VaR") approach that reflects interdependencies between market risk types across the entire investment portfolio.

The assets in portfolio consist of investments like equity, bonds, collective investment undertakings and deposits other than cash, loans and mortgages, receivables and cash. Alpha Insurance does not hold any complex financial instruments such as derivatives or swaps and has no material off balance sheet positions subject to market risk. The cash flows from the investments therefore mainly consist of the coupon receipts, interest and repayments.

The solvency capital requirement ("SCR") that Alpha Insurance is maintaining for the market risk consists of the following components:

Risk	Value in k€
Interest rate	457
Equity	1.859
Property	-
Spread	2.362
Currency	-
Concentration	123
Diversification	**-820**
SCR Market risk	**3.982**

Table 5: Market risk components (x 1,000 EUR)

- **Interest rate***:* the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest. The capital requirement for the risk of a change in the term structure of interest rates is equal to the loss in the basic own funds that would result from that change in the basic risk-free interest rates at different maturities. Interest rate risk arises if the interest rate sensitivity of the assets and the liabilities are not completely matched. If the market interest rates change, this is reflected in changes in the result and / or the capital position. Interest rate risk exists for all assets and liabilities whose equity is sensitive to changes in the interest rate term structure or the interest rate term volatility. All fixed income investments and loans in the portfolio of Alpha Insurance are sensitive to the interest rate risk. The interest rate risk is applicable to the bonds (€41,4m), mortgage loans (€0,8m) and the Non-Life Best Estimate Liability (€29,1m). This risk is mitigated by controlling the duration structure of the assets in function of the liabilities.
- **Equity:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. The capital requirement for equities is equal to the loss in the basic own funds that results from an instantaneous decrease in the market value of the equity. Alpha Insurance is exposed to the equity risk by applying the look-through on the collective investment funds. The market value of all equities in the funds is equal to 4,1m€ and mainly consists of type 1 equity. Alpha Insurance is not applying the equity transitional. This risk is mitigated by imposing strict exposure limits to this asset class.
- **Property:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate. The capital requirement for property risk is equal to the loss in the basic own funds that result from an instantaneous decrease of 25 % in the value of immovable property. Alpha Insurance is not exposed to any property risk.
- **Spread:** 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. The capital requirement for spread risk is equal to the sum of:
  - the capital requirement for spread risk on bonds and loans;

- the capital requirement for spread risk on securitization positions;
- the capital requirement for spread risk on credit derivatives

  As Alpha Insurance has no securitizations or derivatives, it is only exposed to the spread risk on the bonds (€41,1m). The capital requirement for spread risk on bonds and loans is equal to the loss in the basic own funds that results from an instantaneous relative decrease in the value of each bond or loan. This risk is mitigated by placing limits on its exposure to a single counterparty and by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by prominent rating agencies. Alpha Insurance has a policy of investing in mainly investment grade assets (i.e. those rated BBB and above). Any bonds with a rating below investment grade are those included in collective investment funds, which is acceptable due to the level of diversification and the low monetary value.

- **Currency:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates. The capital requirement for the risk of an increase in value of a foreign currency against the local currency is equal to the loss in the basic own funds that results from an instantaneous increase of 25 % in the value of the foreign currency against the local currency. Since all investments are valued in EUR, Alpha Insurance is not exposed to the currency risk. Any foreign currencies in the collective investment undertakings are fully hedged against currency risk within the fund.
- **Concentration:** additional risks to an insurance or reinsurance undertaking stemming either 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. The capital requirement for market risk concentration is calculated on the basis of single name exposures and equal to the loss in basic own funds that result from an instantaneous decrease in the market value of the assets. Alpha Insurance is exposed to the concentration risk via its bonds (€47,7m) and equity (€4,1m). The concentration risk is managed by Alpha Insurance by maintaining an appropriate mix of investment instruments.

For 2021 the Company observed increased uncertainty in relation to its investment portfolio as a result of COVID-19 and its continued impact on the volatility within financial markets. However, there is no indication that it poses a major threat for the future of the Company.

C.3 Credit risk

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

The capital for counterparty risk considers potential losses due to unexpected default or deterioration of the creditworthiness of the counterparties and debtors of insurance and reinsurance undertakings in the following 12 months. The key areas of exposure to credit risk for Alpha Insurance are in relation to its cash and deposits (€4m), reinsurance program (€2,2m), mortgage loans (€0,7m), loans indirectly held through funds (€1,6m) and amounts due mainly from policyholders and intermediaries (€0,3m).
The Company's objective in managing credit risk is to ensure the risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite and regulatory requirements. In fixed maturity and short-term investment portfolios, credit risk is mitigated through diversification and issuer exposure limitation. The Company's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Company has a policy of investing in mainly investment grade assets (i.e., those rated BBB and above).

The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

There are no material off-balance sheet positions subject to credit risk and no risk transfer transactions with special purpose vehicles.

Credit Risk is calculated using the standard formula and using an internal approach and is monitored through the quarterly risk report.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

There were no material changes in Alpha Insurance's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

Credit risk management

Type 1:

Alpha Insurance limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Counterparty	Recoverable	Rating
ING	374	A
BNP Paribas	3.006	A
RES	33	Unrated
Investments Funds	49	AAA
Total deposits and cash	**3.962**	

Table 7: Cash and deposits (x 1,000 EUR)

Type 2:

Alpha Insurance has debtors arising from direct insurance and ceded reinsurance operations and may make a provision for non-recovery after undertaking an assessment of the counterparty's financial position and likelihood of recoverability.
An overview of the investments can be found in the Solvency II balance sheet in Chapter D.

C.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. Alpha Insurance follows an appropriately conservative investment strategy designed to emphasize the preservation of its invested assets and provide sufficient liquidity for the prompt payment of claims as they fall due and settlement of commutation and policy buyback payments. As Alpha Insurance is in run-off, future premiums do not materially impact its liquidity position.

The Company mitigates this risk by following an investment strategy designed to emphasize the preservation of invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities. Alpha Insurance manages liquidity risk by maintaining banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet its liabilities when they fall due. In practice, most of the assets are marketable securities which could be converted into cash when required. The assets are invested in liquid government and corporate bonds that exceed the legal entities liquidity needs.

On a forward-looking basis, the liquidity position remains safe ..A new ALM study post Part VII transfer in 2022 will be performed to assure assets and liability durations continue to agree in the future.

At management level Liquidity risk is monitored and overseen by the Board which meets at least quarterly. The Management Board monitors liquidity against key risk indicators defined in the risk appetite statement.

Appropriate controls and procedures are monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

No material changes have been made to the liquidity risk management / mitigation process during the financial year

C.5 Operational risk

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk includes outsourcing risk. Outsourcing risk is defined as an arrangement of any form between a firm and a service provider by which that service provider performs a process or activity or provides a service which would otherwise be undertaken by the firm itself.

The key operational risk factors facing the business are as follows:

- Alpha Insurance is dependent on its executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect the business. Retaining sufficiently skilled resource to manage the business is a significant risk. In addition, the Company benefits from being majority owned by Enstar Group who have greater scale and may support functions in case of staff losses where a retention is not in place.

- Alpha Insurance has a number of internal systems and processes that rely on people and technology. These are not immune from potential failure. Alpha Insurance monitors operational risk through its risk management and internal control system.
- If outsourced service providers such as investment managers were to breach obligations owed to the Company, the business and results of operations could be adversely affected. An upcoming key process change relates to claims handling linked to the part VII transfer, which will remain outsourced to the existing providers, whereas claims on the majority of Alpha's business are managed internally. The Company will therefore review and reinforce its control environment regarding claims outsourcing arrangements.

- If Alpha Insurance experiences difficulties with its information technology assets or cyber security, its business could be adversely affected.

All operational risks are assessed via the risk assessment process on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Enstar Management Risk Committee and the Alpha Board.

Operational risk is mitigated through the application of policies and procedures, internal control and compliance processes throughout the Company, including but not limited to business continuity planning, information security procedures, change management processes, financial reporting controls and a review process for material third-party vendor usage. Controls which are executed throughout the Company's operations, to mitigate against their associated risks crystalizing, are assessed on a quarterly basis. Operational Risk is calculated using the standard formula and is monitored through the quarterly risk report. Operational stress tests are performed annually and reported through the ORSA process.

The business recognises the increased operational risk inherent in outsourcing and seeks to mitigate this risk by implementing strong management oversight over each individual outsourced arrangement, and a greater concentration of oversight for those arrangements which are considered material because of their size, the risks associated with their failure or because of their nature (i.e., the outsourcer is performing a regulated activity).

The Risk Management Function assist the business with these responsibilities by providing the framework and tools, assisting with monitoring risk levels within the defined risk appetite and providing other support as needed.

The Company maintains a business continuity plan outlining the process to minimize the financial, legal, reputational, operational and other material consequences arising from a natural or unscheduled disruption.

The capital requirement for operational risk shall reflect operational risks to the extent they are not already reflected in the previous risk modules. The operational risk for Alpha Insurance amounts to €0,9m.

No material changes have been made to the measures for managing and mitigating operational risk during the financial year. Following the outbreak of Covid-19 in March 2020, the Brussels office remained closed in 2021 as per Belgian guidelines, with the introduction of an agile working arrangement. There were no issues regarding operational functionality during the period of office closure and working from home.

C.6 Other material risks

Regulatory & Reputational Risk:

Regulatory risk is the risk of legal or regulatory sanctions resulting in a financial loss, or loss of reputation as a result of an insurer's failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct. We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Group Risk:

Group risk arises from the Company being majority owned by Enstar Group. Enstar is a Bermuda-based holding Company, formed in 2001, that offers innovative capital release solutions and specialty underwriting capabilities through its network of Group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR".

Enstar focuses on the acquisition and management of insurance and reinsurance companies in run-off and the acquisition and management of portfolios of insurance and reinsurance business in run-off.

Pandemic Risk:

The World Health Organization declared COVID-19 to be a global pandemic on 11 March 2020. A COVID-19 Risk Working Group was formed which included representatives from all business functions. This Group initially met daily in March/ April 2020 reducing to weekly and later monthly to oversee risk issues arising from COVID-19; namely exposure and loss development, investment risk, operational risk & regulatory issues.

Due to the conservative nature of the investment portfolio, the adverse impact from market volatility has been limited. The Company is also reviewing business continuity plans as appropriate.

Climate Change:

Given the Company is in run-off, exposure to climate-related risks emanates from existing insurance liabilities and the assets that back those liabilities.

Our Enterprise Risk Management ("ERM") framework defines the roles and responsibilities for effective oversight and management of environmental, social and governance ("ESG") and climate-related risks and opportunities at the Board and senior management levels.

Climate change presents risks and opportunities to the sustainability of the business. The Company's business strategy is exposed to the following risks over the short (<2030), medium (<2040) and longer (≥2040) term time horizons, across three major types of climate risk:

- Physical risks (Short to Longer term) are the first order risks arising from weather-related events, such as floods and storms. Their impact may be felt directly through property damage, or indirectly through subsequent events such as disruption of global supply chains or resource scarcity. Our operations may be impacted by physical risks affecting key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of this risk is considered low.
- Transition risks (Short to Medium Term) include financial risks deriving from the transition to a carbon net zero economy, and for Enstar include potential swift, adverse repricing of carbon-intensive financial assets. Scenario analysis undertaken during 2021 to assess the impact of transition risk concluded a relatively modest impact to the investment portfolio

- Liability risks (Short to Medium Term) include third-party exposures such as claimants who have suffered climate-change related losses and damage, and seek compensation. Liability risks also include the unknown and potentially high costs of dealing with losses or damage from physical or transition risk factors. Liability risks are particularly high for those directors and officers who do not properly manage and report climate-related risks and commit errors and omissions. Scenario analysis undertaken during 2021 to assess the impact of liability risk concluded a low impact to the liabilities.

C.7 Other information

Adjustment for the loss-absorbing capacity of deferred taxes

The adjustment for the loss-absorbing capacity deferred taxes reflects potential compensation of unexpected losses through a simultaneous decrease in deferred taxes. That adjustment considers the risk mitigating effect provided by future discretionary benefits of insurance contracts, to the extent insurance and reinsurance undertakings can establish that a reduction in such benefits may be used to cover unexpected losses when they arise.

Alpha Insurance has a deferred tax asset (DTA) on the economic balance sheet. There is no Deferred Tax Liability (DTL) due to the fact that the Solvency II basic own fund position, excluding the DTA, is lower than the accounting own fund position. The DTA is due to the fact that Alpha Insurance has large losses carried forward from the past but, expects to make fiscal profits in the future. The deferred tax positions on the economic balance sheet result in a loss absorbing capacity for Alpha Insurance which is equal to zero, being the minimum of zero and the net deferred tax position.. In Q3 2021 the DTA significantly decreased following the updated Budget Plan for 2021-2023 and the exclusion of non-recurring elements from the disallowed expenses. Whilst the DTA in Q1 2021 was at a level of €554k, the DTA decreased to a low level of €91k in Q4 2021.

Impact of Part VII transfer

The Part VII transfer introduces additional non-life underwriting risks comprised mainly of general liability, property, income protection and liability reinsurance business. A significant amount of the transferring business is Health business (Danish Disability Liability) which renews annually until the death or retirement of the policyholder or their decision to terminate. The impact of the planned portfolio transfer has been assessed in the context of the latest ORSA report.

D. Valuation for solvency purposes

The structure of Alpha's balance sheet at 31 December 2021 is the following:

Amounts in k €	**Solvency II value**	**Statutory value**
Intangible assets		0
Deferred tax assets	91	0
Investments	54.597	51.320
Holdings	0	0
Equities	25	25
Government bonds	22.442	19.804
Corporate bonds	18.954	18.374
Collective Investments Undertakings	12.552	12.494
Deposits similar to cash	624	624
Mortgage loans and other loans	779	724
Share of the reinsurers in the TP non-life	2.216	2.207
Share of the reinsurers in the TP life		
Receivables from insurance operations	45	965
Receivables from reinsurance operations	33	33
Other receivables	192	192
Cash and cash equivalents	407	407
Other assets	3.531	2.975
Total assets	**61.892**	**58.824**
Gross technical provisions non-life	32.432	24.664
Best Estimate non-life	29.091	
Risk margin non-life	3.341	
TP calculated as a whole non-life	0	
Gross technical provisions life	0	0
Best Estimate life	0	
Risk margin life	0	
TP calculated as whole life	0	
Other technical provisions	0	
Provisions other than technical	663	663
Provisions for pension benefits and other advantages	13	13
Deposits reinsurers	36	36
Deferred tax liabilities	0	0
Liabilities from insurance operations	559	559
Liabilities from reinsurance operations	49	49
Payables (trade, not insurance)	761	761
Other liabilities	1.200	
Total liabilities	**35.714**	**26.746**
Excess of assets over liabilities	**26.178**	**32.078**

For comparison, the balance sheet at 31 December 2020 was the following:

Amounts in k €	Solvency II value	Statutory value
Intangible assets		0
Deferred tax assets	282	0
Investments	58.107	53.411
Holdings	0	0
Equities	25	25
Government bonds	23.405	19.985
Corporate bonds	20.708	19.781
Collective Investments Undertakings	13.263	12.914
Deposits similar to cash	705	705
Mortgage loans and other loans	937	852
Share of the reinsurers in the TP non-life	1.938	1.912
Share of the reinsurers in the TP life	0	0
Receivables from insurance operations	45	1.086
Receivables from reinsurance operations	2	2
Other receivables	160	160
Cash and cash equivalents	706	706
Other assets	4.035	3.227
Total assets	**66.214**	**61.356**
Gross technical provisions non-life	34.560	28.043
Best Estimate non-life	30.501	
Risk margin non-life	4.059	
TP calculated as a whole non-life	0	
Gross technical provisions life	0	0
Best Estimate life	0	
Risk margin life	0	
TP calculated as whole life	0	
Other technical provisions	0	31
Provisions other than technical	722	722
Provisions for pension benefits and other advantages	61	61
Deposits reinsurers	36	36
Deferred tax liabilities	0	0
Liabilities from insurance operations	525	525
Liabilities from reinsurance operations	51	51
Payables (trade, not insurance)	1.264	1.264
Other liabilities	1.453	
Total liabilities	**38.672**	**30.732**
Excess of assets over liabilities	**27.542**	**30.624**

The following sections provide an explanation of the bases, methods and assumptions used for the solvency II valuation purposes for the main balance sheet categories including explanations of important differences between the BEGAAP financial statements and the Solvency II balance sheet.

D.1 Assets

The valuation method of the assets other than technical provisions depends on the classification:

- Intangible assets are valued at 0 for solvency purposes as no active market exists.
- Deferred tax assets: The Company has significant tax losses carried forward of about €25m at the end of the reporting year. For Solvency purposes, the Company performs a recoverability test to assess its ability to actually use the available tax losses. At this stage in the Non-Life run-off, DTA are calculated using the forecasted fiscal results of the next 3 years and the applicable corporate tax rate. The projected income tax that is expected to be offset by tax losses, is presented as DTA.
- Investments: The investments of Alpha are traditional non-complex financial instruments (i.e. no derivatives or other alternative investments) and are mostly listed on active stock markets. There are no investments listed in foreign currency, and any collective investment undertakings holding assets in foreign currency are fully hedged against currency risk. The major part of the investment portfolio is managed by an external asset manager. The market value and other relevant information provided by the asset manager is challenged and compared with independent sources. Note that the Company uses mid-prices for the market values of listed investments, as this results in consistent valuations regardless of market liquidity (bid-ask spread).
    - Listed equities: market value.
    - Unlisted equities: market value (internal valuation).
    - Bonds: market value including accrued interests. All bonds are investment grade.
    - Deposits: nominal value.
    - Mortgage loans and other loans: market value (internal valuation) based on future contractual cash flows net of any impairment.
- (Re)insurance and other receivables: valued at nominal value minus impairment, i.e. at their statutory value. The estimated recoveries on paid claims are not presented as an asset for solvency purposes but, considered in the gross best estimate calculation.
- Cash and cash equivalents: valued at nominal value, i.e. at their statutory level.
- Other assets: valued at their statutory level, except for:
    - Accrued interests which are valued at 0 for Solvency II as already included in the investment or loan value. Amount to €0,5m in the statutory accounts.
    - Real Estate and Equipment Rights of use of Assets (RoA) for €1,1m in line with the IFRS 16 guidelines. Not accounted for in the statutory accounts.

The main difference with BEGAAP valuation is the investment portfolio (including mortgage loans and other loans), which is valued at amortised cost under BEGAAP.

There were no material changes to the methodology of asset valuation during the reporting period, except for the look through on the funds within the Patcham Euro Fund. As from Q1 2021 we received look through information on the funds within the Patcham Euro Fund demonstrating that the funds (ACE, Wellington and SSG) within the Patcham fund are mainly composed of (high-yield) bonds, loans and cash. As such, these should be shocked in their respective asset categories (mainly bonds and cash) rather than being shocked as equity. The parallel run on Q1 look-through information resulted in a decreased Market risk due to a decrease in Equity and Concentration risk, which was partially offset by an increase in Interest and Spread risk due to the change from equity to bonds as per shocked asset category. As from Q2 2021 the look through information on these funds was included in the SII reporting.

D.2 Technical provisions

Non-Life activities

For the Non-Life activities, the products are attached to the line of business as defined by the Solvency II regulation. A second level of segmentation is defined for the projection of the cash flows by distinguishing the broker activities broker and the business through underwriters.

For most of the Non-Life insurance activities, the contract boundary is limited to one year with exception of the caution (credit insurance) activities for which the clients have paid a single premium for the whole term of the cover which is linked to the repayment schedule of underlying mortgage loans. This portfolio is in run-off since 2012.

Life activities

On 31 May 2019, the Life business was transferred to Monument Assurance Belgium through an asset deal, which was approved by the regulator.

Valuation

The technical provisions are valued in compliance with the requirement of the Solvency II directive. There is no application of valuation of technical provisions “as a whole”.

For all Non-Life activities, the best estimate of the liabilities is calculated as the discounted value of the future (from the valuation date) cash flows related to the contracts.

These future cash flows are including:
- The expected claims payments
- The expenses for the claim management and for the administration of the contracts
- The commissions to be paid (none in run-off)
- The future premiums by reference to the contract boundaries definition (none in run-off)

These projections are performed gross of reinsurance.

The cash flows of the ceded reinsurance are also projected allowing for the calculation of the ceded best estimate liability.

The projected cash flows are then discounted based on the pertinent yield curve defined by EIOPA. Note that as from 2020, the volatility adjustment is no longer applied as it was no longer considered appropriate following the transfer of the Life portfolio in 2019. Alpha is not using other transitional measures as allowed by the regulation.

The Non-Life risk margin is calculated conform article 37 of the Delegated Regulation by projecting the SCR for future years and discounting using the basic risk-free interest rate, after which a 6% cost of capital is applied.

The provision for equalisation and catastrophe of the statutory balance sheet is not considered in the solvency II balance sheet and is fully released in the statutory balance as from year-end 2021.

After the Life transfer there are no remaining Life liabilities that require valuation.

D.3 Other liabilities

Liabilities other than technical provisions are valued at their statutory level for solvency purposes which is considered appropriate given the expected timing of outflows.

Provisions other than technical contain provisions for other risks and charges. Provisions for pensions benefits and other advantages are all related to early retirement (i.e. no defined benefit of defined contribution pensions plans).

Deferred tax liabilities (DTL) are calculated using the net difference in valuation between solvency II and the statutory reporting, to which the assumed average tax rate is applied. The resulting DTL has been 0€ in both 2020 and 2021.

Other liabilities consist of Real Estate and Equipment Lease Liabilities accounted for as per IFRS 16 guidelines.

There were no significant changes to the methodology of liability valuation during the reporting period. Given the composition of the balance sheet and the applied valuation methods, Alpha does not make any assumptions having a material impact on the valuation of liabilities other than technical provisions.

D.4 Alternative valuation methods

Alpha does not use alternative valuation methods for solvency purposes.

D.5 Other information

No other material information on valuation for solvency purposes.

E. Capital management

E.1 Own funds

One of Alpha's key objectives is to manage its business on a sound and prudent basis in accordance with regulatory expectations. Alpha has ceased underwriting and is placed into run-off which means Alpha has cancelled all contracts for the Non-Life business. The Life business has been transferred to Monument Assurance Belgium on the May 31st 2019. Prior to the transfer and since the run-off, Alpha had ceased to accept new Life business and continued to earn premiums on its in-force business up till the moment of the transfer as per end of May 2019.

Thus, a key risk mitigation for Alpha is the maintenance of adequate capital. For business planning, Alpha uses a 3-year period in its Medium-Term Capital Plan.

Alpha's capital structure is non-complex and is presented as follows under Solvency II, exclusively unrestricted Tier 1, except for the deferred tax assets presented as Tier 3:

In k€	Q4 2021	Q4 2020	Change during period
Ordinary share capital	20.000	20.000	0
Surplus funds	0	0	0
Reconciliation reserve	6.087	7.260	-1.173
Deferred tax assets	91	282	-191
Total basic own funds after deductions*	26.178	27.542	-1.364
Total eligible own funds to meet the SCR	**26.178**	**27.542**	**-1.364**
Total eligible own funds to meet the MCR	**26.087**	**27.260**	**-1.173**

Alpha does not make use of any transitional arrangements.

The evolution of own funds during the reporting period can be explained by the run-off of the Non-Life business. Liabilities decreased less significantly than assets, mainly due to the increase in the provision for projected future expenses. The latter was increased in 2021 as a result of the updated budget exercise taking into account updated assumptions, a slower than initially expected run-off of the portfolio (ex. Court date delays due to COVID-19) and €0.6m expected projected future expenses related to the Danish Disability of the Part VII transfer portfolio. The latter transaction is expected to occur in the course of 2022 and related costs have already been anticipated in the projected future expenses. As such, 2021 SII results take into account the anticipated future expenses of the Part VII portfolio without benefitting from the related assets.

Alpha's statutory financial statements as per 31 December 2021 show a net equity of €32,1m which is €5,9m higher than the excess of assets over liabilities as calculated for Solvency II purposes. This is mainly explained by:

- Investments which are valued at amortised cost for statutory reporting (in accordance with Belgian GAAP) but at market value under Solvency II. The impact under Solvency II is +€3,3m.
- Non-Life Technical provisions which are lower for statutory purpose than under Solvency II, for an impact of -€7,8 m. For solvency purposes they are composed of the best estimate of the liabilities

(claims reserve and premium reserve, which is the discounted value of the future expected cash flows for claims and all expenses) and a risk margin as required by the regulation. For statutory purposes, the unearned premium reserve is calculated on a pro rata temporis basis and the claims provision consists of a claim provision plus IBNR (with risk margin) and a provision for future costs (ULAE). Since Alpha is in run-off, profits in future premiums cannot be considered to cover future administration expenses. As such, ULAE should be sufficient to cover all future costs (fully loaded). A Liability Adequacy Test (LAT) was performed for the Non-Life business to justify any difference with the SII expense provision.

E.2 Solvency Capital Required (SCR) and Minimum Capital Required (MCR)

At the end of the reporting period, Alpha's MCR amounted to €3,7m, implying a ratio of eligible own funds to MCR of 705%. At the end of 2020, the MCR amounted to €3,7m for a ratio of 737%.

The SCR split by risk module, exclusively calculated using the standard formula, amounted to:

In k€	Q4 2021	Q4 2020	Change during period
Market risk	3.982	5.098	-1.117
Default risk	574	359	215
Non-Life risk	6.459	6.838	-379
Life risk	0	0	0
Diversification	-2.319	-2.616	297
BSCR	**8.695**	**9.679**	**-983**
Operational risk	873	915	-42
LAC DT	0	0	0
SCR	**9.568**	**10.594**	**-1.026**
Ratio of eligible own funds to SCR	**273,60%**	**259,98%**	**13,61%**

The evolution during the reporting period is consistent with the run-off of the Non-Life portfolio. The main variations are:

- The decrease in market risk is mainly explained by the look through on the funds (ACE, Wellington and SSG) within the Patcham Euro Fund. As per look through information these funds mainly consist of (high-yield) bonds, loans and cash. Shocking the assets as per their respective asset category instead of shocking them as equity has a decreasing impact on the Market Risk. This because the increasing impact on Interest Rate risk and Spread risk gets offset by the decreasing impact of the look through on Equity risk and Concentration risk. Note that due to the Covid-19 pandemic, financial markets continued to experience high volatility during 2021.
- An increase in counterparty default risk due to the increased weight of a specific position within the Patcham Euro Fund.
- A slight decrease in Non-Life underwriting risk as the decreasing impact of the run-off of the portfolio on the technical provisions offsets the increasing impact of the revised budget exercise on the provision for projected future expenses.

Alpha does not use undertaking-specific parameters for the standard formula.

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

Not applicable, Alpha does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

Not applicable, Alpha does not use any internal or partial internal model for the calculation of the SCR.

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

Alpha has complied with both the MCR and SCR throughout the reporting year.

In the context of the Covid-19 pandemic and the current geopolitical tension, we would like to emphasise that the Company maintained compliance with both the MCR and SCR at all times during 2020, 2021 and after year-end despite very volatile markets. Management continues to monitor solvency adequacy on a regular basis.

E.6 Other information

No other material information on capital management.