Monarch Assurance SE

Solvency & Financial Condition Report

30 NOVEMBER 2023

Report of the independent approved auditor to the Directors of Monarch Assurance SE ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Our opinion

We have audited the following documents prepared by the Company as at 30 November 2023, which we have initialed for identification purposes only:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report ("SFCR") of the Company as at 30 November 2023 ("the narrative disclosures subject to the audit"); and
- S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01 as at 30 November 2023 ("the templates subject to the audit").

The narrative disclosures subject to the audit and the templates subject to the audit are hereafter defined as the "relevant elements of the SFCR".

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 30 November 2023 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

Scope exclusion

The relevant legislation does not require us to read or audit, nor have we read or audited, and as a consequence do not express any opinion on the other elements of the SFCR which comprises:

- The 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02 and S.05.02.01.

To the extent the information subject to audit in the relevant elements of the SFCR includes amounts that are totals, sub-totals or calculations derived from the other elements of the SFCR, we have relied without verification on the other elements of the SFCR.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the SFCR* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the relevant elements of the SFCR in Malta, and we have fulfilled our other ethical responsibilities in accordance with these codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

Report of the independent approved auditor to the Directors of Monarch Assurance SE ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the relevant elements of the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. We understand that our report will be made available to the MFSA in support of your obligation under the relevant legislation in respect of your business for the year ended 30 November 2023. Our report is solely for this purpose and for your information and is not to be used for any other purpose or to be copied or distributed or otherwise made available, in whole or in part, to any other parties. This report will not form part of the public disclosure of the SFCR. We do not accept any liability or responsibility to any third party to whom our report is shown or into whose hands it may come. We hereby give you permission to provide this letter to the MFSA but assume no liability or responsibility towards them in this respect.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the relevant legislation.

In accordance with section 8.9 of Chapter 8 of the Insurance Rules, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the SFCR and for the approval of the SFCR.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the relevant legislation as applicable to the Company. All Directors are required to sign a Declaration Form, in accordance with section 8.6.2 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the SFCR to the competent authority.

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

Report of the independent approved auditor to the Directors of Monarch Assurance SE ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

Our responsibility as approved auditors is to form an independent opinion as to whether the relevant information and relevant elements of the SFCR are prepared, in all material respects, in accordance with the relevant legislation on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant information and relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the relevant information and relevant elements of the SFCR.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant elements of the SFCR whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the relevant elements of the SFCR, including the disclosures, and whether the relevant elements of the SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

Report of the independent approved auditor to the Directors of Monarch Assurance SE ("the Company") pursuant to section 8.10.2 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Romina Soler

PricewaterhouseCoopers

78, Mill Street,
Zone 5, Central Business District,
Qormi, CBD 5090
Malta

7 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for ensuring that the Solvency and Financial Condition Report including the attached reporting templates is properly prepared in all material respects in accordance with the MFSA rules and the Solvency II regulations.

The directors are satisfied that:

- the company has complied in all material respects with the MFSA rules and Solvency II regulations as applicable to the company during 2023; and

- at the date of this report, the company has continued to so comply and will continue to so comply in the future.

As requested by the MFSA the company's SFCR has been audited.

By order of the board

J A F Cuypers
Director

7 March 2024

EXECUTIVE SUMMARY

As at 1 December 2020, Monarch Assurance SE was still a UK life insurance company writing long term unit linked insurance business in the UK principally through EU freedom of services rules. As noted in previous reports and consequent on the UK's decision to leave the EU, the company adopted a contingency plan to relocate its legal seat and operations into the EU and selected Malta as an appropriate jurisdiction. On 21 December 2020, the company received a licence to carry out long term insurance business from the Malta Financial Services Authority ("MFSA") and its registered office transferred from the UK to Malta. The company ceased to be authorised by the Prudential Regulation Authority on the same day.

The migration of the company from the UK to Malta allowed it to seamlessly continue servicing existing and future clients. The narrative in this report relates to the company's operations, systems and controls that pertained at 30 November 2023.

The company has been successful in developing EU markets. The company's solvency position is satisfactory with a solvency ratio 242% against the SCR and of 145% judged against the Minimum Capital Requirement (MCR) (2022: 215% against the SCR, and 153% against the MCR). The reduced MCR solvency ratio is essentially caused by the loss for the year, whilst the improved SCR solvency ratio primarily results from a reduction in assets exposed to the equity stress.

The corporate governance framework described in this report is continuously reviewed and enhanced to ensure that it remains suitable for the nature and scale of the company's operations.

The company uses its expertise and flexibility, working with independent brokers, to offer insurance products tailored to the needs of particular groups of potential clients. Results continue to show that niche opportunities exist in the current marketplace and the directors remain optimistic for the future.

Global equity markets ended the year 2023 on a high note, this outperformance was led by a cooling off in global inflation, a slide in the dollar index, declining crude, and higher expectations of rate cuts by the US Fed and other Central banks. On the other hand, the duration and intensity of the Ukraine war, the economic slowdown in China, are uncertain but undoubtedly present significant global challenges. Despite this uncertainty, the company as a regulated insurer is well prepared to meet adverse economic scenarios as demonstrated by the healthy solvency ratios indicated above. The company also undertakes regular re-forecasting and scenario analysis to monitor its financial position and respond to emerging risks with appropriate management action; these show that the company remains solvent in all the scenarios modelled.

A. BUSINESS AND PERFORMANCE

A.1 Business

Company:	Monarch Assurance SE
Registered Number:	SE 14
Registered Office:	4TH Floor, Development House, St. Anne Street, Floriana
Supervisory Authority:	Malta Financial Services Authority (MFSA)
Supervisory Address:	Mdina Road Zone 1, Central Business District, Birkirkara CBD 1010 Malta
External Auditor:	PricewaterhouseCoopers (PWC) Malta
External Auditor Address:	78 Mill Street, Central business District CBD 5090, Qormi QRM3101 Malta

Monarch Assurance SE (Monarch or the Company) is a "Societas Europaea", a European company limited by shares, originally incorporated in England but which on 21 December 2020 re-domiciled to Malta. It was authorised by the Malta Financial Services Authority (MFSA) on 21 December 2020.

Monarch is 90% owned by Soogen Holdings Limited (Soogen), a private company limited by shares and incorporated in England. Soogen is entirely privately owned and controlled. The remaining 10% is owned by Bastion Insurance Company Limited, a private company limited by shares and incorporated in Malta.

The company transacts life assurance business from its head office in Malta. It works with distribution organisations in selected EU states under freedom of services legislation; its principal markets during 2022 and 2023 were Belgium and France. The company also operates different run-off portfolios including unit-linked single and regular premium products, employee savings plans for international corporates and a few deferred annuity contracts and pension contracts; a term assurance rider product was recently launched in Ireland.

The company mostly writes unit-linked long term insurance business with single or regular premiums and with or without life cover. Its income derives from management charges levied on the premiums and investments underlying contracts issued to policyholders; management charges comprise sometimes an initial charge on premiums received and always an annual charge based on the value of the fund underlying each contract. Where relevant, charges also include an amount relating to the provision of life cover for the client. From these charges, the company pays commissions to independent brokers who market the company's products. Monarch does not provide any advice to clients on either the suitability of the Monarch product to their needs or on the selection of investments appropriate to the clients' circumstances; these are the responsibility of independent brokers through whom all the company's products are sold. Monarch has procedures in place to monitor the brokers that it uses.

Some policies also provide additional life cover for the policyholder over and above the unit linked value. The cost of such cover is charged to the policy and the additional risk is fully re-insured with a reputable European reinsurance company. There is currently no reinsurance for the Irish business (where benefits are anyway limited to a maximum of €10k per policy), which is still not material but will nonetheless be kept under review in this respect.

A.2 Underwriting performance

All of Monarch's material business risks and returns are in one segment – unit linked long term insurance business. All new business is written from Malta and there is no material inward or outward reinsurance.

A summary of the results on the technical account for the year ended 30 November 2023 is set out below:

	Year ended 30 November 2023	Year ended 30 November 2022
	€000	€000
Technical provisions for unit linked liabilities at the start of the year	104,784	114,128
Gross written premiums	7,247	8,969
Claims incurred	(8,646)	(4,225)
Change in technical provisions for linked liabilities	6,343	(14,088)
Technical provisions for unit linked liabilities at the end of the year	109,727	104,784

The company's business is in the main written in Euro.

The change in the technical provisions figure includes investment income, unrealised gains and losses and expenses attributable to policyholders and the movement in non-unit technical provisions.

The majority of the company's business is still single-premium business, but it also offers a number of regular savings contracts which are growing as a proportion of the total business.

During this period, sales into Belgium and France were undertaken using EU freedom of services legislation.

The company continues to work with European based brokers to develop products that they consider will be attractive to their client base. Further new products are planned for launch in the EU in the next few months and the directors are confident that additional opportunities will be realised over the short to medium term.

The company experienced surrenders, vis-à-vis the Belgian market, at a higher level than the prior year, but were nonetheless broadly in line with the three-year average. The French market, which was launched more recently, has shown a slightly higher (by policy value) lapse rate.

Management charges to policyholders at €3.6m in 2023 were higher than 2022 (€3.1m), reflecting the improved global markets in 2023.

Given the company's bias toward single-premium business, results can be volatile and cost monitoring and control remains a top priority. New investments in resources are only taken after careful consideration and the feasibility of new business initiatives is relatively secure. Administration expenses in 2023 were in line with 2022 (€1.7m vs €1.8m respectively), despite one-off costs in relation to information systems. This would indicate a decrease next year, despite likely new costs (towards the end of the year) vis-à-vis the implementation of IFRS 17.

A.3 Investment performance

Investment income and unrealised gains and losses on investments relate principally to policyholder funds. Shareholder funds are held principally in cash deposits and real estate and currently generate relatively low levels of return.

The company's investment portfolio at 30 November 2023, and returns thereon may be summarised as follows:

Asset category	Holding	Total return	Total return
	€000	€000	%
Equities	24,229	(1,005)	-4.2
Structured products	52,772	1,216	+2.3
Cash deposits	17,586	51	+0.3
Loans	9,460	694	+7.3
Property	2,314	421	+18.2
Other investments	7,746	7,566	+98
	114,107	8,943	+7.8

The returns on shareholder funds included above amount to €154,481 (2022: €314,270) in aggregate.

Investment income during 2023 was €8.9m against €1.3m during 2022 reflecting the timing of distributions from and realisation of investments in the Company's portfolio, of this €6.6m (2022: nil) related to the gain on sale of artworks that form part of assets linked to policyholder contracts. Equity markets, on which many of the Company's underlying policyholder investments are based, performed well in 2023 following a year of decline in 2022 from the effects of the COVID-19 pandemic; the income statement reflects fair value gains of €2.4m against losses of €11.4m in 2022; this is however offset by impairment losses on artwork (policyholder assets) totalling €2.5m.

A.4 Performance of Other Activities

The company has no other material income in the period ended 30 November 2023 (2022: €nil).

A.5 Any other information

The directors consider that all material information in relation to Monarch's business and performance has been disclosed in sections A.1 – A.4 above.

B. SYSTEM OF GOVERNANCE

Regular reviews of the adequacy of the system of governance and internal control are carried out by the Internal Audit function of the company which reports directly to the Board of Directors of the company. Their reviews are informed by their knowledge of the business, external and internal audit and matters brought to their attention by the Compliance and Risk functions.

Considering the nature and scale of the company's business and the risks inherent therein, the board considers that the company's system of governance and internal control meets the necessary regulatory standards and is adequate and proportionate to the company's needs.

B.1 General information on the system of governance

Administrative, management and supervisory body

The board of directors of Monarch comprises one executive director (the Chief Executive) and four (2022: 4) non-executive directors including the chairman of the board.

The members of the board at 30 November 2023 were as follows:

Director	Function
Stephen Robinson	Chairman, independent non-executive director
Johan Cuypers	CEO, Executive director
Gerard Vandenbosch	Independent non-executive director
Joseph Rizzo	Independent non-executive director
Anthony Mowatt	Non-executive director

The board's role is to provide strategic direction for the company within a framework of prudent and effective controls which enable risks to be assessed and managed. All directorial positions have written job descriptions and statements of responsibilities approved by the board and all directors receive appropriate training. The organisational chart sets out the company's management arrangements.

New directors are appointed on the basis of their relevant skills, knowledge and experience and also, in the case of non-executive directors, their ability to take an independent view of the business of the company, the policies and procedures in place and the risks facing the company.

All non-executive directors (except Mr Mowatt, representing a minority shareholder) are considered independent but where conflict of interests are apparent or disclosed, they are recorded and procedures are in place to mitigate any risk.

The board meets approximately four times per annum with papers being circulated at least five days in advance of each meeting. Each meeting includes a report from the Chief Executive Officer and such other reports as are necessary, including from time-to-time, reports from the finance function, Risk Manager, Compliance Officer and Anti-Money Laundering Reporting Officer.

Board discussions, conclusions and actions are minuted and the minutes form part of the agenda for the next meeting.

The board has reserved a number of matters for its sole determination:

- appointment or removal of directors or senior executives
- power to fix the remuneration of non-executive directors
- exercise of any powers relating to the increase, reduction or reorganisation of the share capital
- exercise of the power to borrow money or give guarantees
- declaration of dividends
- approval for submission to shareholders of the annual financial statements and approval for submission to the regulator of annual prudential returns
- approval of strategy
- approval of any operating budgets or forecasts
- approval of the Own Risk and Solvency Assessment
- approval of significant shareholder investments and capital expenditures above a threshold determined by the Board from time-to-time
- setting of authority levels within the company
- approval of risk appetite and risk management policies
- approval of capital and solvency policies

The following board members have oversight of the following functions: -

1. Insurance Management – Mr. Johan Cuypers
2. Risk management function – Mr. Joseph Rizzo;
3. Actuarial function – Mr. Gerard Vandenbosch;
4. Compliance function – Mr. Joseph Rizzo;
5. Internal Audit – Mr. Stephen Robinson;
6. Investment Management– Mr. Anthony Mowatt.
7. Anti-money laundering & CFT function – Mr. Joseph Rizzo
8. Distribution network – Mr. Gerard Vandenbosch
9. Finance Function – Mr. Stephen Robinson
10. IT & Info. Systems – Mr. Johan Cuypers

The Board has established the following Committees:

1. Investment Committee;
2. Product Oversight and Governance Committee (POGC); and
3. Compliance, AML-CFT and Risk committee (CARC).

The Board itself acts as the company's Audit Committee.

<u>Investment Committee</u>

The Committee has delegated powers to deal with all investment matters in accordance with the Investment Policy determined by the Board. The primary objective of the Committee is to review and monitor the following aspects of the Company's investment operations namely areas such as investment mandate; investment risk parameters; asset/liability management; investment return; performance and fees of the Insurance Manager and custodian.

In addition the Committee also advises the Management and Board of Directors of the Company in relation to the investment instruments which the Company will be offering to its customers through its products.

Product oversight and governance committee

The purpose of the POGC is to provide customer challenge which should be reflected in overall business strategy in the underwriting business plans of the Company and in the approach to product governance, design, distribution and product service. This includes the analysis of new distribution agreements, review of existing distribution agreements and review of product development. The latter includes among other things the review of proposed new products to ensure that the needs of the customer are central to this and aligned with the Company's values. The committee reports to the Board

Compliance, AML-CFT and risk committee

This committee has the responsibility for creating the environment and the structures to ensure compliance with the legislative and regulatory obligations and the maintenance of robust internal controls in place at all times, and for the identification and management of risks. The Committee receives reports from the Risk Manager, the Anti Money Laundering Reporting Officer and the Compliance Officer. Bearing an oversight role, the Committee's primary responsibility is that of ensuring the due observation of all relevant laws and regulations and their implementation thereto.

Remuneration policy and practices

- Executive directors

The executive director is remunerated by a compensation package that is structured so as not to encourage any bias towards the company's products. The objective is to set, within the context of the financial position of the company, compensation packages at levels sufficient to attract, retain and motivate executive directors of the quality required to run the company successfully and may comprise salary, fees and other benefits (or a combination of these).

- Non-executive directors

Non-executive directors are remunerated commensurate with the time commitments and responsibilities of the role and their contribution to the value of the business. Their remuneration is agreed by the executive director.

- Senior employees

Compensation packages are set at levels sufficient to attract, retain and motivate senior employees of the quality required to run the company successfully. Compensation of senior employees is the responsibility of the executive director.

In practice, all executive and non-executive directors and senior employees receive a fixed level of remuneration determined in accordance with the relevant policies. There is currently no entitlement on the part of any director or senior employee to any variable remuneration such as bonuses, share options, long term incentive plans etc.

Material transactions with shareholders and members of the board

Material transactions between the company, its shareholders and directors are disclosed below:

A debt of €134,995 (2022: €134,994) is due from Soogen Holdings Limited, the parent company of Monarch Assurance SE. Mr Cuypers is a director and 100% shareholder of Soogen Holdings Limited. The balance is interest free and repayable on demand.

There exists at 30 November 2023 a debtor amounting to €43,695 (2022: €29,244) due from Monarch Endowments Limited, a company of which Messrs J A F Cuypers and S P Robinson were directors and which is 100% owned by Mr Cuypers. The balance is interest free and repayable on demand.

Messrs Cuypers and Robinson were directors of Sixty One Finance Limited, a company incorporated in England and Wales, which has borrowed €167,886 (2021: €167,653) from the company. Interest payable is linked to the bank base rate. The loan principal and interest of €2,104 (2022: €1,354) was outstanding at 30 November 2023. Neither director receives any remuneration for this position. The balance is repayable on demand.

B.2 Fit and proper requirements

All individuals who effectively run the company or hold key functions within it are assessed as to their fitness and propriety for their role prior to appointment. The standards adopted by the company are those required by the MFSA when appointing controlled function holders; the board is satisfied that compliance with these standards is sufficient to ensure that only appropriate persons are appointed to run the firm or hold key functions.

On appointment, fitness checks to ensure that an individual has the necessary skills, knowledge and experience comprise an interview process including review of their career history, referencing from previous employers and checking of qualifications. Propriety checks include a criminal records check, financial soundness check and a fit and proper attestation by the individual.

Once appointed, all relevant individuals are subject to a regular check to confirm their ongoing fitness and propriety; this check includes a review of their training and competence and periodic repetition of the propriety checks undertaken on appointment. Each individual is required to complete an annual attestation that fit and proper requirements have been maintained and appropriate conduct standards adhered to.

The Compliance officer undertakes an annual assessment of the members of the board to ensure that collectively they possess adequate qualifications, experience and knowledge of:-

1. Insurance and financial markets
2. Business strategy and business model
3. System of governance
4. Financial and actuarial analysis
5. Regulatory framework / requirements

In addition to the directors listed in section B.1 above, the following persons have been approved by the MFSA and are subject to the company's fit and proper requirements:

Approved person	Approved function
Sally Butters	Actuarial
Keith Huber	Risk management
Dr. Edmond Zammit Laferla	Compliance
Dr. Eden Brooke Lo Presti	MLRO *(pending approval)*
Reuben Brimmer	Chief financial officer; Risk management oversight

B.3 Risk management system including the Own Risk and Solvency Assessment

Risk identification

The company assesses its underlying risk profile, its comfort with the risks taken and whether those risks are within the risk appetite on an ongoing basis. Key risks and mitigating actions and controls are documented in a risk register which is maintained by the risk function and subject to at least annual review.

As the company's business is mainly unit linked, apart from the investment of shareholder funds, all investment and credit risk is transferred to policyholders. Operational risk is inherent in all the company's products and activities and consequently the proactive identification, assessment and management of operational risk is critical to serving the company's clients, managing corporate risk and maintaining the company's reputation.

The scale of the company's operations is such that the executive director is closely involved with its products and activities and consequently risk identification occurs on an ongoing and timely basis.

Risk appetite and tolerances

The risk appetite is defined in the risk appetite statement which is reviewed and updated as new risks emerge or at least annually by the board. This statement which sets out the overall attitude to risk is converted into risk tolerances or limits which identify acceptable ranges of risk taking within the risk appetite. These tolerances and limits are cascaded to operational managers and staff through the company's process and procedures documents. Such process and procedures documents are also reviewed and updated at least annually.

Risk management system and controls

Once a risk has been identified, the risk is assessed by the risk function and in conjunction with operational management, mitigating actions and/or controls developed as appropriate. The risk register is updated.

Monarch has built its governance structure based on the three lines of defence. The aim is to ensure effective communication, monitoring and control. The first line of defence will constitute the Management function, overseeing the day-to-day running of the Company.

The second line of defence is made up of the oversight of functions.

Finally, the third line of defence is made up of the Internal Audit and the external statutory auditors.

All variances of risk identified which are outside the board's tolerance or risk appetite limits are reported to the board immediately with the appropriate mitigations or remedial action.

The risk register is presented to the Compliance AML & Risk Committee and board on any major change in risk within the business and at least annually otherwise.

Own risk and solvency assessment (ORSA)

The ORSA is management's own assessment of the risks faced by the company and the capital required to be held to cover them and its own funds available to meet that capital requirement.

The ORSA demonstrates the relationship between the risks that the company faces at a point in time and in the medium term and the level of capital to be held to cover them and hence the company's solvency position. As a management tool, it is designed to increase risk awareness within the company's culture and decision-making processes. In the circumstances, the directors have decided to adopt the Solvency II Solvency Capital Requirement standard formula as an appropriate basis for calculating the ORSA capital requirement.

Monarch follows the steps below to implement its ORSA:

- Define the driving factors before ORSA planning - Such factors include the size and complexity of the company, e.g. whether it operates only locally, whether it is a part of a larger group, its importance to the sector, proportionality issues, internal governance issues, supervisory perceptions about the company and supervisory expectations in relation to ORSA, whether the group (where applicable) will provide guidance and assistance with respect to ORSA, other project management issues, and so forth.
- Identify and classify risks, including governance - The company identifies the material risks facing the organisation. This exercise includes risks considered in the SCR formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks. The assessment is done using the impact and probability of the risk occurring. The company assigns a materiality threshold for this exercise. The risks that exceed the materiality threshold will be the ones where the company will have to make decisions i.e. mitigate them, transfer them, stop the operation, assign more capital, and so forth.
- Assessment and measurement of material risks through different approaches including stress testing - the company collects data, quantifies, and aggregates risks using different approaches such as those described in section "Stress Testing". The company uses this assessment of its risk profile to decide whether there is a need to assign additional capital over and above the SCR, taking into account diversification techniques.
- Capital Allocation – According to its risk profile, the company determines the necessary additional capital over and above the SCR.
- Prepare capital planning for the next 3-5 years – Based on the capital allocation projections, the company prepares a capital plan for the following 3-5 years. Such plans depend on its strategic objectives and financial projections and assumptions on future economic conditions).
- Stress test and decide on actions in case the risks are crystallized - The company applies additional stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future. Such actions include measures to improve its internal control system, risk management system and its overall governance.
- Drafting of the ORSA report.

The report is then drafted by the Risk Manager in collaboration with the CEO, the compliance officer, and the actuary. The draft report is presented to the board of directors in order to discuss, comment, question and challenge the various aspects of the draft report and amend where deemed necessary. The ORSA report is then finalized and approved by the board of directors at a board meeting held specifically for the purpose.

The board's involvement

The board of directors is involved in the preparation of the ORSA at various stages of its preparation. The board assisted in the identification of risks affecting the company and the preparation of the financial projections, which formed the basis of the ORSA process. The board was also actively involved in the identification of stress tests to be performed. Finally, the board of directors challenges the report at meetings held prior to it being approved and submitted to the MFSA.

B.4 Internal control system

The internal control system is designed to provide reasonable assurance that financial data is reliable, that laws and regulations are complied with, and operations are controlled effectively. It is ultimately the board's responsibility to ensure that the internal control system is adequate and effective; in practice, oversight of the internal control system involves not only the board but also the Audit and Compliance, AML & Risk Committees, and various functions – finance, legal, compliance, risk, internal audit and operations.

Internal controls are documented within the company's governance policies and procedures and individual senior managers and members of staff are responsible for their day-to-day operation and oversight. Controls are implemented at a level proportionate to the scale, nature and complexity of the company's business and operations and the risks it faces.

Compliance function

The Compliance Function consists of the Compliance Officer whose objective is to ensure that the company complies with all laws, rules, and regulations. The Compliance Officer monitors changes in regulation and interacts with operational managers to devise commercial solutions to manage and mitigate compliance risk and to ensure that policyholders' interests are uppermost. Compliance engages in a variety of activities and processes to identify, assess, control, and mitigate compliance risks as part of its oversight and administration of the company's compliance manual and to embed a compliance culture.

The Compliance Officer reports to the Chairman of the Compliance, AML & Risk Committee.

B.5 Internal audit function

Internal audit is designed to independently examine and evaluate the operation and effectiveness of the company's system of governance and internal controls.

Given its size, the directors do not consider it appropriate for the company to maintain an in-house internal audit function and therefore they contracted with a third party to provide internal audit services.

The internal auditor reports directly to the company's board of directors.

The internal auditor has devised a 3-year plan during which period all significant areas of operation, risk, internal control and governance within the business are examined.

Internal audit has no operational authority; hence it will not implement controls or develop procedures or engage in any other operational activity that could impair its objectivity or independence.

B.6 Actuarial function

The smaller size of the firm does not merit the employment of a Chief Actuary in-house and thus the function is outsourced. The actuarial function reports to the Chief Executive and receives data from the finance function to assist it in meeting its responsibilities.

The role of the actuarial function is to:

- coordinate the calculation of technical provisions
- ensure the appropriateness of the methodologies and underlying models used and the assumptions made in the calculation of those technical provisions
- assess the sufficiency and quality of data used and to oversee the calculation of technical provisions in situations that the data is not considered sufficient or of appropriate quality
- compare the best estimate against experience
- inform the board of the reliability and adequacy of the calculation of technical provisions
- express an opinion on the overall underwriting policy
- express an opinion on the adequacy of reinsurance arrangements
- contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and the company's ORSA.

B.7 Outsourcing

Given the size of the company, it would not be appropriate to maintain all functions in-house and consequently some functions have been outsourced. Not only does this provide a more efficient service to the company but it allows the company to take advantage of economies of scale and external expertise.

The key functions that the board seeks to outsource are:

- Insurance management

- Internal audit

- Risk management via the insurance manager

- Chief Actuary

- Compliance (the company is currently seeking to bring this function in-house)

B.8 Any other information

The directors consider that all other material information regarding Monarch's system of governance is disclosed in sections B.1 – B.7 above.

C. RISK PROFILE

The company operates a low-risk business model supported by a robust risk management framework that ensures that risks are identified, assessed and controlled.

C.1 Underwriting risk

Underwriting risk may arise either from an inaccurate assessment of the risks entailed in writing an insurance contract, or from factors wholly out of the company's control.

The company issues mainly unit-linked insurance contracts, the nature of which is that gains or losses in the value of assets and liabilities underlying those contracts are borne by the policyholder; any reduction in the value of an asset is 100% offset by a corresponding reduction in the company's liability to its policyholder and vice versa. Consequently, variations in the value of assets held to cover linked liabilities have no direct impact on the company itself or its ability to continue in business in the foreseeable future. Variations do have a secondary impact on the company in that the policyholder fund on which it calculates its annual management charges can go up or down in value; taking into account the charging bases on its contracts, the directors do not consider the secondary risk to be material to the company's ability to continue in business on a twelve-month basis, even under stressed conditions.

The company's issued contracts do not contain any material options or material guarantees. Some contracts offer a small amount of life cover over and above the unit value and to avoid any risk to its own financial position, the company has fully underwritten this benefit with a large reputable re-insurer.

C.2 Market Risk

Market risk is the risk that the value of, or income arising from, the company's assets and liabilities change as a result of changes in market prices or interest rates.

Foreign exchange risk

The effect of foreign exchange rate movements on assets held to cover linked liabilities is borne by the policyholder as is the impact of foreign exchange rate movements on financial liabilities within linked funds.

The company itself has a low exposure to foreign exchange rate movements as its reporting currency is the same as that in which the majority of its assets and liabilities and transactions are denominated.

Market price risk

The company has a portfolio of long-term investments which are held in order to meet its liabilities to policyholders under unit linked contracts. As noted above, any reduction in the value of these assets as a result of market price movements or third-party default is fully offset by a corresponding reduction in the company's liability to its policyholder.

The company's own assets are principally in the form of bank deposits and property and hence, market price risk is not considered a significant risk to the company's financial position.

C.3 Credit Risk

This is the risk of a reduction in earnings and/or value, as a result of the failure of a party (including re-insurers, deposit takers and policyholders) with whom the company has contracted, to meet its obligations as they fall due.

For each of the company's holdings in financial instruments, the company's maximum exposure to credit risk is the carrying value as shown in the balance sheet; there is no exposure to derivatives or similar instruments.

Third-party default risk
The risk is managed by carrying out appropriate due diligence on prospective counterparties with ongoing monitoring thereafter including the monitoring of credit ratings.

Debt instruments and loans and advances to third parties within assets held to cover linked liabilities are reviewed regularly to determine whether there is any objective evidence of impairment. However, as noted above, these assets are held to cover liabilities of the company to its policyholders under unit linked contracts and therefore any reduction in the value of the asset as a result of third-party default has no direct impact on the company. All unit linking is specific to each policy and the policyholder or their adviser selects the investments underlying the policy.

As at 30 November 2023, no debts instruments were considered past due or impaired (2022: £nil) and no specific impairment provisions have been included.

For its own assets, the company pursues a conservative investment policy with the majority of its assets in the form of bank deposits and property; it has no financial liabilities other than creditors arising from its day-to-day operations. As a result, it is relatively immune to short term movements in asset and liability valuations. The biggest risk to the company is the failure of one of the major banks it uses; to minimise this risk, the company seeks, within the constraints of operating efficiency, to spread deposits across several UK and European based banks with good credit ratings.

C.4 Liquidity Risk

Liquidity risk is the risk that the company is unable to meet its current and future obligations as they fall due or is only able to do so at excessive cost.

All contracts of insurance issued by the company stipulate that a surrender or maturity value is only payable once associated assets have been realised. For certain more illiquid policyholder assets, the contract allows the company to meet a surrender or maturity payment in specie by transferring the underlying assets to the policyholder. Where a policyholder's fund incurs financial liabilities, the company ensures that the fund has sufficient liquid assets to match the repayment profile.

Otherwise, the company's policy is to ensure that it maintains a minimum liquidity position, consisting of bank deposits at call or a maximum of 30 days' notice, to ensure that it is able to meet its on-going expenses as they fall due.

The company has no financial liabilities other than creditors arising in the normal course of business, payable on demand.

C.5 Operational risk

The company is exposed to operational risk which is the risk that the company is exposed to loss arising from inadequate or failed internal processes, systems and people or from external events; this includes business disruption, fraud, the loss of key personnel, the failure of outsourcing arrangements, legal and regulatory compliance risk and reputational risk.

Operational risk management is a key element of the company's risk management framework, based on the three lines of defence model. The company's documented policies and procedures seek to exclude or mitigate operational risk but any risks identified are recorded in the risk register. Periodic reviews of the risk management process are conducted by the Compliance, AML & Risk Committee and by internal audit whose brief is to test the internal control framework to ensure that it remains appropriate.

C.6 Other material risks

Current economic environment

The ongoing war between Russia and Ukraine, the conflict in the Middle East and the global cost-of-living crisis have created uncertainty in all economic sectors including financial services and insurance. The Company actively monitors developments and as appropriate assesses the impact of any sanctions imposed. The Company does not have any exposure to policyholders from the regions involved or asset exposures therein and thus, it has encountered no direct impact on business performance. Nonetheless, these events create instability within the international financial market which had an indirect impact, albeit the directors do not anticipate any material deterioration in the broader business environment in which the Company operates.

Insurance risk

The directors do not consider that the company has any material exposure to persistency, mortality or longevity risks.

Group risk

The company is part of a group consisting only of itself, its fully owned subsidiary Roussel SA and its parent company Soogen Holdings Limited. Soogen has no activities other than the holding of its investment in the company. Hence the directors do not consider there to be any significant group risk.

C.7 Any other information

The directors consider that all material information regarding Monarch's risk profile is disclosed in sections C.1 – C.6 above.

D. Valuation for solvency purposes

Assets and liabilities under Solvency II are valued in accordance with the Solvency II Directive. The primary objective of valuation as set out in Article 75 of the Directive, requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or liability.

D.1 Assets

The value of Monarch's assets under Solvency II at 30 November 2023 and 30 November 2022 is shown in the following table:

	30 November 2023	30 November 2022
	€000	€000
Holdings in related undertakings	3,394	3,239
Equities – Listed	42	45
Equities – Unlisted		
Bonds – Government		
Bonds – Corporate		
Bonds – Other		
Collective Investment Undertakings		
Derivatives		
Deposits other than cash equivalents		
Assets held for unit-linked contracts	109,440	106,343
Reinsurance recoverable – Health Similar to Life		
Reinsurance recoverable – Life excluding Health	84	211
Cash and cash equivalents	1,230	1,264
Any other assets, not elsewhere shown	350	275
Total	**114,540**	**111,377**

All financial instruments are measured at fair value. For assets traded in active markets, this is based on quoted market prices or quotes from agencies such as Bloomberg and Reuters. For a small number of instruments where a market price is not available, fair value is assessed using valuation techniques based on available information.

Holdings in related undertakings are measured at fair value on the same basis as for the financial statements.

Cash and cash equivalents are measured at face value.

Any other assets, not elsewhere shown (principally debtors and prepayments) are valued at amortised cost on the same basis as in the financial statements.

Reinsurance recoverable is the discounted value of future amounts expected to be recovered from the reinsurer under the treaty less future reinsurance premiums. The discount rate used is the Solvency II risk free yield curve as specified by EIOPA at the relevant valuation date.

Loans to policyholders (included in linked assets) are valued at cost on the same basis as used in the financial statements.

Artworks held within linked assets are valued at cost on the same basis as used in the financial statements as fair value is not easily determined.

Monarch does not hold listed investments which are not held on an active regulated market.

Monarch has no material leasing arrangements or any deferred tax assets (the loss absorbing capacity of deferred tax is therefore €nil).

There have been no changes to the approach to valuation year-on-year and there has been no significant exercise of judgement in arriving at the values shown.

Certain assets have been reclassified for Solvency II purposes when compared to the financial statements. A comparison of the assets under the solvency valuation and under IFRS at 30 November 2023 is shown below:

€000	**Solvency II Assets**	**IFRS Assets**
Intangible Assets	-	113
Property, plant and equipment held for own use	-	70
Holdings in related undertakings	3,394	3,394
Equities – Listed	42	42
Assets held for unit-linked contracts	109,440	109,688
Cash and cash equivalents	1,230	1,230
Reinsurance recoverable	84	332
Any other assets, not elsewhere shown	350	309
Total	**114,540**	**115,178**

Material differences are:

Intangible assets and property, plant and equipment held for own use are not recognised for Solvency II valuation purposes.

The following items have been reclassified from their presentation in the financial statements to be included in the value of 'Assets held for unit-linked contracts' above:

- deferred tax liability €241k (2022: €197k)

The reinsurance recoverable shown in the financial statements is the present value of the expected death benefit payments receivable from the reinsurer. For Solvency II purposes, it is the present value of the expected death benefit payments receivable from the reinsurer less the present value of future reinsurance premiums.

D.2 Technical provisions

The following table summarises Monarch's technical provisions at the relevant valuation date and the previous valuation, under Solvency II:

	30 November 2023	30 November 2022
	€000	**€000**
Technical provisions calculated as a whole	109,440	106,343
Gross best estimate liabilities	(2,356)	(2,547)
Risk margin	965	987
Technical provisions	**108,049**	**104,783**

1 Prior year assets and liabilities have been grossed-up in line with the current year presentation.

All Monarch's liabilities relate to unit-linked business.

Valuation methods

The following paragraphs detail the methodology adopted for the Solvency II valuation as at 30 November 2023 for the following specific components of Monarch's business:

- valuation of unit-linked funds;
- valuation of policy loans;
- valuation of non-unit reserves;
- allowance for expenses;
- allowance for charges;
- reinsurance;
- currency exposures;
- options and guarantees; and
- discount rates.

Valuation of unit-linked funds

For all policies, unit liabilities have been calculated as the value of units allocated to each contract at their balance sheet value.

Valuation of policy loans

Monarch values policy loans at cost on the same basis as used for the financial statements.

Valuation of non-unit reserves

These have been calculated on a discounted cash-flow basis where the assumed cashflows are as follows:

Net cashflow each month =
Expected monthly expenses
- Expected monthly charges taken from the unit-linked funds

Each monthly projected net cashflow is then discounted back to the valuation date at an assumed discount rate of interest. A positive value represents a liability; a negative value represents an asset.

The unit-linked funds are projected allowing for future contractual premiums and fund growth. Fund growth is assumed to be the same as the discount rate used.

For the new Irish business the non-unit reserve is calculated as the sum of expected future claims and expenses.

Allowance for expenses

Overhead expenses are allowed for in the valuation of Monarch's liabilities by a charge based on unit value. The charge is set so that the total modelled overhead and administration expenses are in line with the company's business plan in which expenses are relatively stable over the forecast period. The charge reduces over the next four years, reflecting the impact of the anticipated new business and then remains at that level.

There is also an annual expense charge to cover the costs of policy administration. This figure is assumed to inflate at 3.0% pa.

Allowance for charges

The charges used in the model are those set out in the documentation for each of the company's products.

Reinsurance

Certain unit-linked contracts have a small death benefit which is fully reinsured and premiums are charged to the policy by cancellation of units. No liability remains with Monarch.

Currency exposures

Monarch's unit-linked liabilities are all denominated in sterling, euros or Norwegian krone. Assets backing the unit-linked liabilities may be denominated in other currencies but any currency exposure on such assets lies with the policyholder.

Options and guarantees

None of Monarch's contracts have any material options or any material guaranteed surrender or maturity values in place at 30 November 2023.

Main assumptions used in the valuation of best estimate liabilities

Assumptions need to be made for:

- lapse and withdrawal rates;
- expense inflation; and
- rate used to discount future cashflows.

Lapse and withdrawal rates

Lapses affect the valuation of Monarch's business because the non-unit reserve is based on the expected remaining duration of the in-force business: the longer the expected duration the greater the value of charges will be relative to expenses and hence the lower the non-unit reserve will be.

Lapse rates are expressed as annual % by duration in force. The duration in force is measured from the date of policy inception. The assumed rates of lapse and withdrawal used at the relevant valuation date are consistent with the company's recent experience, although the limited volumes of data mean that actual experience may be volatile. The company uses lapse rates depending on the individual market varying from 1-2% pa (UK), to 10% pa (French) and 6.5% pa (other) (2022: 1-2% pa (UK), 6.0% pa (other and French)). The withdrawal rates used are 1.00% pa (UK) and 2.00% pa (other) (2022: 1.00% pa (UK), 1.75% pa (other)).

Expense inflation

Per policy expenses are assumed to develop as a function of the underlying policy type, covering in total the expenses of the company. The inflation rate applied, in conjunction with projected new business growth, is set to ensure that the aggregate maintenance expense grows in line with forecast expense growth and vice versa. Assumptions allow for the spreading of overhead expenses as the business grows.

Rate used to discount future cashflows

The Solvency II risk free yield curve as specified by EIOPA at the relevant valuation date has been used.

Valuation of the risk margin

The risk margin is the additional premium, over and above the best estimate, that another insurer might need in order to take on those liabilities. This value is a formulaic calculation prescribed by the Solvency II regulations based on the value of risk inherent in the insurance contracts written by Monarch.

To calculate a full risk margin would involve projecting Monarch's balance sheet and SCR calculation over the remaining lifetime. Simplifications are permitted and firms may choose the most appropriate simplification having regard to the nature, scale and complexity of their business. Monarch has chosen a simplification such that each element of the SCR is projected separately for each future year in line with the key risk driver for the particular sub-risk being considered. This method captures both the risks inherent in the business and the run-off profile of that business.

The amount of the SCR that is projected is based on a reference undertaking with no market risk.

The risk margin is calculated on the SCR after taking management actions into account.

The risk margin is all attributable to life (unit-linked) business.

There are no particular uncertainties associated with the value of technical provisions other than those associated with the assumptions that are used to project future cashflows, of which lapses and expenses are the most material and most uncertain.

Valuation in Financial Statements

The differences in the value of technical provisions at 30 November 2023 under Solvency II and IFRS are set out in the table below:

€000	Solvency II liabilities	IFRS liabilities
Technical provisions calculated as a whole	109,440	109,394
Technical provisions – mortality risk	-	333
Gross best estimate liabilities	(2,356)	-
Risk margin	965	-
Technical provisions	**108,049**	**109,727**

The Solvency II non-unit BEL and risk margin are excluded from the value of liabilities shown in the financial statements. The mortality component for Solvency II is included within the gross best estimate liabilities.

Transitional measures and adjustments

No use has been made of a matching adjustment.
No use has been made of a volatility adjustment.
No use has been made of the transitional provisions for risk-free interest rates.
No use has been made of transitional deductions from technical provisions.

D.3 Other liabilities

The company has current liabilities arising in the ordinary course of business. These are shown below under Solvency II and IFRS.

€000	Solvency II liabilities	IFRS liabilities
Deferred tax liabilities	-	241
Insurance and intermediaries payables	39	132
Payables (trade)	523	524
Other liabilities	137	38
Total	**699**	**935**

Deferred tax liabilities have been reclassified from the financial statements into assets held for unit-linked liabilities in the Solvency II returns.

D.4 Alternative methods for valuation

No alternative valuation methods have been employed.

D.5 Any other information

The directors consider that all material information regarding Monarch's valuation for solvency purposes is disclosed in sections D.1 – D.4 above.

E. Capital Management

E.1 Own funds

The following table shows the amount of Solvency II excess of assets over liabilities at the 30 November 2023 and 30 November 2022 valuation dates.

	30 November 2023	30 November 2022
	€000	€000
Assets	114,540	111,378
Technical provisions as a whole	109,440	106,343
Gross best estimate liabilities	(2,356)	(2,547)
Risk margin	965	987
Current liabilities	699	485
Solvency II excess of assets over liabilities	**5,793**	**6,109**

Monarch reviews, as part of its regular ORSA process, the current and likely future capital position of the business over its normal 3-year planning horizon and whether there is a material risk that its solvency may be threatened. In the event that Monarch's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement and Minimum Capital Requirement, then Monarch will draw up appropriate plans to rectify that position. These plans will be appropriate to Monarch's circumstances at the time but might include:

- Taking such management actions as may be anticipated within its SCR calculations.
- Reviewing and refocusing its strategic objectives and priorities.
- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a capital injection from its parent.

Monarch has a single fund and all capital is Tier 1. The following table details the composition of own funds at the valuation date with comparatives at the previous valuation date.

	30 November 2023	30 November 2022
	€000	€000
Ordinary share capital	3,725	3,725
Surplus funds	2,068	2,384
Own funds	**5,793**	**6,109**

The surplus funds arise from retained profits resulting from past underwriting and investment surpluses. They are available to fully absorb losses on a going-concern basis, meeting all criteria of Article 94 of Directive 2009/138/EC to be classified as unrestricted Tier 1 own funds.

The amount of Tier 1 own funds at the reporting date and at the end of the previous reporting period is as set out in the table above. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR.

Own funds are principally represented by cash deposits and property, mostly denominated in euros.

There have been no significant changes in own funds over the reporting period.

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes at the valuation date.

€000	**30 November 2023**	**30 November 2022**
Total equity in financial statements	4,515	4,537
Gross BEL	2,356	2,547
Reinsurance recoverable asset	85	211
Risk margin	(965)	(987)
Intangible assets	(114	(99)
PPE	(70)	(100)
Other adjustments	(14)	-
Solvency II - excess of assets over liabilities	5,793	6,109

The difference between the equity in Monarch's financial statements and the excess of assets over liabilities as calculated for solvency purposes is mainly due to the exclusion of the BEL net of reinsurance and Risk Margin (representing the difference in the value of technical provisions between IFRS and Solvency II) from the value of liabilities shown in the financial statements.

There are no items subject to a transitional arrangement.

There are no items of ancillary own funds.

There are no deductions from own funds and no restrictions on availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 30 November 2023 was €2,392,952 and the Minimum Capital Requirement was €4,000,000. As the SCR is lower than the MCR, it is the MCR that applies in calculating the company's solvency margin.

The SCR split by risk module is shown in the following table. Figures are as at 30 November 2023 with comparatives at 30 November 2022 and are shown after allowing for management actions.

Risk module	Solvency Capital Requirement	
	30 November 2023	30 November 2022
	€000	**€000**
Market risk	1,609	2,080
Counterparty default risk	242	119
Life underwriting risk	1,015	1,123
Health underwriting risk	-	-
Non-life underwriting risk	-	-
Diversification	(673)	(684)
Basic Solvency Capital Requirement	**2,193**	**2,638**
Operational risk	199	200
Solvency Capital Requirement	**2,393**	**2,838**
Minimum Capital Requirement	**4,000**	**4,000**

There are no simplifications applied to the SCR calculation.

There are no undertaking-specific parameters used in the SCR calculation

The Minimum Capital Requirement (MCR) for Monarch is the absolute floor of €4,000,000. It is calculated as a linear function of a set or a sub-set of the following variables: Monarch's technical provisions, written premiums, capital at risk and administrative expenses. The variables are measured net of reinsurance.

The overall MCR calculation outputs for current and prior years are shown below:

€000	30 November 2023	30 November 2022
Linear MCR	750	727
SCR	2,393	2,839
MCR Cap	1,077	1,277
MCR Floor	598	710
Combined MCR	750	727
Absolute floor of the MCR	4,000	4,000
Minimum Capital Requirement	4,000	4,000

In the event of severe stress in adverse equity, currency and expense scenarios, it is assumed that management would take action to increase management charges to policyholders (where possible). In the event of a mass lapse scenario, it is assumed that the company would take action to reduce its expenses.

The Solvency Capital Requirement has decreased by approximately €466k over the reporting period, reflecting:

- Reduced exposure to equity risk, with a lower value of type II equity holdings.
- Increased benefit from management actions due to higher underlying fund values
- Reduced exposure to currency partly offset by higher default risk.

The SCR is subject to supervisory assessment.

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

Monarch does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

Monarch does not use an internal model.

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

Monarch has complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout the reporting period.

E.6 Any other information

The directors consider that all material information regarding Monarch's capital management is disclosed in sections E.1 – E.5 above.

Quantitative Reporting Templates

Quantitative Reporting Templates

All figures are €000

General Information

Undertaking name	Monarch Assurance SE
Undertaking identification code	213800U7DZJE2N6SN996
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	MT
Language of reporting	en
Reporting reference date	30 November 2023
Currency used for reporting	EUR
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Quantitative Reporting Templates

All figures are €000

S.02.01.02 – Balance Sheet

	Solvency II value
Assets	C0010
Intangible assets	
Deferred tax assets	
Pension benefit surplus	
Property, plant & equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	3,436
Property (other than for own use)	0
Holdings in related undertakings, including participations	3,394
Equities	42
Equities - listed	42
Equities - unlisted	
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	0
Derivatives	
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	109,441
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	84
Non-life and health similar to non-life	0
Non-life excluding health	
Health similar to non-life	
Life and health similar to life, excluding index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	84
Deposits to cedants	0
Insurance and intermediaries receivables	
Reinsurance receivables	
Receivables (trade, not insurance)	
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	1,230
Any other assets, not elsewhere shown	350
Total assets	114,540

Quantitative Reporting Templates

All figures are €000

	Solvency II value
Liabilities	C0010
Technical provisions - non-life	0
Technical provisions - non-life (excluding health)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - health (similar to non-life)	0
TP calculated as a whole	
Best Estimate	
Risk margin	
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - index-linked and unit-linked	108,049
TP calculated as a whole	109,441
Best Estimate	-2,356
Risk margin	965
Contingent liabilities	
Provisions other than technical provisions	
Pension benefit obligations	
Deposits from reinsurers	
Deferred tax liabilities	
Derivatives	
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	39
Reinsurance payables	
Payables (trade, not insurance)	523
Subordinated liabilities	0
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	136
Total liabilities	108,748
Excess of assets over liabilities	5,793

Quantitative Reporting Templates
All figures are €000

S.05.01.02 – Premiums, Claims and Expenses by Line of Business

Life

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written									
Gross			3,036	143					3,179
Reinsurers' share			292						292
Net			2,744	143					2,887
Premiums earned									
Gross			3,036	143					3,179
Reinsurers' share			292						292
Net			2,744	143					2,887
Claims incurred									
Gross			857						857
Reinsurers' share									0
Net			857	0					857
Changes in other technical provisions									
Gross									0
Reinsurers' share									0
Net			0	0					0
Expenses incurred			4,281	0					4,281
Other expenses									
Total expenses									4,281

Quantitative Reporting Templates
All figures are €000

S.05.02.01 – Premiums, Claims and Expenses by Country

Life

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		FR	IE	NO	BE		
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross		2,943	143	92			3,179
Reinsurers' share		286		6			292
Net	0	2,658	143	86	0		2,887
Premiums earned							
Gross		2,943	143	92			3,179
Reinsurers' share		286		6			292
Net	0	2,658	143	86	0		2,887
Claims incurred							
Gross		204		653			857
Reinsurers' share							0
Net	0	204	0	653	0		857
Changes in other technical provisions							
Gross							0
Reinsurers' share							0
Net	0	0	0	0	0		0
Expenses incurred	2,502	1,019		7	753		4,281
Other expenses							
Total expenses							4,281

Quantitative Reporting Templates

All figures are €000

S.12.01.02 – Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole		109,441								109,441						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		84								84						
Technical provisions calculated as a sum of BE and RM																
Best estimate																
Gross Best Estimate			-2,356							-2,356						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						
Best estimate minus recoverables from reinsurance/SPV and Finite Re			-2,356	0		0	0			-2,356						
Risk margin		965								965						
Amount of the transitional on Technical Provisions																
Technical Provisions calculated as a whole										0						
Best estimate										0						
Risk margin										0						
Technical provisions - total		108,049			0					108,049						

Quantitative Reporting Templates

All figures are €000

S.23.01.01 – Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	3,725	3,725		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	2,068	2,068			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions for participations in financial and credit institutions	0				
Total basic own funds after deductions	5,793	5,793	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Other ancillary own funds	0				
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	5,793	5,793	0	0	0
Total available own funds to meet the MCR	5,793	5,793	0	0	
Total eligible own funds to meet the SCR	5,793	5,793	0	0	0
Total eligible own funds to meet the MCR	5,793	5,793	0	0	
SCR	2,393				
MCR	4,000				
Ratio of Eligible own funds to SCR	242.08%				
Ratio of Eligible own funds to MCR	144.82%				

Reconcilliation reserve	C0060
Excess of assets over liabilities	5,793
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	
Other basic own fund items	3,725
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	2,068
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	534
Expected profits included in future premiums (EPIFP) - Non- life business	
Total Expected profits included in future premiums (EPIFP)	534

Quantitative Reporting Templates

All figures are €000

S.25.01.21 – Solvency Capital Requirement – for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
Market risk	1,609		
Counterparty default risk	242		
Life underwriting risk	1,015		
Health underwriting risk	0		
Non-life underwriting risk	0		
Diversification	-673		
Intangible asset risk	0		
Basic Solvency Capital Requirement	2,193		

Calculation of Solvency Capital Requirement	C0100
Operational risk	200
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement excluding capital add-on	2,393
Capital add-ons already set	0
Solvency capital requirement	2,393
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

Approach to tax rate	C0109
Approach based on average tax rate	0

Calculation of loss absorbing capacity of deferred taxes	LAC DT
	C0130
LAC DT	
LAC DT justified by reversion of deferred tax liabilities	0
LAC DT justified by reference to probable future taxable economic profit	0
LAC DT justified by carry back, current year	0
LAC DT justified by carry back, future years	0
Maximum LAC DT	0

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1- Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

Quantitative Reporting Templates

All figures are €000

S.28.01.01 – Minimum Capital Requirement – Only life or non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations	C0010
MCR_{NL} Result	0

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance		
Income protection insurance and proportional reinsurance		
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance		
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance		
Fire and other damage to property insurance and proportional reinsurance		
General liability insurance and proportional reinsurance		
Credit and suretyship insurance and proportional reinsurance		
Legal expenses insurance and proportional reinsurance		
Assistance and proportional reinsurance		
Miscellaneous financial loss insurance and proportional reinsurance		
Non-proportional health reinsurance		
Non-proportional casualty reinsurance		
Non-proportional marine, aviation and transport reinsurance		
Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations	C0040
MCR_L Result	750

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
Obligations with profit participation - guaranteed benefits		
Obligations with profit participation - future discretionary benefits		
Index-linked and unit-linked insurance obligations	107,084	
Other life (re)insurance and health (re)insurance obligations		
Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation	C0070
Linear MCR	750
SCR	2,393
MCR cap	1,077
MCR floor	598
Combined MCR	750
Absolute floor of the MCR	4,000
Minimum Capital Requirement	4,000