SOLVENCY AND FINANCIAL CONDITION REPORT

DOMESTIC & GENERAL INSURANCE EUROPE AG

Company Registration Number: HRB 30859

For the year ended 31st March 2023

Contents

Notes and explanations:

- Solvency Capital Requirement: The final amount of the Solvency Capital Requirement is still subject to supervisory review.
- Rounding: The values presented in the following are automatically rounded. Rounding differences may therefore occur.

STATEMENT OF DIRECTOR’S RESPONSIBILITIES

The Directors of DGIEU are responsible for ensuring that the Solvency and Financial Condition Report (“SFCR”) is properly prepared in all material respects in accordance with the Federal Financial Supervisory Authority in Germany (“BaFin”) rules and Solvency II Regulations.

The DGIEU Management Board confirms that, to the best of its knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the BaFin rules and Solvency II Regulations as applicable; and
(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply and will continue to comply in future.

By Order of the DGIEU Management Board

Matthew Crummack – Chief Executive Officer

Date: 05 July 2023

ACRONYMS AND TERMS

Acronym / Term	Definition
ACPR	French Prudential Supervision and Resolution Authority
ADIA	Abu Dhabi Investment Authority, owner of Luxinva S.A which owns a c.26% stake of the Group
APRA	Australian Prudential Regulation Authority
ARC	Audit & Risk Committee
BaFin	Federal Financial Supervisory Authority, the regulator of Domestic & General Insurance Europe AG
BSCR	Basic Solvency Capital Requirement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CJRs	Completed Job Rates
CoSec	Corporate Secretary
CRO	Chief Risk Officer
CVC	CVC Capital Partners, majority owner of the Group (c.62%) via CVC Fund VII
D&G; D&G Group; Group	Domestic & General Limited, the senior entity within the group at which the group Board sits
DGA	Domestic & General Acquisitions Limited, the most senior insurance holding company within the Group, and therefore the most senior entity of the Regulated Group. Group supervision from the PRA applies at this level
DGA Group; Regulated Group	The group of entities held by DGA, including DGI supervised by the PRA (in UK), and DGIEU by BaFin (in Germany). DGI is the most senior insurance undertaking within the Regulated Group and the largest in terms of profit
DGAH	Domestic & General Acquisition Holdings Limited, a mixed activity insurance holdings company, immediate parent of DGA
DGI	Domestic & General Insurance Plc, the most senior insurance undertaking in the Regulated Group
DGIEU	Domestic & General Insurance Europe AG
DGLG	Domestic & General Leadership Group i.e., the Executive Committee
DGSFP	Spanish government's financial regulatory department; Spanish Supervisory Authority
DTA	Deferred Tax Asset
DVO; Delegated Acts	Commission Delegated Regulation (EU) 2015/35
ECAI	External Credit Assessment Institution
ECSC	European Conduct Standards Committee
EIOPA	European Insurance and Occupational Pensions Authority, the EU Solvency II regulator
ENID	Events Not In Data
EPIFP	Expected Profits included in Future Premiums
EPPGC	European Product and Pricing Governance Committee
EUR	Euro (currency)
FCA	Financial Conduct Authority
Foscus25	D&G's strategy focusing on the delivery of the business plan by 2025
FY22	Financial year-ending 31st March 2022
FY23; the reporting period	Financial year-ending 31st March 2023
GBP	Great British pounds sterling (currency)
GRC	Group Risk Committee
GPW	Gross Premium Written
GSP	Group Specific Parameters
HGB	German Code of Commercial Law
IBNER	Claims Values, incurred but not enough reported

Acronym / Term	Definition
IBNR	Claims Values, incurred but not reported
IC	Group Investment Committee
IPT	Insurance Premium Tax
IVASS	Italian Institute for the Supervision of Insurance
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LACDT	Loss Absorbing Capacity of Deferred Taxes
LCP	Lane Clark & Peacock LLP; outsourced Actuarial Function support
M&A	Mergers and Acquisitions
MaGo	BaFin's Minimum Requirements on the System of Governance of Insurance Undertakings
MCR	Minimum Capital Requirement
OEM	Original Equipment Manufacturer
OKR	Objectives and Key Results
ORSA	Own Risk & Solvency Assessment
P&L	Profit and Loss Statement
PRA	Prudential Regulation Authority
PY	Prior Year (FY22)
QA	Quality Assurance
QRT	Quantitative Reporting Template
RCSA	Risk & Control Self-Assessment
REMCO	Remuneration Committee
RMF	Risk Management Framework
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
Standard formula	Standard Formula for calculating DGA, DGI and DGIEU's SCR and MCR
SFCR	Solvency & Financial Condition Report
T&CIOC	Technology and Change IT Oversight Committee
UK	United Kingdom
UPR	Unearned Premium Reserve
USP	Undertaking Specific Parameters
VAG	German Insurance Supervision Act
Valuation date	31st March 2023
VAT	Value Added Tax
VRO	Value Realisation Office
1LOD	First Line of Defence
2LOD	Second Line of Defence
3LOD	Third Line of Defence

SUMMARY

The Solvency and Financial Condition Report is a central element of the Solvency II reporting requirements. It serves to provide insight into an insurance company's solvency position, system of governance, risk profile and capital management strategies.

This SFCR provides essential qualitative and quantitative information on Domestic & General Insurance Europe AG ("DGIEU" or "Company") for the financial year ended 31 March 2023 ("FY23").

DGIEU is a German insurance company, authorised and supervised by BaFin. DGIEU received its regulatory approval from BaFin on 5 April 2019.

All amounts in this report are presented in euros, rounded to the nearest thousand unless stated otherwise, which is DGIEU's presentation currency.

This SFCR has been prepared in accordance with Articles 290 to 298 of the Commission Delegated Regulation (EU) 2015/35 ("Delegated Acts"). The structure of the report is also in accordance with the Solvency II Delegated Acts.

Key information on the individual sections of the SFCR is provided below.

A. Business and Performance

DGIEU is a German regulated insurance company and part of the Domestic & General Group ("Group"). DGIEU is 100% owned by Domestic & General Insurance PLC ("DGI") located in the UK.

The principal activity of the Group is the provision of appliance care products. The business of DGIEU, which is headquartered in Germany, also includes branches in Spain, Italy, France, and the UK (solely for the administration of the Republic of Ireland business). DGIEU also serves customers in Portugal, Belgium, Netherlands, Austria, and Poland.

The Company's profit and loss account shows that gross premiums written in the year was €174.586k (FY22: €166.758k) and earned income in the year was €35.247k (FY22: €38.306k). The profit before tax was €90k (FY22: profit of €8.837k), due to the following:
The increase in the gross written premiums versus FY22 is mainly due to increased business in Iberia. Due to the nature of the Iberian business, which mainly relates to extended business, the total earned premiums are below FY22 in Iberia and due to the size of Iberia also below FY22 in the total business.

The local GAAP balance sheet shows the Company's financial position with net assets of €26.610k (FY22: €23.610k).

B. System of Governance

DGIEU's system of governance continues to be effective and proportionate to the nature, scale, and complexity of its activities, ensuring that the risks arising from the business model are identified, assessed, and managed.

There were two significant changes to the DGIEU Management Board in FY23. DGIEU's CEO Mark Bridges left the Company on 6 May 2022. In accordance with his role as Group CEO, Matthew Crummack has been appointed DGIEU CEO on 21 September 2022. In addition, Idriss Ben Hadj Yahia has stepped down from his role as DGIEU CFO on 1 February 2023, being replaced by Tom Goode who has been appointed on 2 February 2023. In addition, Bernhard Blaum left the DGIEU Management Board end of May 2023 and thus after the end of FY23.

C. Risk Profile

DGIEU has embedded a comprehensive risk management framework, which includes (as a minimum) a bi-annual refresh of its risk profile and quarterly review of Key Risk Indicators relating to its Board-approved risk appetite. Ensuring good customer outcomes is at the heart of DGIEU’s business. Due to this focus, the Company sets its risk appetite at an appropriately prudent level to ensure that key risks to customers are identified, managed, and mitigated wherever possible.

DGIEU's principal risks (material risks) are broken down into the following level one risk categories: Operational Risk, Financial Risk, Conduct Risk, Strategic Risk, and Insurance Risk. These are managed through appropriate measures, which are assessed and reviewed regularly.

DGIEU's four most significant risks measured by the Solvency Capital Requirement (“SCR”) in the reporting period were as follows:

- Non-life underwriting risk,
- Counterparty default risk,
- Operational risk, and
- Market risk.

Non-life underwriting risk

DGIEU’s underwriting risk is managed through underwriting controls, pricing policies, approval procedures for new products and major changes to existing products, regular review of performance and monitoring of emerging issues. DGIEU utilises Undertaking Specific Parameters (“USPs”) in place of the Standard Formula’s parameters to ensure its SCR for non-life underwriting risk is more closely aligned to its risk profile.

Counterparty default risk

DGIEU structures the levels of counterparty default risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring these exposures regularly. DGIEU has a material counterparty risk to DGI in relation to its reinsurance agreement and intercompany lending, which is partly mitigated by DGI’s investment grade credit rating and relevant security arrangements. In addition, DGIEU has default risk exposure in relation to banking and investment counterparties.

Market risk

DGIEU has a very low appetite for market risk on its investment portfolio, with a bias towards highly liquid investment grade credit. In FY23, DGIEU’s investments continued to be managed by London & Capital.

Operational risk

Operational risk arises from inadequately controlled internal processes or systems, human error, or from external events. DGIEU's current risk profile includes the following risk sub-categories of operational risk: Information Security and Data Protection, Enterprise Resilience, People, Third Party / Outsourcing, Legal & Regulatory and Technology.

DGIEU’s most important operational risk relates to information security / cyber risk. DGIEU has embedded a framework of controls to mitigate the risk of non-compliance with its data security and privacy requirements, and regularly review its conformance with relevant international standards. To further ensure the robustness of controls, a multi-phased program of work (the Information Security Roadmap) is underway.

Execution of the Group’s strategy (including DGIEU) inherently generates operational risk, and the Group has taken measures to ensure it has the appropriate governance, controls, expertise and access to third party resource to reduce unintentional impacts to the operations of the Group.

D. Valuation for Solvency Purposes

DGIEU prepares the solvency balance sheet for the purpose of determining the available own funds. The Company does not benefit from the use of a volatility adjustment or the use of a transitional measure.

DGIEU considers the bases, assumptions and methods used in the valuation of assets and liabilities for solvency purposes to be adequate.

Compared to the last reporting period, there were no significant changes in the methods and assumptions underlying the valuation for solvency purposes.

E. Capital Management

Sufficient capital is retained to ensure financial stability of the Company and to meet regulatory requirements. The capital structure is kept under review to ensure these requirements are met. The DGIEU Management Board regularly reviews the capital position of DGIEU under the Directive 2009/138/EC ("the Solvency II Directive")

The Company's capital position as of 31 March 2023 is as follows:

The Company's Capital Position	FY23	FY22	Movement
	€'000	€'000	€'000
Eligible Own Funds	29.626	25.762	3.864
Solvency Capital Requirement (SCR)	9.008	10.205	-1.197
Ratio of Eligible Own Funds to the SCR	329%	252%	76%

The SCR effects of not using USPs are shown below:

Without USPs	FY23
	€'000
Solvency Capital Requirement	16.163

DGIEU makes use of USPs in its application of the Standard Formula. Based on this model, and on assessment of risk and solvency requirements, DGIEU remains well capitalised in relation to its risk profile. Compared to the previous FY the Solvency Ratio with USPs significantly increased by 76 percent points to 329%. This is mainly due to the change of the Reinsurance contract with DGI, impacting the claims reinsurance figure in full FY23. The reinsured claims expenses now include claims handling expenses as well. In addition, a tax income relating to PYs impacting the CY own funds positive. The decreased SCR is mainly due to a reduced intercompany default risk compared to FY22.

A. BUSINESS AND PERFORMANCE

A.1 Business

DGIEU is a stock corporation based in Wiesbaden. The registered office address of the Company is Hagenauer Straße 44, 65203 Wiesbaden, Germany.

The Company is registered at the local court in Wiesbaden under the number HRB 30859.

The Company's financial year ends on 31 March.

The principal activity of DGIEU is the provision of appliance care products. The business of DGIEU, which is headquartered in Germany, also includes branches in Spain, Italy, France, and the UK (solely for the administration of the Republic of Ireland business). DGIEU also serves customers in Portugal, Belgium, Netherlands, Austria, and Poland.

There is an intra-group reinsurance arrangement between DGIEU and DGI. This reinsurance arrangement ensures a reduction of the insurance risk of DGIEU. DGIEU cedes 90% of premiums and claims to DGI, the reinsurer. To ensure the mitigation benefit of reinsurance is enjoyed by DGIEU on a Solvency II basis even if the solvency regimes of the UK and EU are not deemed to be equivalent, DGI has sought and received a financial strength rating by a nominated external credit assessment institution (“ECAI”) in FY21.

Group structure

Domestic & General Acquisitions Limited’s (“DGA”) ultimate controlling party is Opal Galaxy Holdings Limited, a company incorporated in Jersey. Opal Galaxy Holdings Limited’s sole shareholder is CVC via CVC Fund VII, and it is the majority shareholder in Opal Galaxy Topco Limited, with co-investor Luxinva S.A. (an entity wholly owned by the Abu Dhabi Investment Authority (“ADIA”)) owning a minority stake. All entities below Opal Galaxy Topco limited are wholly owned by their parent entity.

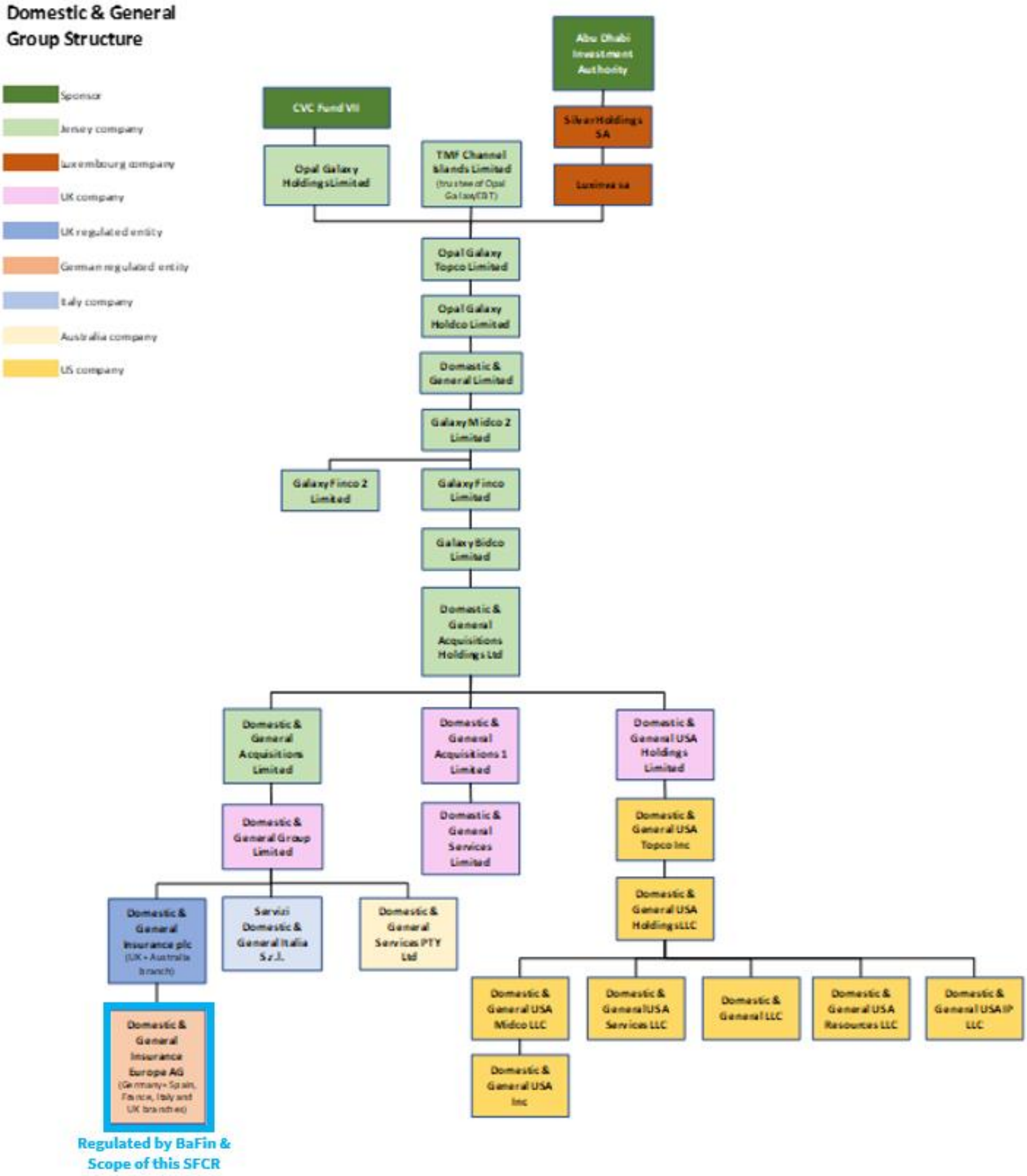
DGA is the most senior non-EU insurance holding company and Domestic & General Group Limited, an insurance holding company, is the immediate parent undertaking of DGI.

DGIEU is wholly owned by DGI.

DGI is a UK insurance company, authorised by the Prudential Regulation Authority (“PRA”) and regulated by both the Financial Conduct Authority (“FCA”) and the PRA, and provides insurance products in the UK via its head office in the UK.

DGIEU is a German insurance subsidiary of DGI which sells insurance products in Europe.

DGIEU has four branches in Spain, France, Italy, and the UK. The UK branch has been established in FY21 to carry out activities in respect of Republic of Ireland following the UK’s departure from the European Union. DGIEU does not write any business in the UK.



Supervision

DGIEU is authorised and supervised by BaFin. Details of the competent supervisory authority are listed below:

Address of Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Str. 108
53117 Bonn

Alternatively:
Postfach 1253
53002 Bonn

Contact details of Bundesanstalt für Finanzdienstleistungsaufsicht
Fon: 0228 / 4108 - 0

Fax: 0228 / 4108 – 1550

E-Mail: poststelle@bafin.de

Or De-Mail: poststelle@bafin.de-mail.de

For the Group to which DGIEU belongs, the following supervisory authorities are also relevant:

- Prudential Regulation Authority ("PRA"), United Kingdom
- Financial Conduct Authority ("FCA"), United Kingdom
- Australian Prudential Regulation Authority ("APRA"), Australia
- Autorité de Contrôle Prudentiel et de Résolution ("ACPR"), France (for conduct regulation purposes)
- Dirección General de Seguros y Fondos de Pensiones ("DGSFP"), Spain (for conduct regulation purposes)
- Istituto per la Vigilanza sulle Assicurazioni ("IVASS"), Italy (for conduct regulation purposes)
- Central Bank of Ireland ("CBI"), Ireland (for conduct regulation purposes)

External Auditors

The Company's statutory annual financial statements and the Solvency II balance sheet are audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, who can be contacted at Aegidientorplatz 2a, 30159 Hannover, Germany.

A.2 Underwriting performance

DGIEU has identified key performance indicators ("KPIs") measuring the financial performance and strength of the Company.

DGIEU's result for FY23 is as follows:

	FY23 € 000	FY22 € 000	Movement € 000
Gross Premiums Written	174.586	166.758	7.828
Net Earned Premiums	35.247	38.306	-3.060
Net Claims	-8.716	-10.086	1.370
Net Insurance Expense	-11.098	-4.110	-6.988
Other Technical Expense	-652	-514	-138
Net Investment Expense	-2.065	-1.420	-645
Net Operating Income	-12.624	-13.338	714
Profit / Loss Before Tax	**90**	**8.837**	**-8.747**

Gross Premiums Written ("GPW") - consists of amounts invoiced in respect of warranty insurance business on a gross of reinsurance basis, net of cancellations and exclusive of Insurance Premium Tax ("IPT"). With 70,2%, the most significant part of the GPW was generated in Spain and Portugal ("Iberia") and mainly relates to business from retailers. The increase of GPW vs. FY22 is mainly due to an increase in the retailer business in Iberia.

Net Earned Premiums - represents the amount of premium recognised in the current year relating to insurance business on a net of reinsurance basis, net of cancellations, in accordance with the earnings patterns applied to each contract. Earnings commence when the policy goes "on-risk". While the increase of GPW mainly relate to the increased Iberian business vs. PY, the nature of the Iberian business, which mainly relates to extended business, lead to total net earned premiums below PY in Iberia and due to the size of Iberia also below PY in the total business.

Net Claims - the total DGIEU ratio of gross claims incurred in relation to gross premium written is 24,7% (FY22: 26,3%). The net claims in FY23 (€-8.716k) are below FY22 (€-10.086k) due to decreased volume of number of claims and also positively impacted by the change of the Reinsurance contract in FY23.

Net Insurance Expenses – the net insurance expenses include mainly commission expenses and other operating administration costs and cost allocations. This is reduced by the Reinsurance Ceding Commission (FY23: €96.874k; FY22: €93.096k).

DGIEU business has significant acquisition costs, particularly through its call centre, that are recovered through expected future renewals. Since the business started in FY20 without the back-book (which was subject to the Part VII transfer in FY21), DGIEU was not fully benefiting from the profit of that book to offset the acquisition cost weight in FY21. Additionally, DGIEU has taken over the overhead basis of the EEA business, and, whilst there is a contribution by DGI for servicing that back book until December 2020, DGIEU was not sizeable enough to cover completely the cost basis until the Part VII transfer was completed in FY21. As acquisition costs are allowed to be held as an asset in the IFRS balance sheet but are expensed under local GAAP, which impacted the year of Part VII transfer significantly (FY21). From FY22 onwards and so in FY23 DGIEU is benefiting fully from the profit of the back-book. This has a positive impact also in FY23 and offsets expenses from acquisition costs.

Net Investment Expenses - Investment income comprises interest income and realised and unrealised gains and losses on financial instruments at fair value through profit or loss. Net investment expenses increased to €-2.065k (FY22: €-1.420k). This includes investment income (€235k) and charges for the management of investments, interests and other investment expenses. This movement vs. PY is mainly due to realised losses from the disposal of bonds.

Profit Before Tax - While the increase of GPW mainly relate to the increased Iberian business vs. PY, the nature of the Iberian business, which mainly relates to extended business, lead to total net earned premiums below PY in Iberia and due to the size of Iberia also below PY in the total business. Also, the net insurance expenses are significantly above PY. In total this led to profit before tax figure below PY.

DGIEU writes extended warranty insurance in Spain, Germany, Portugal, Republic of Ireland, France, Netherlands, Belgium, Italy, Austria, and Poland. With respect to the underwriting performance, the main geographical areas are Iberia (Spain and Portugal) and Germany/Austria.

DGIEU's underwriting performance by main geographical areas for FY23 is as follows:

	TOTAL				
	FY23 € 000	FY22 € 000	FY22 %RI; %Ceding	% earned income	FY22 % total
Gross premiums written	174.586	166.758			100,0%
Reinsurance premium	-157.128	-152.003	90,0%		
Change in gross unearned premiums	21.552	22.382			
Change in reinsurers' share in gross unearned premiums	-3.763	1.169	17,5%		
Net earned premium	35.247	38.306		100,0%	100,0%
Gross claims	-53.593	-53.376		-30,7%	
Claims reinsurers' share	44.877	43.290	83,7%		
Net claims	-8.716	-10.086			
Gross operating expense	-107.973	-97.207			
Ceding commission	96.874	93.096	61,7%		
Net insurance expenses	-11.098	-4.110			
Other technical expense	-652	-514		-33,3%	
Balance on the technical account, net of reinsurance	14.779	23.595			
Investment income	235	367			
Interest and other investment expenses	-2.300	-1.787			
Other income	16	0			
Other expense	-12.640	-13.338			
Profit before tax	90	8.837			
Tax	2.953	-726			
Profit for the financial year	3.043	8.111			

	Iberia				
	FY23 € 000	FY22 € 000	FY22 %RI; %Ceding	% earned income	FY22 % total
Gross premiums written	122.562	113.558			70,2%
Reinsurance premium	-110.307	-104.123	90,0%		
Change in gross unearned premiums	19.618	20.975			
Change in reinsurers' share in gross unearned premiums	-3.425	1.608	17,5%		
Net earned premium	28.448	32.018		100,0%	80,7%
Gross claims	-37.948	-36.251		-31,0%	
Claims reinsurers' share	31.776	29.401	83,7%		
Net claims	-6.172	-6.850			
Gross operating expense	-80.528	-68.340			
Ceding commission	68.007	64.122	61,7%		
Net insurance expenses	-12.520	-4.217			
Other technical expense	-693	-565		-46,4%	
Balance on the technical account, net of reinsurance	9.063	20.386			
Investment income	0	0			
Interest and other investment expenses	-188	-121			
Other income	0	0			
Other expense	-4.776	-4.666			
Profit before tax	4.098	15.600			
Tax	-185	-760			
Profit for the financial year	3.913	14.840			

	Germany & Austria				
	FY23 € 000	FY22 € 000	FY22 %RI; %Ceding	% earned income	FY22 % total
Gross premiums written	41.002	42.009			23,5%
Reinsurance premium	-36.902	-37.808	90,0%		
Change in gross unearned premiums	211	778			
Change in reinsurers' share in gross unearned premiums	-37	-239	17,5%		
Net earned premium	4.274	4.740		100,0%	12,1%
Gross claims	-10.964	-11.257		-26,7%	
Claims reinsurers' share	9.181	9.130	83,7%		
Net claims	-1.783	-2.127			
Gross operating expense	-19.415	-20.815			
Ceding commission	22.751	22.874	61,7%		
Net insurance expenses	3.336	2.059			
Other technical expense	49	66		79,2%	
Balance on the technical account, net of reinsurance	5.876	4.738			
Investment income	235	367			
Interest and other investment expenses	-1.998	-1.636			
Other income	16	0			
Other expense	-7.591	-7.761			
Profit before tax	-3.462	-4.291			
Tax	3.471	8			
Profit for the financial year	9	-4.283			

	Other				
	FY23 € 000	FY22 € 000	FY22 %RI; %Ceding	% earned income	FY22 % total
Gross premiums written	11.022	11.190			6,3%
Reinsurance premium	-9.920	-10.071	90,0%		
Change in gross unearned premiums	1.724	629			
Change in reinsurers' share in gross unearned premiums	-301	-200	17,5%		
Net earned premium	2.525	1.547		100,0%	7,2%
Gross claims	-4.681	-5.868		-42,5%	
Claims reinsurers' share	3.920	4.760	83,7%		
Net claims	-761	-1.109			
Gross operating expense	-8.030	-8.052			
Ceding commission	6.116	6.100	61,7%		
Net insurance expenses	-1.915	-1.952			
Other technical expense	-9	-16		-76,2%	
Balance on the technical account, net of reinsurance	-160	-1.529			
Investment income	0	0			
Interest and other investment expenses	-114	-31			
Other income	0	0			
Other expense	-273	-911			
Profit before tax	-546	-2.471			
Tax	-333	26			
Profit for the financial year	-879	-2.445			

70,2% of the gross written premiums and 80,7% of the earned premiums relate to Iberia and mainly comes from large retailer clients. The relatively low proportion of gross premiums written in Germany including Austria (23,5%) is above the proportion of earned income (12,1%) of the total amounts. Gross written premium and Net earned premium ratios reflect the size of the business in the specific country.

Under Solvency II, extended warranty insurance is classified under the Solvency II line of business "Miscellaneous Financial Loss". DGIEU has extended, for some products, the coverage offered beyond pure extended warranty by including coverage for damage and theft. Specific reference to extended warranty insurance within the other non-life catastrophe risk guidance (see Annex XII of the Delegated Acts) explicitly clarifies that extended warranty insurance within the Solvency II line of business "Miscellaneous Financial Loss" may also provide additional cover against eventualities such as accidental damage, loss, or theft. Therefore, the entirety of DGIEU's business has been classified under the Solvency II line of business "Miscellaneous Financial Loss".

A.3 Investment performance

In FY23, DGIEU's investments continued to be managed by London & Capital. The investment strategy is focused on highly liquid, investment grade credit, with prudent allocations to high-yield credit. Investments also included bank deposits. The preservation of capital is a key investment objective, so investment strategy and associated asset classes are designed so as to reduce risk of a capital loss over the life of the asset.

The investment portfolio includes the following categories:

Other Financial Investments	FY23	FY22	Movement
	€'000	€'000	€'000
Deposits with Credit Institutions	11.557	16.999	-5.442
Cash and Cash Equivalents	1	1	0
Fixed Income Investments	30.121	30.705	-584
Total	**41.679**	**47.705**	**-6.027**

The reduced cash position corresponds with the reduced Reinsurance payables position. DGIEU has only a very low appetite for market risk in its investment portfolio and therefore ensures a well-balanced diversification of its investments.

	FY23	FY22	Movement
	€'000	€'000	€'000
Net Investment Expense	-2.065	-1.420	-645

Investment income/expense comprises interest income and realised and unrealised gains and losses on financial instruments at fair value through profit or loss. Net investment expenses increased to €-2.065k (FY22: €-1.420k). This includes investment income (€235k) and charges for the management of investments, interest and other investment expenses. The increased investment expenses compared to PY is mainly due to realised losses on disposals in FY23.

Investment strategy also includes consideration of ESG factors and is overseen by the Group Investment Committee. As to this, no securities issued by companies under the following sub-industry classifications are permitted: Arms, mining and tobacco. In addition, D&G has integrated the identification, assessment and management of ESG risks in its existing risk management processes. Please refer to section C.6 for information on financial risks from climate change.

DGIEU held no investments in securitisations at the valuation date.

A.4 Performance of other activities

In FY23, there was no other material income or expense incurred during the reporting period. DGIEU has no material financial lease / operating lease reported within commitments.

A.5 Any other information

In its FY22 SFCR, DGIEU reported the COVID-19 pandemic and the Russian military invasion of Ukraine as key macro-economic headwinds. DGIEU responded well to both, and ongoing monitoring is ensured through established governance. In FY23, risk relating to COVID-19 diminished significantly, but new headwinds arose in the form of a high inflation environment which has caused cost-of-living pressures for consumers. Regarding the continued heightened inflation / increased cost of living risk experienced in the EU, underwriting KPIs are still closely monitored to identify abnormal changes (e.g. increased policy lapse rates and cancellations, reductions in premium written for new business sales). To reflect this, revised inflation assumptions were incorporated into the financial planning process. Contracts with clients and repairers provide a degree of stability in DGIEU's margin. The majority of repairs are done using Completed Job Rates ("CJRs") which are agreed in advance with repairers. DGIEU continues to monitor delivery of fair customer outcomes through its established governance, to be able to respond appropriately as the macro-economic environment evolves.

B. SYSTEM OF GOVERNANCE

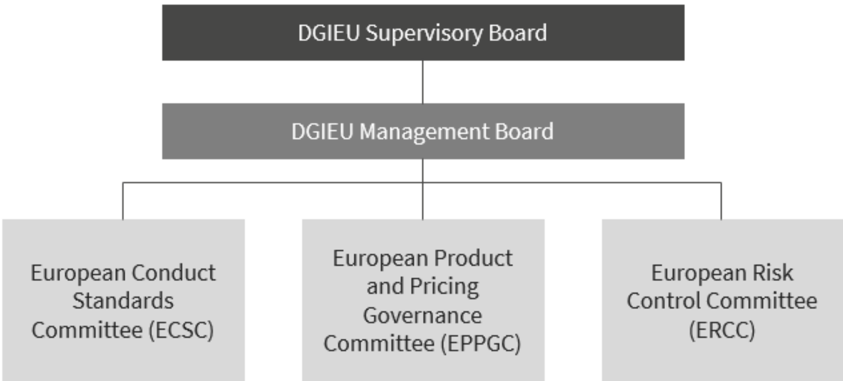
DGIEU has established a risk management and control framework which seeks to protect the business from events that may hinder achievement of its objectives and financial performance, including failure to exploit opportunities. The DGIEU Management Board identified potential risks and uncertainties that could have a material impact on performance and put in place internal processes and controls designed to deal with risk (e.g. prevent, detect, correct, mitigate, transfer).

Proper and ethical business conduct is embedded into the day-to-day business. There is a robust risk appetite and policy framework which senior management and the DGIEU Management Board ensure covers all activities. DGIEU has established appropriate controls and monitoring over product design and product changes, selling processes, customer service and complaints, which underpin high customer satisfaction.

DGIEU has an established European Conduct Standards Committee, which meets quarterly and has a specific mandate to monitor adherence to conduct risk appetite and policies in relation to customers, and to promote a customer-centric culture throughout the organisation. The DGIEU Management Board is focused on corporate conduct related matters including comprehensive management information and reporting in Board packs that are considered in DGIEU Management Board meetings to ensure high standards are maintained and the agenda is set at the very top of the organisation.

B.1 General information on the system of governance

A summary of the DGIEU governance structure is given in the diagram below. Further information on the different bodies and committees, their responsibilities and membership are provided afterwards.



The European Management Operations Committee, a DGIEU sub-Board committee, ended during the reporting period given responsibilities are covered by the other established governance committees.

Governance Committee	Governance Role & Responsibilities
DGIEU Supervisory Board	• Supervise the DGIEU Management Board (but with no right to instruct or take day-to-day decisions), • Issue Rules and Procedures for the DGIEU Management Board, • Mandate the statutory auditor, • Approve the financial statements, • Consider reserved matters – veto right e.g., acquisition or sale of real property, assumption of guarantees, obligations exceeding a defined amount, and • Appoint (and remove) members of the DGIEU Management Board.
DGIEU Management Board	• Be responsible for proper business organisation, • Manage the Company in accordance with the law, Articles of Association, and the Terms of Reference (manage with the due care and diligence of a prudent and conscientious businessman), • Implement and execute DGIEU's strategy,

Governance Committee	Governance Role & Responsibilities
	• Provide direction on day-to-day strategy, • Review Company's risk and issues, • Adhere to regulation and compliance, • Review key people risks and issues, and • Act as escalation point for issues raised by the business.
ECSC	• Setting conduct standards and principles, • Promoting conduct standards and fair treatment of costumers, • Monitoring conduct risks in Service and Claims, Complaints and Quality Assurance, • Monitoring conduct KRIs and cancellations, • Reviewing emerging risks and identifying route causes, and • Reviewing cases of misconduct and deciding on future mitigation measures.
EPPGC	• Reviewing and approving the design of new products or the modification/development of existing products, • Reviewing and approving the development of new channels for existing products, changes to an existing channel, and rollout of an existing product/terms and conditions for a new client, • Overseeing marketing incentives and payment methods for existing products and channels, and • Employing the pricing strategy to calculate product price.
ERCC	• Promoting DGIEU risk and compliance standards throughout the organisation, • Reviewing the status and progress on actions from Compliance monitoring reviews, Internal Audit, External Audit, RCSAs, risk events and regulatory reporting requirements, • Overseeing different aspects of the DGIEU Risk Management Framework, such as KRIs, Risk Events, RCSA results, and risk appetite, • Overseeing the ongoing maintenance of a robust control framework incl. a quarterly review of control results, • Providing executive summaries on Risk and Compliance reviews and analyses and Internal Audit, and • Providing regular horizon scanning updates and agreeing on action owners / business sponsors.

DGIEU Boards

The DGIEU Supervisory Board comprises of Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board meets to determine the Company's strategic direction, to review the operating and financial performance, and to oversee that the Company is adequately resourced and effectively controlled.

DGIEU Supervisory Board (Meetings every six month)	
David Tyler	Chairman
Joe Fitzgerald	Deputy Chairman
Steve Purser	Member

In FY23 there were no changes in the DGIEU Supervisory Board.

The DGIEU Management Board (overseen by the DGIEU Supervisory Board) is ultimately responsible and accountable for ensuring that a sound risk management culture and framework is embedded.

DGIEU Management Board (Meetings every 2 months, other invitees as required)		
Name	**Role**	**Responsibility**
Mark Bridges	Chief Executive Officer (“CEO”) until 6 May 2022	Lead Management overall, Strategy, Sales, Operations, Personnel, Supervisory Board matters
Matthew Crummack	CEO from 21 September 2022	Lead Management overall, Strategy, Sales, Operations, Personnel, Supervisory Board matters
Idriss Ben Hadj Yahia	Chief Financial Officer (“CFO”) until 1 February 2023	Finance and Accounting, Underwriting, Actuarial, Internal Audit
Tom Goode	CFO from 2 February 2023	Finance and Accounting, Underwriting, Actuarial, Internal Audit
Bernhard Blaum	Chief Risk Officer (“CRO”)	Compliance, Risk Management, Data Privacy, CoSec

There were two significant changes to the DGIEU Management Board in FY23. DGIEU's CEO Mark Bridges left the Company on 6 May 2022. In accordance with his role as Group CEO, Matthew Crummack has been appointed DGIEU CEO on 21 September 2022. In addition, Idriss Ben Hadj Yahia has stepped down from his role as DGIEU CFO on 1 February 2023, being replaced by Tom Goode who has been appointed on 2 February 2023. In addition, Bernhard Blaum left the DGIEU Management Board end of May 2023 and thus after the end of FY23.

The committee frequency of the DGIEU Management Board changed from quarterly to every other month.

Some responsibilities for the oversight and monitoring of risk management (including adherence to risk appetite for selected risk categories) are delegated to DGIEU’s committees, as reflected in their terms of references.

DGIEU Governance Committees

European Product and Pricing Governance Committee

The EPPGC meets bi-monthly and ad-hoc if required. The scope of the EPPGC covers three defined areas of product development as well as pricing application and focusses specifically on the customer impact.

Membership of the EPPGC is determined by the Committee Chairman and is as follows: DGIEU CFO, DGIEU CRO, Legal Director International, EU Client Management Director, Head of Client Strategy, Director of Client Management Development, Director of Client Account Management, International Service Director, Group CRO, Director of Group Underwriting and Head of Accounting & Underwriting Iberia. The EPPGC is chaired by the Head of Compliance DGIEU and organised by the International Manager Regulatory and Governance.

European Conduct Standards Committee

The ECSC meets quarterly and ad-hoc if required.

The ECSC is chaired by the CRO and organised by the International Manager Regulatory and Governance. Further members of the committee are the DGIEU CFO, DGIEU CRO, Head of Compliance DGIEU, Legal Director International, International Service Director, EU Client Management Director, Director of Call Centre Operations Europe, Group Head of Quality Assurance, Quality Assurance Manager, Head of Customer Care, Head of Third Party Controls, Group Chief Risk Officer and Group Head of Prudential Risk.

European Risk Control Committee

The ERCC meets monthly.

The ERCC is chaired by the CRO and organised by the International Manager Regulatory and Governance. Further members of the committee are the DGIEU CFO, Head of Compliance DGIEU, Group Head of Quality

Assurance, Chief Information Security Officer, Director of Call Centre Operations Europe, Director of Client Account Management, International Service Director, EU Client Management Director, Legal Director International and Group Head of Prudential Risk.

DGIEU Key Functions

An insurance company must set up four Key Functions in accordance with the requirements of Solvency II. The DGIEU Management Board has appointed responsible persons for each of the following four Key Functions:

- Risk Management Function according to § 26 Para 8 German Insurance Supervision Act ("VAG"),
- Compliance Function according to § 29 Para 1 VAG,
- Internal Audit Function according to § 30 Para 1 VAG and
- Actuarial Function according to § 31 Para 1 VAG.

Key Function	Key Responsibilities & Organisation
Risk Management Function	• Key tasks of the Risk Management Function include: o Evaluating and reviewing the Risk Strategy, o Promoting risk awareness, o Reviewing risk assessment methods, o Monitoring the Risk Management System (including risk appetite statements and positions, as well as Key Risk Indicators ("KRIs")), o Developing, testing, and validating internal models in use for the calculation of DGIEU's solvency capital requirements*, o Proposing limits and o Defining and regular updating of principal risks and key controls. • The DGIEU CRO holds and oversees DGIEU's Risk Management Function and is the responsible member of the Management Board. • The Risk Management Function is operatively managed by the Group Head of Prudential Risk (who reports to the DGIEU CRO) and supported by the Group Risk Team where appropriate.
Compliance Function	• Key tasks of the Compliance Function include: o Identifying and assessing compliance risks with regard to both BaFin standards and local regulatory standards for each DGIEU location, o Setting the DGIEU policy framework for insurance compliance, the internal control framework, financial crime prevention, and other regulatory matters, o Designing and executing DGIEU compliance controls and monitoring, o Managing the DGIEU outsourcing framework, o Managing the DGIEU product governance and oversight procedures, o Monitoring the Regulatory Horizon / industry news to ensure compliance with applicable laws and regulations, and o Advising and training both DGIEU business and management functions in compliance matters. • The DGIEU CRO holds and oversees DGIEU's Compliance Function and is the responsible member of the Management Board. • The Compliance Function is led and operatively managed by the Head of Compliance DGIEU, to whom an international team of Compliance specialists reports.
Internal Audit Function	• Key tasks of the Internal Audit Function include: o Auditing the system of governance, o Ensuring compliance with the audit plan, o Maintaining independence, and o Advising the management. • The Internal Audit Function of DGIEU is outsourced to Grant Thornton LLP ("Grant Thornton").

Key Function	Key Responsibilities & Organisation
	• The DGIEU CFO is the responsible member of the Management Board for the Internal Audit Function.
Actuarial Function	• Key tasks of the Actuarial Function include: ○ Validation of technical provisions, including testing against experience, ○ Assessment of the appropriateness of the methods used and definition of USPs applied, and ○ Assessment of the quality of the data used. • The DGIEU CFO is the responsible member of the Management Board for the Actuarial Function. • Support of the Actuarial Function is outsourced to Lane Clark Peacock ("LCP"). • The Actuarial Function support assists with the calculation of the SCR and of the technical provisions, and with DGIEU's Solvency II reporting requirements.

* DGIEU does not apply an internal model, but the Company uses USPs for the premium and reserve risk.

The organisation of DGIEU's key functions is considered appropriate and effective in accordance with the principle of proportionality. This operational implementation of the key functions is used to separate functions regarding the workload of operational activities.

Other risk management issues of DGIEU are dealt with in the following committees at Group level. Information is passed on to the Group by the DGIEU Management Board.

Committees at Group Level

Audit & Risk Committee ("ARC")

The Audit & Risk Committee is a key governance committee that oversees and manages risk (including regulatory risk). Under its terms of reference, the ARC should meet at least three times a year and in FY23 met seven times.

The Committee has an established annual plan of work, and its responsibilities include: review of the appropriateness of the Company's accounting principles and procedures, review of the effectiveness of the audit process and the relationship of the Company with its external auditors, including the level and nature of non-audit services, review of the effectiveness of the internal Audit Function, and review of the effectiveness of the Company's internal controls, in particular, regulatory compliance and risk management.

In parallel, the ARC ensures that all group subsidiaries (across all jurisdictions) are reviewed and monitored and that there are consistent and clearly communicated, effective financial reporting processes, risk frameworks, and Compliance monitoring processes in place.

Remuneration Committee ("REMCO")

The Group Remuneration Committee covers all Group companies including DGI and DGIEU. Under its terms of reference, the Remuneration Committee meets as often as is reasonably required to discharge its responsibilities and, in any case, at least once a year (and met three times in FY23). The Committee has responsibility for determining the overall framework and policy for remuneration of the Chairman, the independent non-executive directors, the executive directors, and senior executives of the Group. The Committee has also oversight of broader workforce remuneration, when setting Executive compensation. The remuneration policy for executive directors and senior management is to ensure they are provided with aligned incentives to encourage appropriate customer outcomes as well as enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The Committee also:

- Approves the design of, and determine the targets for, any performance related pay and bonus schemes,
- Reviews and approves the appointment or termination of employment of any employee whose base salary is in excess of £150.000 (approximately € 170.000),
- Determines the policy for and scope of pension arrangements, service agreements for the Executive Management, termination payments and compensation commitments,
- Reviews and approves the establishment of any pension, retirement, death, disability or life assurance scheme, and
- Oversees any major changes in employee benefit or compensation structures.

Investment Committee ("IC")

The Investment Committee covers all Group companies including DGIEU. Under its terms of reference, the Committee meets as often as its role and responsibilities reasonably require and, in any case, at least twice a year (and met two times in FY23). The Committee is responsible for reviewing, directing and evaluating:

- Decisions, performance and risk in relation to the investment of Group funds in financial instruments, bank deposits and similar, with due regard to Solvency II investment guidelines under Prudent Person Principle;
- Capital management considerations, including distribution planning and execution within the Group; and
- Foreign exchange exposures and management within the Group.

A summary of further Group management Governance Committees, roles and responsibilities are outlined below:

Management Committee	Objectives
Domestic & General Leadership Group ("DGLG")	• Manages the day-to-day operation of D&G Group, ensuring D&G's strategy is executed effectively and that key risks are sufficiently managed. • Note: The CEO of DGIEU is member of the DGLG.
Group Risk Committee ("GRC")	• Monitors the implementation of D&G Group's risk management framework. • Tracking adherence to risk appetite and changes to the Group's risk profile on a regular basis. • Note: The CEO of DGIEU is member of the GRC.
Solvency II Working Group	• To monitor DGI's/ DGA's/DGIEU's Solvency II capital requirements and compliance with Solvency II requirements.
Data Privacy Working Group	• To oversee compliance with data protection regulations across the Group.
Information and Cyber Security Risk Committee	• Oversee compliance with information security regulations as well as adherence to information security standards across the Group.

Remuneration

All bonus awards paid to employees are discretionary, even if paid consistently over a period of years; employees do not have an entitlement to receive an annual bonus award. The financial performance of the Company is the key factor in determining the overall level of bonus awards in any given year. Alongside company financial performance, the performance of each function, together with each individual employees' contribution and behaviours, will influence the amount of each individual annual bonus. When determining and reviewing the amount of individual bonus awards, consideration is given to the relative value of variable remuneration as a proportion of total remuneration, ensuring that in each case the variable element does not represent too large a proportion as to inappropriately incentivise behaviours that may be detrimental to the company. In no case may an individual receive a bonus that is greater than 100% of their base salary.

DGIEU awards all variable remuneration in the form of annual discretionary cash awards. The Company does not operate formulaic criteria for determining the value of individual bonus awards (with the exception of certain market-standard, target-driven variable remuneration elements for contact centre staff, which is subject to robust controls) and management has complete discretion to determine the value of individual awards.

The Group (including DGIEU) does not operate individual supplementary pension schemes.

There were no material transactions in FY23 between shareholders, any persons exercising a significant influence on the undertaking and members of the administrative, management or supervisory body.

Additional information on remuneration can be found in the section on the "Remuneration Committee", above. This committee is responsible for the remuneration within all Group companies including DGIEU.

A Group Remuneration Policy is in place that includes information on the following: Definition of remuneration, requirements and implementation at D&G and area of responsibility of the Remuneration Committee. The standards in this Policy are applicable to the whole Group (incl. DGIEU).

The Remuneration Policy seeks to ensure:

- Transparent and consistent remuneration principles,
- That all employees are appropriately remunerated in accordance with their contractual roles and responsibilities, and
- That the remuneration principles are consistent with the business and risk strategy.

The remuneration system of DGIEU for employees, senior managers, members of the Management Board and Supervisory Board is appropriate, transparent, and geared to the sustainable development of the Company. The general structure of the remuneration policy is in line with the business strategy and the risk strategy derived from it.

There were no additional changes in remuneration and to the Remuneration Policy compared to FY22.

Material transactions

No material transactions took place in the reporting period.

Adequacy of the system of governance

DGIEU continues to seek opportunities to improve the robustness and proportionality of its system of governance, in line with changes in its risk profile, strategic plan, and changes in external factors (e.g. legislation and regulation). The Risk & Compliance functions are instrumental in ensuring the system of governance, risk management, and internal controls are appropriately and continually adapted to ensure they remain adequate given the nature, scale, and complexity of DGIEU’s risk profile. The DGIEU Management Board is comfortable that the current system of governance is adequate.

B.2 Fit and proper requirements

General Information

DGIEU is committed to ensure that all persons who effectively run the Company or have other key functions are at all times fit and proper within the meaning of Article 273 of Commission Delegated Regulation 2015/35 (“DVO”) in accordance with the applicable Article 24 VAG.

The information in this section is based on the DGIEU Fit & Proper Policy. Fitness refers to professional qualifications, knowledge, and experience to enable sound and prudent management. Propriety means good repute and integrity.

The assessment of whether a person is fit shall include an assessment of the person's professional and formal qualifications, knowledge, and relevant experience within the insurance sector, other financial sectors or other businesses. The assessment shall take into account the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial, and management skills of the person. According to Article 24 VAG, sufficient management experience can usually be assumed for the performance of management duties if three years of management activity at an insurance company of comparable size and type of business can be proven.

According to EIOPA Guidelines on System of Governance, the following fit requirements apply to the members of the Administrative, Management or Supervisory Body (AMSB).

The AMSB should collectively possess appropriate qualification, experience, and knowledge about at least:

- Insurance and financial markets,
- Business strategy and business model,
- System of governance,
- Financial and actuarial analysis, and
- Regulatory framework and requirements.

The assessment of whether a person is proper shall include an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour, and business conduct including any criminal, financial, and supervisory aspects relevant for the purposes of the assessment.

Affected Persons and Roles at DGIEU

The fit & proper requirements apply to all persons who effectively run the undertaking or have other key functions. At DGIEU, these include the members of the DGIEU Supervisory Board, DGIEU Management Board and the Authorised Agents of the French, Italian, Spanish and UK (solely for Republic of Ireland business) branches.

The DGIEU Management Board members are also the responsible holders of the four key functions (Compliance Function, Risk Management Function, Internal Audit Function, and Actuarial Function).

The fit requirements for a key function holder are derived from the descriptions of their responsibilities within the governance system.

In the case of outsourcing of key functions in accordance with Article 266 MaGo and Article 32 VAG, DGIEU complies with BaFin requirements to:

- Apply similar fit and proper procedures in assessing persons employed by the Service Provider or sub–Service Provider to perform an outsourced key function, and
- Designate a responsible DGIEU Management Board member with overall responsibility for the outsourced key function who is fit and proper and possesses sufficient knowledge and experience regarding the outsourced key function.

Pre-Employment Checks

Pre-employment checks are carried out at DGIEU to ensure that the affected persons and roles meet the fit and proper requirements. These include the following:

- References from previous employers,
- Criminal Record Checks (where in line with applicable local employee protection law),
- Assessment of the person's professional and formal qualifications, knowledge, and relevant experience,
- Professional qualifications and membership checks,
- Highest education verification, and
- Medical questionnaire.

Furthermore, DGIEU carries out pre-employment checks to ensure that the members of the DGIEU Supervisory Board and the DGIEU Management Board collectively possess appropriate qualifications, experience, and knowledge about:

- Insurance and financial markets,
- Business strategy and business model,
- Systems of governance,
- Financial and actuarial analysis, and
- Regulatory framework and requirements.

To ensure compliance with those requirements, DGIEU implemented a "Self-Assessment AMSB Template". This must be completed by members of the DGIEU Supervisory Board and the DGIEU Management Board prior to appointment. After the "Self-Assessment AMSB Template" has been completed, it is to be checked for plausibility by HR based on the above-mentioned documents.

Ongoing Checks

The assessment of the fitness and propriety of the persons who effectively run the Company or hold other key functions, on an on-going basis is also carried out. A periodic re-assessment of ongoing fitness and propriety may, where appropriate, be carried out through e.g., completion of an appropriately worded form and declaration documenting and, where appropriate, reporting and acting any changes to an individual's fitness and propriety from that previously reported.

To ensure ongoing compliance with those requirements, DGIEU implemented a "Self-Assessment Template for Regular Review". This is based on the information that is required to be submitted to the supervisory authority (BaFin). This self-assessment must be carried out truthfully by the responsible persons on an annual basis and coordinated by DGIEU HR. After the "DGIEU Self-Assessment Template for Regular Review" has been completed by the persons in scope, it is to be checked for plausibility by HR. Should changes occur during the self-assessment that have a significant impact on the fit and proper requirements and thus on the appointment, the necessary documents that were also required for the initial assessment must be requested again from DGIEU HR.

Regular means on an annual basis. The annual self-assessment should be completed by 31 March each year at the latest. However, if there are indications of a change in fitness and propriety, an ad-hoc review must be carried out.

In addition to the annual "DGIEU Self-Assessment Template for Regular Review", management should undertake criminal records checks and financial integrity and background checks, at least, every three years. For this purpose, every three years, the affected persons and roles are required to submit a criminal record check and an extract from the Central Trade Register to DGIEU HR.

At DGIEU, HR is responsible for these checks (pre-employment and ongoing).

Notification to BaFin (according to article 24 paragraph 1 VAG)

The notification to be made in accordance with VAG and the relevant documents must be submitted to BaFin.

The requirements for notification to BaFin are met by DGIEU. All required documentation was submitted to BaFin. DGIEU Company Secretary ("CoSec") with the support of DGIEU HR is responsible for the compilation and submission of these documents.

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

Risk Management Framework ("RMF")

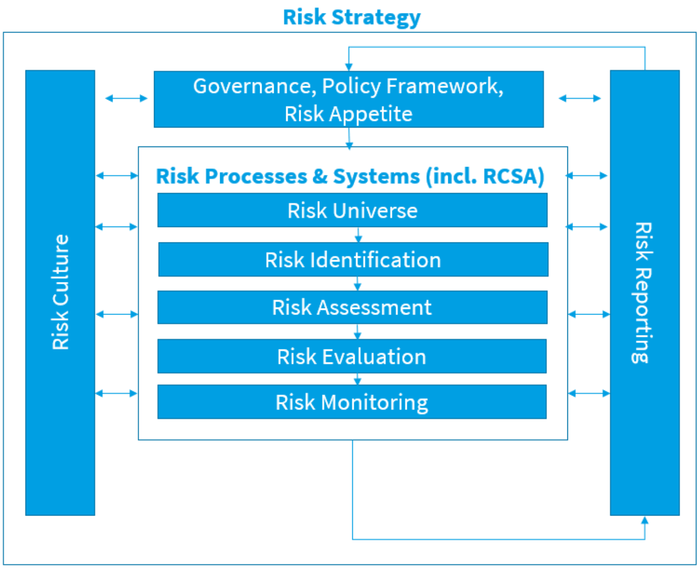
Risk is defined as "uncertain future events which could influence the achievement of DGIEU's objectives". These can be both upside risk (opportunities DGIEU can benefit from) or downside risk (threats to success).

The sum of potential risks that DGIEU could experience are its "risk universe". Those risks identified and assessed by DGIEU form its "risk profile".

At DGIEU, the principles of risk management are anchored in the Risk Strategy. DGIEU's Risk Strategy is derived from the Business Strategy. The Risk Strategy considers all risks arising from the business model.

DGIEU's risk management process defines the key components and deliverables it has set, to deliver its strategic vision and objectives. Risk management is important to DGIEU, as effective risk management can positively impact its customers, employees, business partners and regulators' interests.

A summary of the high-level risk management process is shown in the diagram below, followed by a description of the key components of the RMF:



Key Components	Key Risk Deliverables
Risk Strategy	Governance, policy framework, and risk appetite
Risk Processes and Systems	Risk universe, risk evaluation, identification, monitoring, assessment
Risk Reporting	Management information – risk profile, KRIs, risk events, emerging risks External risk reporting (SFCR, RSR, ORSA)
Risk Culture	Influence attitudes and values through training, and communication

Risk Strategy

Robust risk governance ensures the accurate assignment of responsibilities to guide the effective management and oversight of risk. The DGIEU Management Board is responsible and accountable for ensuring that a sound risk management culture and framework is embedded. Some of these responsibilities are delegated to Board sub-committees and management committees as follows:

Committee	Key Risk Area
DGIEU Management Board	Ultimately responsible and accountable for ensuring a sound risk management culture and framework. Oversight of all risk areas via regular risk reporting (including RCSA results, KRIs, Risk Events, Risk Appetite).
European Risk Control Committee	Oversight and discussion of all risk areas via regular risk reporting (including RCSA results, KRIs, Risk Events, Risk Appetite and Risk Assessments).
European Conduct Standards Committee	Focus on conduct risk via monitoring of conduct risk KRIs ensuring customers are treated fairly.
European Product & Pricing Governance Committee	Focus on underwriting and pricing risk through established review and oversight processes to ensure fair value for customers.
Solvency II Working Group	Focus on financial and regulatory risk via monitoring of the solvency position as well as overseeing regulatory returns.
Data Privacy Working Group	Focus on data privacy risk via monitoring of data privacy KRIs as well as potential risk events.
Group Investment Committee	Focus on financial risk via monitoring of investments across the Group.

DGIEU's policy framework ensures the minimum standards and roles & responsibilities are clearly articulated across the lines of defence.

All risk decisions and risk taking is undertaken within thresholds that are clearly defined and aligned to the risk profile and risk appetite set by the DGIEU Management Board. The risk appetite is reviewed in full at least annually by the DGIEU Management Board through a risk acceptance process. The defined risk appetite statements are included in the DGIEU Risk Strategy.

Risk Processes and Systems

DGIEU has a bespoke risk management system (Magique) to record and evaluate risk and associated controls, to log risk events and to track the delivery of actions.

DGIEU's risk universe outlines the possible risks that DGIEU could be exposed to, across the risk categories of Operational, Conduct, Strategic, Financial and Insurance risk. Changes to the universe are overseen by the DGIEU Management Board.

A Risk & Control Self-Assessment ("RCSA") framework is in place, to ensure appropriate risk identification, assessment, evaluation, and response, on at least a biannual basis. The RCSA is facilitated by the Risk function, with participation from the Leadership teams and the DGIEU Management Board.

There are also monitoring processes to identify risks, such as through key risk indicators, horizon scanning, and from assurance reviews conducted across the second and third lines of defence.

Risk Reporting

Risk reporting is a critical component of ensuring the effective and timely delivery of risk information to support management's decision making and the necessary disclosures externally including legal and regulatory.

A suite of reports is shared with the DGIEU Management Board relating to RCSA results (i.e. changes to DGIEU's risk profile), risk events, key risk indicators, emerging / horizon risks, and control effectiveness.

Risk Culture

The DGIEU Management Board sets the 'Tone from the Top' in respect of the management of risk.

The Risk Management Function supports and guides the development of risk culture, risk behaviours, risk attitudes and risk awareness. Risk training and communication is essential for the delivery of an effective DGIEU risk culture as it drives learning from mistakes, losses and gains, and near misses as an when those events occur.

DGIEU operates a "three lines of defence" model:

1st Line of Defence "1LOD" (Operations and Business Units)

- Covers the day-to-day risk-taking activity in each business function,
- Requires direct management of risk within agreed appetite and policies, and
  Includes responsibility for monitoring and managing all material risks (including control design and execution).

2nd Line of Defence "2LOD" (Risk, Compliance and Actuarial Function)

- Provides oversight and challenge of day-to-day management of risk,
- Designs the high-level framework of risk management (identification, quantification, monitoring and treatment), and
- Provides guidance on suitable approaches to risk management processes through policies, monitoring and oversight committees.

3rd Line of Defence "3LOD" (Internal Audit)

- Provides independent and objective assurance of the effectiveness of DGIEU's governance, risk management and internal control frameworks and processes.

Information on the implementation and tasks of the Risk Management Function is provided in section B.1, further above.

Own Risk and Solvency Assessment ("ORSA")

The ORSA is part of the Risk Management System and a link between the three pillars of Solvency II.

The Finance, Actuarial, and the Risk Management team work closely together to ascertain the potential impact on capital of a variety of risk crystallisations through the ORSA process which is used to assess the level of capital that should be retained by the Company. This process considers all the material risks faced by DGIEU and includes stress tests applied to business plan financial projections by varying assumptions for future experience.

The ORSA is usually performed on an annual basis but in accordance with the ORSA Policy, where a significant change or event is planned or occurs, an out-of-cycle ORSA will be performed to assess the level of risk and assist the Board in the decision-making process. No out-of-cycle ORSA was carried out at DGIEU during FY23.

ORSA Process

DGIEU's ORSA Process includes the following:

- Consideration of the business's risk profile, risk tolerance limits, business strategy, business plans and associated projections,
- Demonstration that capital levels and liquidity are in line with the risk profile,

- Demonstration that robust processes exist to identify, measure, monitor, manage, and report risk exposures, and
- Evaluation of the appropriateness of the Solvency II standard formula in calculating SCR, in comparison to DGIEU's assessment of its own risks.

The CRO (who is member of the DGIEU Management Board) is responsible for the coordination of the ORSA process, including the preparation of the ORSA report. This ensures the direct involvement of management in the ORSA process. Operational management of these processes is delegated to the Group Head of Prudential Risk. The DGIEU Management Board oversees the design and implementation of the ORSA, ensuring that the ORSA will be effectively governed. In addition, the DGIEU Management Board is required to approve the annual ORSA report. The Solvency II Working Group at Group level is also part of the approval process to ensure oversight of Solvency II implementation across the Group. The Actuarial Function plays a further central role in the implementation of the ORSA and the evaluation of the underlying methods and assumptions. The Internal Audit function performs an independent review of ORSA processes and ORSA report, as determined by the DGIEU Management Board.

Based on the results of the 2022 ORSA, DGIEU is satisfied that it holds appropriate levels of capital in relation to its risks.

ORSA Report

DGIEU's ORSA Report includes at least the following information:

- Executive Summary
- Strategy and Business Planning
- Risk Management
- Standard Formula plus USP model design and their use
- Profitability, Capital, and Liquidity Position
- Stress and Scenario Testing

Process Review

DGIEU's ORSA process will continue to be regularly reviewed and further refined as necessary, depending on the ongoing consideration of the DGIEU Management Board, the Solvency II Working Group and any relevant changes to DGIEU's risk profile.

All colleagues directly or indirectly engaged in the ORSA process must familiarise themselves with the requirements of the Group ORSA Policy and ensure that their understanding and awareness of the necessary requirements is maintained.

Ongoing Monitoring of the RMF

Work conducted by the second and third lines of defence provides continuous assurance that key controls are operating effectively. This includes the annual Compliance monitoring program, annual Internal Audit plan, and 2LOD control testing, all of which are risk-based, together with the half-yearly risk reporting from around the business. It also includes regular committee meetings and working groups, including the Data Governance Committee and the Solvency II Working Group, and those committees designed to address predominantly conduct risk issues such as the ECSC and ERCC.

The risk universe and the suite of risk appetite statements, with supporting KRI's, are reviewed periodically to ensure that they accurately reflect the business's risk profile and appetite for each category of risk.

Risk reporting is facilitated through the Risk Management System, Magique, which contains a record of all risk registers and supports the reporting of risk events, controls, and exceptions to risk appetite.

B.4 Internal control system

The DGIEU Management Board has the overall accountability for maintaining DGIEU's system of internal control and for monitoring its effectiveness, while the implementation of the internal control system is the responsibility of the executive management. Following a risk-based approach, DGIEU's system of internal control is designed to meet applicable legal and regulatory business conduct requirements and to minimise the risk of failure to achieve business objectives.

The system is designed to:

- Safeguard assets,
- Maintain proper accounting records,
- Provide reliable financial information,
- Identify and manage business risks,
- Monitor both DGIEU-inhouse and outsourced business operations,
- Ensure delivery of suitable and appropriate customer outcomes,
- Maintain compliance with appropriate legislation and regulations on both DGIEU and branch level, and
- Identify and adopt best practices.

The Company has an established governance framework, the key features of which include:

- Terms of Reference for the Management Board's Committees and for other governance committees,
- A clear organisational structure, with documented segregation of duties and delegation of authority from the Board to executive management,
- A policies and procedures framework, which sets out risk management and control standards for DGIEU's operations,
- Defined procedures for the approval of new products and business partnerships, and
- Regular Management Information and reporting to the DGIEU Management Board.

There is an ongoing process for assessing and managing design and operating effectiveness of the internal control system as part of the Risk and Control Self-Assessment, conducted by the 1st Line of Defence and validated by both DGIEU Risk Management and Compliance functions.

Furthermore, as part of the 2nd Line of Defence, the DGIEU Compliance Function performs comprehensive risk assessment of all compliance risks to which DGIEU is exposed to, flanked by the annual monitoring deep dive reviews across internal and outsourced business operations. Results of these reviews and of the ongoing monitoring of the regulatory horizon / industry news are used as part of a cycle for the identification and assessment of new compliance risks. This cycle of reviews and assessments lead to continuous enhancements of the internal control system, and training updates for affected DGIEU employees with regards to compliant insurance operation.

Further information on the responsibilities of the Compliance Function can be found in Chapter B.1, further above.

B.5 Internal audit function

The Internal Audit Function of DGIEU is outsourced to Grant Thornton, which reports to the DGIEU CFO, who is the responsible member of the Management Board for the Internal Audit Function.

As the outsourcing of the Internal Audit Function is an important outsourcing for DGIEU, the Company defined an Outsourcing Manager who is responsible for the monitoring and assessing of the outsourcing arrangement.

The Internal Audit Function is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. Acting as a third line of defence, it helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The Internal Audit Function provides increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements with the intent of monitoring and validating controls for risks across DGIEU.

Internal Audit produces an annual risk-based Internal Audit Plan based on an extensive risk assessment of all identified auditable units, which is also aligned with the 2LOD's annual Compliance Monitoring Plan. Based on the results of the risk assessment, the auditable units are ranked into priority areas. The risk assessment is enhanced with the feedback of the key stakeholders and the use of the risk register created by the business and compiled by the Risk Function. Also, the Internal Audit plan is approved by the DGIEU Management Board and revisited regularly to allow flexibility should the risk environment change.

Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the DGIEU Management Board and to the Group ARC for information purposes. Moreover, the Internal Audit function promotes action on audit recommendations.

Organisational independence is effectively achieved as the function is outsourced and reports to the CFO. Furthermore, the Internal Audit Function is free from executive management interference in determining the scope of internal auditing, performing work, and communicating results. In carrying out its mandate, the Internal Audit function has the authority to audit and investigate any activity, with unrestricted access to records, information and personnel through the organisation relevant to the performance of the Internal Audit function.

None of the Internal Audit Function staff are employed by the Company.

Further information on the responsibilities of the Internal Audit Function can be found in Chapter B.1, further above.

B.6 Actuarial function

The Actuarial Function supports the DGIEU Management Board in determining and implementing measures needed to ensure compliance with statutory regulations for the Actuarial Function. The DGIEU CFO is the responsible member of the Management Board for the Actuarial Function. Support of the Actuarial Function is outsourced to LCP. LCP assists with the calculations of the SCR and technical provision and with DGIEU's Solvency II reporting requirements.

Selected main tasks of the Actuarial Function include:

- Validation of the technical provision, including testing against experience;
- Assessment of the appropriateness of the methods used and definition of USPs applied; and
- Assessment of the sufficiency and quality of the data used.

These main tasks include the following aspects in detail:

- Coordination: the Actuarial Function coordinates the calculation of technical provisions;
- Assessment: the Actuarial Function assesses the adequacy and quality of the underlying data used for calculating the technical provisions;
- Monitoring: the Actuarial Function ensures the appropriateness of the methodologies and assumptions underlying technical provisions;

- Support: the Actuarial Function supports the Risk Management function in the effective implementation of the Risk Management system and the risk and solvency assessment; and
- Reporting: The Actuarial Function informs the DGIEU Management Board about the reliability and appropriateness of the calculation of technical provisions.

The Actuarial Function is also responsible for reviewing the overall underwriting policy and the adequacy of reinsurance arrangements and reinsurance strategies and is required to produce annual opinions on each.

As the outsourcing of the Actuarial Function support is an important outsourcing for DGIEU, the Company defined an Outsourcing Manager who is responsible for the monitoring and assessing of the outsourcing arrangement.

Information on the Actuarial Function can also be found in Chapter B.1, further above.

B.7 Outsourcing

DGIEU is committed to ensuring the outsourcing of business activities or functions is only permitted where DGIEU has satisfied itself, through appropriate due diligence and risk assessment, as to the suitability of the Service Provider. DGIEU must continue to be satisfied as to the ongoing suitability of a Service Provider through ongoing monitoring and oversight and reporting to the DGIEU Management Board. The obligations for oversight of Service Providers cover the whole life cycle of the service provisions, from inception to the end of the contract.

The outsourcing principles and regulations are outlined in the Company's Outsourcing Policy which has been written in accordance with Article 274 DVO and Section 13 MaGo.

DGIEU differentiates between the outsourcing of important insurance functions / activities and any other services, as well as outsourcing arrangements with intra-group or external third-party providers.

The current important outsourcing arrangements are as follows:

Service Provider	Service Provider - Domicile Country	Relationship	Service Description
Grant Thornton	UK	External 3rd Party	Coverage of the Internal Audit Function for DGIEU across all European locations.
TeleMail DirektMarketing & TeleMail GmbH	Germany	External 3rd Party	Direct advertising and mailing, printing and production, fulfilment, address management, etc.
Teleperformance (In & Out S.p.A. // Albania Marketing Service sh.p.k.)	Italy, Albania	External 3rd Party	Provision of contact centre services for telesales / telemarketing purposes in the DGIEU markets Italy and France. Besides operating activities (e.g., customer service enquires, sales of insurance plans through inbound and outbound telephony) the service provision includes an integrated quality assurance process on compliant business conduct through evaluation of recorded phone calls.
Tricontes 360 München GmbH and	Germany	External 3rd Party	Provision of contact centre services for telesales / telemarketing purposes. Besides operating

Service Provider	Service Provider - Domicile Country	Relationship	Service Description
Tricontes 360 Augsburg GmbH*			activities, the service includes an integrated QA process.
Quasar S.L.	Spain	External 3rd Party	Provision of customized websites, landing pages and IT marketing / sales solutions for DGIEU Spanish Branch. To register and sell plans though web registration (also to collect data and permissions for Direct Marketing).
Servizi Domestic & General Italia S.r.l.	Italy	Intra-group outsourcing	The services provided by SDGI include: 1. Call centre telephone services // 2. Claims processing and claims handling, including the managing of repair network suppliers // 3. Customer care services including dealing with written customer correspondence and written customer administration requests // 4. Banking and customer payment reconciliations. // 5. Finance management // 6. Local legal and compliance support services // 7. Local human resources services and payroll services // 8. Local support for reporting management information, including complaints, quality assurance, service levels and operational processes // 9. Local quality assurance services // 10. Local facility management and provision of services such as phone, print, post, stationary, office rental, office cleaning, power, and archiving // 11. Any other ad-hoc activities as determined and agreed by the parties.
Domestic & General Insurance Plc	UK	Intra-group outsourcing	The services provided by DGI include: 1. Executive management services // 2. Customer product/business development services // 3. Marketing support services // 4. Product governance and product support services // 5. Finance and accounting support services // 6. Project management and programme change management services // 7. Business operations delivery support services (including oversight of third party call centre telephony services) // 8. Underwriting support services // 9. Investment management support services // 10. IT Services // 11. Business Continuity Services // 12.

Service Provider	Service Provider - Domicile Country	Relationship	Service Description
			Group Legal Services // 13. Group Human Resources Support services // 14. Tax & Finance Consultancy services // 15. Procurement Support services // 16. Claims Administration Services // 17. Claims Management Services // 18. IT Security Services
LCP	UK	External 3rd Party	Support of the Actuarial Function for DGIEU across all European locations.
Whirlpool (Bauknecht Hausgeräte GmbH, Whirlpool Italia S.r.l.)	Germany, Italy	External 3rd Party	Promotion of Whirlpool Germany/Italy repair services for their manufactured household appliances, covering (i) costs related to repair defects after the legal warranty period has expired and (ii) costs related to repair defects caused by accidents within and outside warranty. Additionally, the local service processes in Germany and Italy include the receival of customer claims calls and the due diligence & acceptance of such claims.
Electrolux Hausgeräte GmbH	Germany	External 3rd Party	Promotion of Electrolux repair services for their manufactured household appliances covering (i) costs related to repair defects after the legal warranty period has expired and (ii) costs related to repair defects caused by accidents within and outside warranty. Additionally, the local service process in Germany includes the receival of customer claims calls and the due diligence & acceptance of such claims.
London & Capital**	UK	External 3rd Party	Discretionary Investment Management Service.
Concentrix**	Portugal	External 3rd Party	Provision of contact centre services for telesales / telemarketing purposes. Besides operating activities, the service includes an integrated QA process.
Triple S**	Germany	External 3rd Party	Provision of contact centre services for telesales / telemarketing purposes. Besides operating activities, the service includes an integrated QA process.

* Service provider declared insolvency in the reporting period

** Service provider has been added to the list of material outsourcing arrangements during the reporting period.

Throughout FY23, there were the following changes in terms of material outsourcings:

- Sales partners Tricontes 360 München GmbH and Tricontes 360 Augsburg GmbH filed for insolvency proceedings on 6 February 2023. Both partners continued to provide the contractually agreed services in FY23 with only minor effect from the filing for insolvency. At the same time, Triple S is to take over the role of Tricontes as a new sales partner.
- Three new service providers have been classified as material outsourcing: London & Capital, Concentrix and Triple S.

All these changes have been notified to BaFin in accordance with the regulatory requirements.

In order to manage these outsourcing arrangements in a consistent and cohesive manner, DGIEU has introduced an eight steps quality assurance approach throughout the outsourcing lifecycle:

1. **Outsourcing Due Diligence** - Seeking a clear view on the suitability of a Service Provider, supported through reliable evidence,
2. **Outsourcing Risk Assessment** - Classifying and assessing all services and Service Providers, based on risk criteria such as corporate governance, risk management, financial capacity, etc.,
3. **Outsourcing Contracting** - Applying a contractual framework with defined mandatory contents, i.e., to ensure audit and inspection rights,
4. **Outsourcing Approval** - Seeking DGIEU Management Board sign-offs for all intended outsourcings of important insurance activities,
5. **BaFin Notification** (in the event of outsourcings of important insurance activities) - Submitting standardised notifications for outsourcings of important insurance activities via the BaFin MVP portal through DGIEU Risk & Compliance,
6. **Outsourcing Monitoring** - Ongoing monitoring of important outsourcings with external third parties through contractually agreed KPIs,
7. **Outsourcing Reporting** - Periodic reporting of the KPI results together with any identified service contract breaches and taken actions to the DGIEU Management Board, and
8. **Termination of an Outsourcing** – Rolling back of outsourcing arrangements along pre-approved termination and business continuity concepts.

B.8 Any other material information

There are no other material information, changes or material transactions to report during the reporting period with shareholders, with persons who exercise a significant influence on the Company, and with members of the administrative, management or supervisory body regarding DGIEU's system of governance.

The governance system is considered appropriate and commensurate with DGIEU's risk profile.

C. RISK PROFILE

An overview of the risks according to Solvency II and the standard formula, their solvency capital requirements and the amount of diversification effects can be found in Chapter E.2, further below.

A summary of the risk categories according to the standard formula, including risk mitigation techniques and uncertainties faced by the Company, is presented below.

C.1 Underwriting risk

The underwriting risk (for DGIEU: non-life insurance risk) is the main component of the Company's SCR, as shown in section E.2.1.

SCR 2023	DGIEU €'000
Non-Life Underwriting*	**5.699**
SCR	**9.008**
Non-Life Underwriting % of SCR	**63%**

**undiversified SCR value*

Non-life insurance risk SCR sub-risks	Description and measures to assess the risk
Premium	The Use of the Solvency II standard formula results in a solvency capital requirement which is significantly higher than statistical analysis of DGIEU's historical loss ratio data suggests, which tends to have a lower level of volatility than the standard formula's parameter. Therefore, USPs are used by DGIEU to better align the SCR to the risk profile. Controls are in place to monitor and manage loss ratio volatility, including pricing policies, re-pricing, approval procedures for new products and major changes in existing products, regular performance review and monitoring of emerging issues.
Reserve	Claims are typically short tailed with approx. 98% of claims paid within the same year as the claim being incurred (and less than 1% unpaid after 24 months). Therefore, USPs are used by DGIEU to better align the reserve risk SCR to the risk profile.
Lapse	Lapse risk SCR is calculated using the Standard Formula. Governance committees such as the EPPGC regularly review the retention performance of products and take necessary actions to improve where feasible.
Catastrophe	Catastrophe risk is applicable for the "miscellaneous financial loss" business line (line of business of 12) "other than extended warranty insurance and reinsurance obligations provided that the portfolio of these obligations is highly diversified, and these obligations do not cover the costs of product recalls" (per DVO, Annex XII). DGIEU considers that its portfolio is highly diversified across different appliance types, manufacturers, ages, and contracts with the OEMs, respectively the insurance conditions exempt DGIEU from additional damage costs relating to recalls. DGIEU's catastrophe risk SCR is zero.

Risk description

Underwriting risk is the potential adverse financial impact that combined claims and repair, acquisition, and administration costs exceed the estimated costs built into the pricing models applied.

Premium and reserve risk corresponds to the risk that the premium charged to policyholders will not be sufficient to cover the claims, expenses and commissions attached to the policies (on an earned basis). Lapse risk is the risk that expected profits included in future premiums [EPIFP] do not materialise due to the cancellation of in-force business.

Catastrophe risks are loss events that occur infrequently but, if they do occur, have a particularly high loss severity and are associated with risk concentrations.

Risk mitigation

DGIEU's underwriting risks are managed through underwriting controls, pricing policies, approval procedures for new products and major changes to existing products, regular review of performance and monitoring of emerging issues.

Material changes over the reporting period

The Reinsurance contract with DGI was changed in FY23 which leads to a reduction of the net claims expense figure in DGIEU. The total amount of claims handling expenses in FY23 is €1.740k, which is reinsured in a ratio of 90%.

Stress and scenario tests

Regular sensitivity analyses are carried out to better understand the impact of risks and risk sensitivities. DGIEU has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually within the ORSA process. Results of the tests improve the DGIEU Management Board's understanding of risk, influence business decisions, and form a key part of the risk management framework. Stress tests concerning the underwriting risk include tests on loss ratios and claims. DGIEU performs various stress tests as part of the ORSA report, either aimed at reducing new business or renewals, or increasing claims costs. The tests have validated that DGIEU maintains sufficient capital to withstand these shocks.

Additional information

To ensure the adequate allocation of the Key Entrepreneurial Risk-Taking functions ("KERT functions") of the insurance business and an appropriate profit attribution mechanism between the German DGIEU head office and the DGIEU Spanish Branch in line with the OECD standards, there are local rules for the DGIEU Spanish Branch.

C.2 Market risk

SCR 2023	DGIEU €'000
Market*	**2.514**
SCR	**9.008**
Market % of SCR	**28%**

** undiversified SCR value*

Market risk SCR sub-risks	Description
Interest-Rate	This is low for DGIEU due to the short duration of assets & liabilities.
Currency	The Company's currency risk relates to changes in the GBP:EUR currency conversion rate which is used to value the assets and liabilities held in the UK. The Group's Corporate Finance Director regularly reviews exposures and informs the Group Investment Committee accordingly.
Equity	DGIEU does not have any equity risk, the equity risk SCR is zero.
Property	Property risk is not considered to be a material risk in DGIEU's SCR.
Spread	Spread risk is the highest risk in DGIEU's market risk SCR. DGIEU's investment strategy is considered to be highly liquid and low risk. The Group Investment Committee is responsible for setting the investment criteria and monitors adherence and performance regularly.

Risk description

Market risk is the potential adverse financial impact of changes to interest rates, equity markets, property markets, foreign exchange rates, fixed income spreads, and concentrations in assets.

Interest Rate Risk: Interest rate risk arises in relation to available for sale investments, e.g. fixed income securities. Interest rate risk on available for sale investments is managed by investing within strictly controlled investment criteria that specify, amongst other things, maximum durations.

Currency Risk: The Company's currency risk relates to changes in the GBP:EUR currency conversion rate which is used to value the assets and liabilities held in the UK.

Equity Risk: Equity risk is a type of market risk that applies to investing in shares. A reduction in the market price of shares reduces the amount of the invested money. DGIEU does not have any equity risk, the equity risk SCR is zero.

Property Risk: Property risk refers to risk events that specifically impact an organization's facilities and other physical infrastructure. Risk events such as fires, adverse weather conditions, and terrorist attacks all fall into the category of property risk. In addition to damaging and destroying physical property, property risk events also have the potential to create stoppages in business operations and material financial losses. Property risk is not considered to be a material risk in DGIEU's SCR.

Spread Risk: Spread risk refers to the risk that the credit spread for a particular investment turns out not to be high enough to justify investing in that particular loan or bond versus other, lower default risk investments, causing the investment to be less worthwhile.

Risk mitigation

DGIEU has a very low appetite for market risk on its investment portfolio, with a strong bias towards investment grade credit.

In FY23, London & Capital continued to manage DGIEU's investments. The investment mandate seeks to carefully allocate funds in order to generate conservative returns within a defined value-at-risk range. Performance and allocation of funds under management is regularly reviewed to ensure compliance with mandates. Performance is overseen on a regular basis by the Corporate Finance Director and Chief Financial Officer, with oversight by the Group Investment Committee. In the event of any significant change, the Chief Financial Officer will seek Board approval for mitigating actions.

Measures used to assess the risk

DGIEU calculates the market risk according to the Solvency II standard formula.

Risk concentration

DGIEU's investment strategy is considered to be highly liquid and low risk. Due to a high level of diversification, DGIEU does not see any concentration risk in its market risk profile.

Material changes over the reporting period

There are no material changes over the reporting period.

Stress and scenario tests

Due to the very conservative and highly diversified investment (DGIEU's investment strategy is considered to be highly liquid and low risk), DGIEU has made a conscious decision not to perform a market risk stress test in the ORSA, as a stress of government and corporate bonds would not have led to significant changes in DGIEU's overall risk profile.

Prudent Person Principle

The Group's Investment Risk Policy covers the investable assets of the Group including DGIEU, having been designed to ensure accordance with the Prudent Person Principle. The preservation of capital is a key investment objective, so investment strategy and associated asset classes are designed so as to reduce risk of a capital loss over the life of the asset. Investment strategy also includes consideration of ESG factors and is overseen by the Group Investment Committee.

Under the investment mandate of DGIEU, investments are managed within a target value-at-risk range to help optimise returns whilst ensuring that the market risk SCR charge remains at an appropriate level.

Liquidity and duration targets for investments are also covered by the relevant mandates to ensure that liabilities are matched by liquid assets with an appropriate duration. Detailed cash flow forecasting is performed regularly to help ensure the balance between bank deposits and invested assets is appropriate for cash requirements.

Products sold by DGIEU do not provide index-linked benefits.

Derivatives are not permitted under the current investment mandate of DGIEU.

C.3 Credit risk

SCR 2023	DGIEU €'000
Counterparty Default*	**3.699**
SCR	**9.008**
Counterparty Default % of SCR	**41%**

**undiversified SCR value*

Counterparty sub-risks	Description
Type 1 counterparty default risk	DGIEU's type 1 risk includes exposure to investment and banking counterparties and to DGI relating to the reinsurer's share of claims mitigated via an investment grade credit rating of DGI.
Type 2 counterparty default risk	DGIEU's counterparty risk includes exposure on intercompany lending to DGI, mitigated via security arrangements.

Risk description

Credit risk is the potential adverse financial impact of loss in value of financial assets due to counterparties failing to meet all or part of their obligations.

Type 1 counterparty default risk: DGIEU's type 1 risk includes exposure to investment and banking counterparties and to DGI relating to the reinsurer's share of claims mitigated via an investment grade credit rating of DGI.

The Company has credit risk exposure to its reinsurer, DGI. This exposure arises from outstanding receivables, ceded technical provisions, and the risk-mitigating effect of reinsurance. The risk-mitigating effect of reinsurance reflects the reduction in the SCR for underwriting risk that is achieved via the reinsurance, and the potential for this to increase significantly in the event of a reinsurer default.

The reinsurance agreement was adapted in FY23. Claims handling expenses are subject of reinsurance with DGI in full FY23.

The Group Investment Committee sets limits on investment and banking counterparty exposures and monitors those exposures periodically.

Type 2 counterparty default risk: DGIEU's counterparty risk includes exposure on intercompany lending to DGI (DGIEU set up a new Intercompany loan receivable in FY22 with the parent company DGI (€17,8m)), mitigated via security arrangements. These balances are monitored regularly, and action taken where necessary to manage balances to acceptable levels. As of balance sheet date 31 March 2023 the loan was partly repaid and amount to €15,0m.

Risk mitigation

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Deposits can only be placed with banks or building societies having credit limits approved by the Board. Counterparty exposure is subject to constant review.

Measures used to assess the risk

DGIEU calculates the counterparty-default risk according to the Solvency II standard formula.

Risk concentration

DGIEU has a number of contracts with major long-standing clients, with exposure on the monies owed to DGIEU at any one time. However, DGIEU closely monitors outstanding debt and is in constant dialogue with their clients and is therefore in a position to act swiftly to mitigate any loss in the event of a major client running into financial difficulties.

Material changes over the reporting period

A material change over the reporting period refers to type 2 counterparty-default risk as the Intercompany loan receivable with the parent company DGI was reduced by €2,8m to €15,0m.

Stress and scenario tests

DGIEU has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually as part of the ORSA. Results of the tests improve the Board's understanding of risk, influence business decisions, and form a key part of the risk management framework.

Credit ratings of significant classes of financial assets:

	A rated (or above) Institutions	Other Institutions	Unrated	Total
	FY23	FY23	FY23	FY23
	€ '000	€ '000	€ '000	€ '000
Deposits with Credit Institutions	11.391	167	0	11.557
Cash and Cash Equivalents	1	0	0	1
Client Payments	0	0	20.491	20.491
Debtors	0	0	9.960	9.960
Total	**11.392**	**167**	**30.451**	**42.009**

	A rated (or above) Institutions	Other Institutions	Unrated	Total
	FY22	FY22	FY22	FY22
	€ '000	€ '000	€ '000	€ '000
Deposits with Credit Institutions	16.481	518	0	16.999
Cash and Cash Equivalents	1	0	0	1
Client Payments	0	0	22.586	22.586
Debtors	0	0	8.604	8.604
Total	**16.482**	**518**	**31.190**	**48.190**

Client prepayments and debtors are largely excluded from the Solvency II balance sheet on account that they either have no market valuation or are captured within technical provision. Client payments were significantly paid in the Iberian market.

The Company has implemented policies that require appropriate credit checks on potential trade partners before sales commence.

The amount disclosed in the balance sheet for financial assets represents the Company's maximum exposure to credit risk.

Past Due or Impaired Financial Assets

The table below sets out an analysis of the Company's assets, showing those which are past due or impaired. Categories of financial assets for which there are neither past due nor impaired balances have not been included below.

Debtors		FY23	FY22	Movement
		€'000	€ '000	€'000
Not past due		3.447	5.366	-1.919
Past due (days)	0 - 30	2.014	3.367	-1.353
	31 - 60	4.960	7	4.953
	61 - 90	0	0	0
	Greater than 90	42	148	-106
Provision		0	0	0
Carrying amount		**10.464**	**8.888**	**1.575**

The past due 31-60 days figure in FY23 is mainly due to one Iberian retail partner.

The Company's assets (as shown on the face of the balance sheet) include:

	FY23	FY22	Movement
	€ '000	€ '000	€ '000
Debtors arising out of Direct Insurance Operations	10.035	8.673	-1.362
Other Debtors	429	215	-214
Other Payments and Accrued Income	20.045	22.463	2.418
Total	**30.508**	**31.351**	**843**

The Company considers notified disputes, collection experience, contractual arrangements, and credit ratings when determining which assets should be impaired.–

C.4 Liquidity risk

Risk description

Liquidity risk is the possibility that DGIEU does not have sufficient available liquid assets to meet its current or future obligations.

An important aspect of the Company's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The most significant payments are claims, repair costs, and commissions, the profile of which is highly predictable.

Risk mitigation

The Company maintains cash and liquid deposits to meet demands on a daily basis.

Measures used to assess the risk

DGIEU calculates the liquidity risk according to the Solvency II standard formula.

Risk concentration

DGIEU does not see any liquidity concentration risk.

Material changes over the reporting period

There are no material changes over the reporting period.

Stress and scenario tests

Regular sensitivity analyses are carried out to better understand the impact of risks and risk sensitivities. DGIEU has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually within the ORSA process. Results of the tests improve the DGIEU Management Board's understanding of risk, influence business decisions, and form a key part of the risk management framework. Stress tests concerning liquidity risk include tests on high one-off payments such as fines related to large data breaches. The tests have validated that DGIEU maintains sufficient capital to withstand these shocks.

Contractual Maturity Analysis

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Claims & Repair Costs FY23 €'000	Claims & Repair Costs FY22 €'000	Creditors FY23 €'000	Creditors FY22 €'000	Total FY23 €'000	Total FY22 €'000
0 - 90 Days	2.513	304	3.531	12.268	6.044	12.572
91 Days - 1 Year	0	0	1.819	1.423	1.819	1.423
1 - 3 Years	0	0	0	0	0	0
3 - 5 Years	0	0	0	0	0	0
Greater than 5 Years	0	0	0	0	0	0
Total	**2.513**	**304**	**5.350**	**13.691**	**7.863**	**13.995**

DGIEU has included expected profit in the (future) premiums ("EPIFP") amounting to €19.179k (FY22: €7.033k).

C.5 Operational risk

SCR 2023	DGIEU €'000
Operational*	2.772
SCR	9.008
Operational % of SCR	31%

**undiversified SCR value*

Risk description

Operational risk arises from inadequately controlled internal processes or systems, human error, or from external events.

Risk mitigation

DGIEU maintains an internal policy for handling operational risk and considers potential operational impacts in all of its risk assessments. Detailed risk registers show that adequate risk controls exist for the most important operational risks and established business areas within DGIEU. These risk registers and controls are regularly monitored and updated within the biannual RCSA.

Measures used to assess the risk

Operational risks are usually more difficult to quantify, so that their materiality is assessed using a likelihood/impact scoring approach. This allows risks to be ranked in order of their potential impact and by this to focus risk management activities on those risks warranting the greatest attention.

Risk concentration

DGIEU does not see any operational concentration risk.

Material changes over the reporting period

There are no material changes over the reporting period.

Stress and scenario tests

Scenario analyses conducted within the ORSA are based on a range of severe, yet plausible operational risk scenarios to analyse DGIEU's financial soundness in the event of a severe operational risk crystallising, and an on assessment of the available mitigating actions. The ORSA demonstrates that DGIEU is well positioned to withstand severe scenarios and controlled in such a way to limit the likelihood and impact of events of this nature occurring.

DGIEU's current risk profile includes the following risk sub-categories of operational risk: enterprise resilience, information security and data protection, technology, people, third-party risk, and legal and regulatory risk.

Principal operational risks for DGIEU include:

Risk and definition	Context	Risk management and mitigation
Information Security and Data Protection The risk that DGIEU exposes its customers, suppliers, or employees to data loss / data breaches through for example, cyber-attacks or unintended leakage of sensitive data, if data is not held securely and in compliance with legal requirements (incl. GDPR).	DGIEU regularly collects, processes, stores, and handles non-public data from customers and suppliers, and therefore must comply with all applicable data protection laws (including GDPR).	DGIEU has embedded a framework of controls to mitigate the risk of non-compliance with its data security and privacy requirements, and regularly review its conformance with relevant international standards. In addition, D&G (including DGIEU) have implemented an Enterprise Resilience Framework to continually stress D&G's response, recovery and restoration controls to mitigate the impact of events should they occur. D&G complies with GDPR on the processing of personal data and on the free movement of such data.
People Risk The risk that DGIEU does not attract, retain, and develop talent required to deliver its strategic and operational objectives.	DGIEU employs approx. 500 employees across its sites. The delivery of DGIEU's objectives is driven by its peoples' skill, talent and behaviour	DGIEU has successfully delivered its value proposition of everyday flexibility working and continues to regularly review its employees' engagement and adequacy of its skills and resourcing, including via: • Recruitment and vetting policy; • Mandatory training programme for all employees; • Performance management processes; • Regular review of succession planning. • Diversity & inclusion initiatives • Reward programme, overseen by the Group's Remuneration Committee.
Technology The risk that DGIEU's legacy technology does not enable efficient delivery of business objectives e.g.	Technology is a fundamental enabler for the delivery of our strategy and growth ambitions. As	To ensure DGIEU's systems and hardware meet its operational objectives and enable the delivery of DGIEU's strategy. The following key

Risk and definition	Context	Risk management and mitigation
due to its inflexibility, unavailability, instability, obsolescence, lack of future-proofing.	we accelerate our migration away from inflexible, legacy applications, towards modern, highly-flexible cloud-based systems and in-house built digital products, our teams are driving this transformation at pace. This requires us to balance risk versus ambition in order to successfully deliver operational, commercial and customer benefit without causing business disruption.	controls are in place to mitigate the technology risk posed by legacy systems: • IT governance which oversees Technology Operations, Architecture, and large-scale change & release; • IT Service Continuity and Enterprise Resilience Frameworks; • Incident management and disaster recovery.
Third Party Risk The risk that services delivered by third parties of DGIEU fall below the required standards, resulting in business interruption, poor customer outcomes, data breaches, or financial loss.	DGIEU has agreements in place with third parties to provide sales distribution, contact centre, technology and professional services (subject to satisfactory due diligence outcomes and acceptance of contractual requirements). This allows DGIEU to focus on developing its core competencies.	All new outsourcing agreements are arranged in accordance with DGIEU's Outsourcing Policy and subject to appropriate levels of due diligence and onboarding. DGIEU monitors the performance of material outsourced service providers. Performance against each aspect of the customer journey is reported through DGIEU's internal governance structure, where any exceptions are identified and proactively addressed.
Conduct Risk The risk that the provision of DGIEU's services fail to provide customers with fair outcomes.	DGIEU provides valuable services for essential household appliances and devices and aim to deliver fair customer outcomes and meet our customers' expectations, whilst generating sustainable profitability.	• Comprehensive training and competence programmes • Quality assurance programme covering in-house and outsourced customer-facing activities as well as third party distribution • Root cause analysis to identify and act upon complaint trends to ensure continued focus on fair outcomes • Governance committees monitor adherence to conduct risk appetite, and achieving of good customer outcomes • Our second line of defence includes a risk-based compliance monitoring programme, targeting key areas of conduct risk • D&G monitors the appliance market and works closely with its OEM partners to plan for potential disruption • The design of products meet identified customer needs to generate fair outcomes, ensuring products are fit for purpose and are sold appropriately • The design, production and distribution of all customer facing communications is clear, fair and is not misleading
Underwriting and pricing The risk that DGIEU's insurance premiums are not able to cover existing or future claims.	DGIEU has extensive experience and specialist technical capabilities in pricing its underwriting risks, yielding reliable and	DGIEU manages the risk of underwriting and pricing adversely impacting on business performance by:

Risk and definition	Context	Risk management and mitigation
	stable underwriting performance. DGIEU ensures its customers receive good value from products we offer and act with due regard to DGIEU's commitment to upholding good outcomes for customers.	• Building statistically robust pricing models with multiple years of data, run by experienced specialist teams. • Monitoring performance, including written premium and claims costs. Underwriting and pricing processes are subject to risk management governance and control to ensure pricing models are fair and non-discriminatory, whilst generating sustainable profit. Regarding the increased inflationary environment in our markets, underwriting KPIs are closely monitored, and revised inflationary assumptions have been included in the financial planning. The rate of insurance policy cancellations and renewal uptakes is monitored closely by a specific group-wide working group to identify areas where response is required. Regarding the ongoing conflict in Ukraine DGIEU does not underwrite insurance policies in Russia or Ukraine.

C.6 Other material risks

COVID-19

There are no COVID-related risks to report since the last SFCR. COVID-19 is no longer considered a material risk for D&G. However, potential implications are monitored via established governance.

Regulatory change

Conduct risk is the risk of a failure to consistently deliver fair customer outcomes, in line with relevant laws, regulations and standards in the EU. This risk is mitigated by (i) appropriate first line controls, dedicated compliance and legal teams and active monitoring of product development and treatment of customers to ensure DGIEU meets all applicable regulations; (ii) involvement of appropriate legal resource and expertise in contract negotiations and dispute resolution; (iii) training and competence programmes for staff; (iv) strong product design, sales and customer marketing standards; and (v) specialised expertise in local markets.

DGIEU proactively scans the horizon to monitor for the potential emergence of macro-factors, including regulatory/legislative developments, inflation, competitor behaviour, geo-political unrest, and changes in consumer demand to ensure that its strategy continues to be aligned with customer needs and the regulatory landscape.

In Spain, a new draft act on customer service has been identified which would require operational updates to ensure compliance. Those operational updates include updated vulnerable customers and complaints processes as well as extended call centre hours. A detailed legal assessment has already been completed and shared with the DGIEU Management Board. However, following end of FY23, the initiative has been paused due to elections in Spain.

In addition, the EIOPA review of Solvency II is ongoing which could result in changes to the Solvency II framework. DGIEU is tracking publications in this regard and assesses their implications for the Company.

DGIEU is also fully aware of regulatory initiatives related to Operational resilience. Operational resilience in the EU comprises the EU Digital Operational Resilience Act which requires compliance by 17 January 2025. To address this, D&G appointed a full-time Enterprise Resilience Director who drives the implementation of operational resilience requirements throughout the Group.

In addition, DGIEU notices the increasing focus on artificial intelligence. Overall, this new technology could enable companies to offer better data-driven products and services to consumers, improve operational efficiency, and drive innovation. DGIEU monitors any new regulations on artificial intelligence via horizon scanning and will adequately identify and manage potential risks and opportunities associated with this via the established risk management system and related governance.

Key client risk

DGIEU maintains close relationships with strategically important partners (clients), the loss of which could materially impact the delivery of future growth plans. DGIEU's dedicated client management team maintains close relationships with its partners with careful management of service levels. DGIEU has negotiated long-term contractual agreements with most of its key clients which typically allow the Company to retain ownership of the customer relationship after client termination, creating incentives for long-term, sustainable partnerships with clients. However, a key client concentration risk is generated by key clients in the EEA business. This risk is actively addressed, with work underway to win new clients and ongoing review of existing contract terms and durations.

Strategic delivery risk

The Group's strategic plan ('Focus 25'), which also comprises DGIEU, contains a number of initiatives to increase shareholder value by the end of financial year-ending 31st March 2025, underpinned by focuses on speed, simplicity, and scale. Part of the plan includes an IT modernisation programme running alongside other business transformation initiatives. This could result in delivery risk due to capacity shortfalls (the risk has been partially mitigated by engaging with external technology specialists to help provide specialist expertise to supplement internal resources). Independent of the delivery of transformation, there may also be the risk that the anticipated benefits are not realised (e.g. due to changes in underlying assumptions or previous estimations of benefits being based on flawed assumptions). Improvements in change governance and the embedding of agile delivery methods are underway to improve the likelihood of delivery to time / cost / quality / benefit requirements, and that risks are appropriately assessed and managed.

Post-Brexit changes

In FY21, the Part VII transfer was executed under the UK's Financial Services and Markets Act 2020. Given its plans to continue to grow in Europe, DGIEU recognises that risks may emerge after the transition period which could cause regulatory divergence (and non-equivalence) between UK and EU prudential regimes. Non-equivalence could increase the compliance burden – and therefore cost - for the Regulated Group.

This non-equivalence risk will continue to be monitored however a mitigation against non-equivalence is that DGI has an investment grade credit rating (BBB). A two-notch downgrade of DGI's credit rating to non-investment grade could increase DGIEU's SCR (relating to counterparty default risk) and therefore result in DGI increasing its equity holding in DGIEU. However, this is not currently considered to be likely, as the rating was recently reconfirmed (with a stable outlook), and business performance is positive.

An analysis of the tax treatment of the Part VII Transfer was conducted with the assistance of specialist, external tax advisers including an assessment of tax risks. The transactions were considered thoroughly from a tax point of view and potential, theoretical tax risks were analysed as unlikely to arise, based on the fact pattern of, and reasons for the transaction.

Financial risks from climate change

BaFin is increasingly linking climate change risk to their statutory objectives and expect that regulated firms understand how climate change may affect their risk profile and take the necessary steps to govern and manage those risks appropriately.

Climate Change Risk: Governance

The DGIEU Management Board reviews DGIEU's climate change risk assessment biannually, as part of the refresh of the DGIEU risk profile across its main principal risks and categories. This helps inform the development of the business plan.

The DGIEU Risk Management Function is responsible for ensuring DGIEU meets regulatory expectations (including in relation to climate change-related risks).

A Sustainability Committee at Group-level is made up of DGLG sponsors and business leads who are responsible for delivering on D&G's commitment to the United Nations Sustainable Development Goals, ESG strategy, and driving value to D&G's stakeholders. The cross-functional working group is led by high-performing talent and subject matter experts from a broad cross-section of the business and is responsible for delivering ESG led initiatives in alignment with D&G's business plan.

Climate Change Risk: Risk Management

Climate change-related risks are the uncertain events that may arise from climate change or from the impacts and economic / financial consequences of efforts to mitigate climate change. Climate change-related risks can be further defined into three sub-risks:

- Physical risk - the increasing severity and frequency of extreme climate change-related weather events and longer-term gradual shifts in weather;
- Transition risk - changes to market dynamics driven by the process of adjustment to a low-carbon economy; and
- Liability risk – relates to litigation against parties for losses caused by physical or transition risks (this risk type is not currently believed to be relevant for DGIEU).

Physical risk

Small exposures to physical risk have been identified in DGIEU's underwriting portfolio (although not currently material), relating to 'cooling' (e.g. refrigeration) appliance claims (which tend to increase as temperature increases due to increased or improper utilisation) therefore longer-term temperature increases may result in increased claims costs assuming all else remains equal. Refrigeration claims represent a minority of claims costs (less than c.10%) therefore the aggregate loss ratios are not very sensitive to refrigeration loss ratio performance. Due to the short-tail nature of claims, it is unlikely to have material movements to refrigeration claims reserves. There is currently no exposure to catastrophe risk.

DGIEU's evaluation of physical risks suggests they are currently not material to its strategy; mitigations include:

- Underwriting portfolio is well diversified to different appliance types;
- DGIEU's real estate strategy is of renting rather than owning its sites, which helps mitigate risks from property damage risks (e.g. due to storms);
- Flexible working and increasing use of cloud solutions helps to diversify locational risks (e.g. heatwaves and flooding); and
- Product value (e.g. utilisation, gross loss ratios) monitored through the EPPGC.

Transition risk

Transition risks are more uncertain as there is no experience of such risks to allow reliable and useful assessment as to their significance and likelihood, and there are strong interdependencies with physical risks i.e. acute physical risk crystallisation may accelerate transition risks. DGIEU regularly scans the horizon for updates in regulation & legislation, as well as consumer trends which could create risks or opportunities in relation to climate change.

DGIEU's evaluation of transition risks suggests that they are more relevant than physical risks (e.g. technological developments in appliances), although they are not currently material.
Mitigations include:

- Cross-functional, group-wide scanning of emerging risks, and changes to legislation and regulations;

- Strong relationships with its OEM partners and industry bodies, to help identify opportunities associated with technology innovation; and
- The Group's ESG governance and initiatives.

These risks will continue to be reviewed (and new risks identified) as part of the existing RCSA, and horizon scanning processes. Scenario analyses are performed annually as part of the ORSA, modelling increased claims expenses (relating to increased physical risk) and transition risk-driven reduction of new business sales.

Science based targets / carbon footprint results

In FY23, the Group continued to work on a calculated estimate of current emissions, which are used to set Science Based Targets (SBTs) with an accompanying action plan. This work will continue in FY24.

DGIEU will continue to develop its framework for the management of climate change related risks, in line with regulatory requirements and in response to the materiality of risks identified.

C.7 Any other information

DGIEU has established processes to undertake stress and scenario testing at least annually as part of the ORSA (as well as sensitivity analysis performed as part of the financial planning process). Scenarios are designed in collaboration with management and the Solvency II Working Group (a cross functional working group with representation from Finance, Risk and Actuarial).

2022 ORSA scenarios (hypothetical, severe, yet plausible, scenarios based on D&G's risk profile) included:

- Loss of key client
- Reputational harm
- Cyber risk
- Brexit tax risk
- Climate change
- Inflation
- Regulatory change and conduct risk

Scenario analysis includes stresses applied to written & earned premium, policy lapse and cancellation rates, claims costs, commission expenses, administration costs, and exceptional items, net of changes in corporation tax owed. The resulting effects on the following metrics are measured and reviewed by the DGIEU Management Board to improve the understanding of risk, influence business decisions, and form a key part of the risk management framework:

- Eligible Own Funds;
- SCR and MCR;
- Profit; and
- Liquidity.

Based on the results of the scenario analysis from the 2022 ORSA, DGIEU believes that it is appropriately capitalised to withstand such shocks with SCR Coverage remaining above 130%.

A reverse stress test is also performed, to establish the severity of stresses required to reduce SCR Coverage to 100%. DGIEU is satisfied that such stresses sit well outside the 99.5th percentile / 1-in-200 event.
There is no other material information, regarding DGIEU's risk profile, to report on.

D. VALUATION FOR SOLVENCY PURPOSES

Section D focuses on the Solvency II balance sheet and the valuation of assets and liabilities and shows where these valuations differ to the value in the statutory accounts. For each material class of assets, technical provisions, and other liabilities where there are differences, the following information is provided:

- A description of the bases, methods, and main assumptions used in arriving at the valuation for solvency purposes.
- Quantitative and qualitative explanations of material differences between the bases, methods, and main assumptions used for the valuation for solvency and financial statement purposes.

The Solvency II balance sheet is derived from the Company's German GAAP Financial statement, adjusted for valuation differences and reclassifications where required. The German GAAP financial statements ("financial statements") are prepared in accordance with the "code of commercial law" (Handelsgesetzbuch, HGB), "stock corporation law" (Aktiengesetz), VAG, and the "external accounting regulations for insurance companies" (Verordnung über die Rechnungslegung von Versicherungsunternehmen).

As an insurance company DGIEU prepares the financial statement and management report equal to a large-sized company in accordance with § 341a Abs. 1 HGB.

The GAAP financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available for sale financial assets, and financial instruments held at fair value through profit or loss. Under Solvency II, assets and liabilities should be valued on a market consistent basis, which is deemed equivalent to fair value under IFRS. For assets and liabilities that are not stated at fair value under GAAP, adjustments are made to bring these in line with Solvency II where necessary. "Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marked participants at the measurement date. It is measured using assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Information on investment risk management and liquidity risk management can be found in sections C.2 and C.4 of this SFCR.

The material classes in the solo entity Solvency II balance sheet are shown in the table below.

Summary Solvency II Balance Sheet FY23:

	Solvency II	Statutory	Difference
	€'000	€'000	€'000
Assets			
Goodwill	0	30.538	-30.538
Intangible Assets	0	1.993	-1.993
Property, Plant and Equipment held for Own Use	1.458	533	925
Investments	30.121	30.724	-603
Insurance and Intermediaries Receivables	0	9.539	-9.539
Trade Receivables	-5.672	127	-5.799
Intercompany Loan Receivable	15.000	15.000	0
Cash and Cash Equivalents	11.558	11.558	0
Reinsurance Premium Provision	34.215	0	34.215
Reinsurance Claims Provision	3.752	0	3.752
Reinsurance Receivables	2.752	0	2.752
Other Assets	0	26.847	-26.847
Total Assets	**93.184**	**126.859**	**-33.675**
Liabilities			
Technical Provisions - Non-Life	-967	29.145	-30.112
Best Estimate	-1.972	0	-1.972
Risk Margin	1.005	0	1.005
Debts owed to Credit Institutions	1.308	0	1.309
Insurance and Intermediaries Payables	12.871	9.554	3.317
Payables (Trade, Not Insurance)	0	1.191	-1.191
Provisions other than Technical Provisions	11.567	11.584	-17
Reinsurance Payables	26.806	26.890	-84
Subordinated Liabilities	7.000	7.000	0
Deferred Tax Liability	13.032	0	13.032
Any Other Liabilities, Not Elsewhere Shown	-3.555	14.886	-18.441
Total Liabilities	**68.062**	**100.249**	**-32.186**
Excess of Assets over Liabilities	**25.122**	**26.610**	**-1.488**

D.1 Assets

Material Class	
Intangible Assets including Goodwill	No Intangible assets or Goodwill under Solvency II Intangible assets are measured at acquisition cost less straight-line amortization over its ordinary useful life under HGB. Goodwill in DGIEU results from the valuation of Continental European insurance business for contribution to the company (Part VII). The recognition was made at acquisition cost. The scheduled depreciation is based on the expected useful life.
Deferred Acquisition Costs (DAC)	Deferred acquisition costs are valued at nil for Solvency II purposes. Any future cashflows relating to acquisitions costs are either included in the best estimate technical provisions or under insurance and intermediaries payable amounts in the balance sheet. Under German GAAP, capitalisation of deferred acquisition costs is not permitted. 85% from commissions and other compensation of insurance sales personnel, relating to deferred premiums can be deducted from Unearned Premium Reserve (“UPR”).
Property, Plant and Equipment held for Own Use	Property, plant and equipment are held at fair value. Plant and equipment which are valued at depreciable value under German GAAP are valued at nil for Solvency II purposes.
Investments and Cash	Investments are held at fair value where level 1 inputs can be obtained. Level 1 refers to the first level of the Fair Value hierarchy which categorises valuation inputs into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in an active market and the lowest priority to observable inputs in inactive markets (Level 3). Deposits other than cash equivalents comprise cash balances, call deposits and term deposits with an original term date of less than three months. Cash and cash equivalents comprise any cash which can be accessed in no more than one day. <u>Level 1 inputs</u> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. <u>Level 2 inputs</u> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable from the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company’s investment portfolio is categorised as Level 1 and 2. The Company has no investments which are Level 3. Under German GAAP, investments are valued with acquisition costs or a lower attributed fair value. Cash is accounted with the nominal value.
Inter-Company Loan Receivable	In connection with the commencement of investment activities in fixed-interest securities of the DGIEU a loan was granted to the parent company.

Material Class	
	The loan is secured by linking the mortgage lending value to receivables from insurance intermediaries of DGI. An interest income is in place. Loans to affiliated companies are recognised at the lower of cost or fair value. Bearer bonds and other fixed-income securities are valued at the lower of cost or permanent fair value. Bearer bonds and other fixed-income securities valued in accordance with the regulations applicable to fixed as-sets are recognised at the lower of cost or permanent fair value in accordance with the moderate lower-of-cost-or-market principle.
Insurance and Intermediaries Receivable	Insurance and intermediaries receivables are recognised at fair value. Because these receivables are not yet due, they form part of the cashflows considered in the best estimate technical provision calculation (see D.2). Under German GAAP, insurance and intermediaries receivables are valued with acquisition costs. A lower attributed fair value is considered with a general or specific bad-debt provision.
Any Other Assets, not Elsewhere Shown	Trade, Other loan receivables and other debtors are recognised at fair value. Other assets include prepayments. Prepayments are valued at nil if it cannot be demonstrated that they have a market value. Under German GAAP, other assets are valued with acquisition costs or a lower attributed fair value. Prepayments in the sense of sign off payments to a partner, e.g. for a future contract extension period are handled as DAC (so expensed under HGB) once the start of the extension period begins.
Deferred Tax Assets	The deferred tax asset in the Company Solvency II balance sheet reflects the net deferred tax asset on a Solvency II basis which uses the valuation rules within the statutory accounts. The difference reflects the deferred tax impact of the revaluations made between German tax GAAP and Solvency II in the other balance sheet line items, primarily the changes to the Technical Provisions. Under German GAAP, deferred tax assets or liabilities calculate the future tax impact of the revaluations made between German GAAP and tax GAAP. For DGIEU no deferred taxes are applicable (§ 274 Abs. 1 Satz 2 HGB).

There are no further assets at DGIEU. Therefore, there are no other items to report on.

D.2 Technical provisions

Technical Provisions – Best Estimate

Best estimate technical provisions by class are as follows:

Best Estimate	Premiums Provisions	Claims Provision	Risk Margin	Total
FY23	€'000	€'000	€'000	€'000
Gross of Reinsurance	-6.163	4.191	0	-1.972
Ceded to Reinsurance	34.215	3.752	0	37.967
Net of Reinsurance	-40.378	439	1.005	-38.934

Best Estimate	Premiums	Claims Provision	Risk Margin	Total
FY22	€'000	€'000	€'000	€'000
Gross of Reinsurance	10.168	4.332	0	14.500
Ceded to Reinsurance	38.852	3.726	0	42.578
Net of Reinsurance	-28.684	606	1.100	-26.978

The main cause of differences in the Best Estimate figures between FY23 and FY22 is due to the increased subscription business, impacting especially the premium best estimate position.

Bases, Methods, and Main Assumptions

The reserves under German GAAP are primarily unearned premium reserves based on earning patterns applied to the premiums written and earned out over the policy length. Solvency II technical provisions are based on a future cash flow basis and the German GAAP provision is removed.

Technical Provisions - Best Estimate

Technical Provisions represent a valuation of the Company's obligations towards policyholders. Under Solvency II these are required to be equal to the probability-weighted average of all future cashflows, taking account of the time value of money.

Best estimate technical provisions are comprised of a claims provision, premium provision, and a risk margin. The claims and premium provisions combined give the expected cost of settling all future claims arising from business that DGIEU is contractually obliged to cover. This includes an allowance for the expenses of both running the Company and of servicing claims such as claims handling staff costs. The risk margin relates to the cost of capital that would be incurred by another entity running off the liabilities while maintaining adequate capitalisation under Solvency II.

The claims provision and premium provision are calculated (and held on the balance sheet) separately for gross of reinsurance and ceded to reinsurance. The risk margin is calculated only based on the net technical provisions. The gross provisions are held as liabilities, while the ceded provisions are held as assets.

The estimation of future income and costs is based on business already written, as well as on business that has not yet incepted, but where the Company is obliged to offer cover, i.e., renewals already offered or quoted (Bound But Not Incepted – BBNI).

The gross claims provision is the discounted best estimate of all future cash-flows relating to claim events which occurred prior to the valuation date. These cash-flows are made up of expected claim payments related to claims which have been incurred and associated claim handling expenses. The level of claim payments includes a loading for Events Not In Data (ENID).

The ceded claims provision is calculated as the discounted sum of cash-flows due from the reinsurer relating to claim events which occurred prior to the valuation date. This includes the reinsurer's share of future claim payments, including those related to ENIDs. It is assumed that the reinsurer does not make payments to DGIEU to cover claims handling expenses related to claims already incurred. This is in contrast to the premium provision, which includes future earned reinsurance commissions. The ceded claims provision is reduced slightly to take account of expected future reinsurer defaults.

The gross premium provision is the discounted best estimate of all future cash-flows relating to future exposure arising from policies that the Company is obligated to cover at the valuation date. The calculation makes assumptions about the levels of future lapses and cancellations. The cash-flows are made up of:

Cash out-flows:

- Claim payments, including those related to BBNI policies. The level of claim payments includes a loading for Events Not In Data (ENID),
- Expenses related to claims handling, administration, overheads and investment management,
- Acquisition expenses for BBNI policies, and
- Insurance Premium Tax (IPT) on future premium income.

Cash in-flows:

- Future premium income (warranty debtors and tacit renewals) and
- Commission clawback and IPT refunds on expected lapses or cancellations.

The ceded premium provision is calculated as the discounted sum of cash-flows due from the reinsurer relating to future exposure arising from policies that the Company is obligated to cover at the valuation date. The estimates of future cashflows for claims paid by the reinsurer, including those related to ENIDs, are calculated as 90% of the estimates of future cashflows, gross of reinsurance, including those related to ENIDs. It is assumed that all overhead and administration expenses are borne by DGIEU, not the reinsurer, so that no cashflows relating to expenses, which are captured within the gross premium provision, are included within the ceded premium provision. The ceded premium provision also includes cashflows relating to the reinsurer's share of any future premium net of ceding commission.

Technical Provisions – Risk Margin

A further risk margin amount is included within the technical provisions. This is equivalent to the hypothetical amount that an insurance undertaking would be expected to require in order to take over and meet the technical provisions obligations.

The risk margin is defined within Article 77 of the Directive as:

"The risk margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations."

The Solvency II Delegated Acts stipulate that the risk margin for the whole portfolio of insurance obligations should be calculated using the following formula:

$$RM = CoC \times \sum_{t \geq 0} \frac{SCR(t)}{(1 + r_{t+1})^{t+1}}$$

where CoC is the Cost of Capital (prescribed at 6%), SCR(t) is the Solvency Capital Required at time t, and rt is the risk-free rate for maturity at time t.

The Company uses the second simplification as referred to in guideline 62 of the document Guidelines on the Valuation of Technical Provisions for the calculation of the risk margin, which is applied as follows:

- To approximate the whole SCR for each future year, undertakings can multiply the SCR at the valuation date by the ratio of the best estimate TPs (i.e., those prior to application of the risk margin) at that future year to the best estimate TPs at the valuation date, providing that it is reasonable to assume that the risk profile will be unchanged over time.
- The SCR considered at the valuation date should include the following risks:
    - Non-life underwriting risk,
    - Reinsurance counterparty default risk, and

- Operational risk.

The SCRs are then discounted to the valuation date using the prescribed EIOPA yield curve, summed, and multiplied by the Cost of Capital factor (presently 6%) to determine the Risk Margin.

Material Changes in Assumptions

There are no material changes in assumptions to report.

Key Uncertainties

There are many areas of uncertainty within the technical provisions. Estimation techniques are therefore used in the calculation of the ultimate cost of settling both claims that have occurred prior to the balance sheet date, and remain unsettled at the balance sheet date, and claims costs that will arise in relation to events that have not happened at the balance sheet date.

DGIEU uses a bespoke method for calculating fair value Incurred But Not Reported (IBNR) for extended warranty insurance business. The DGIEU IBNR method accounts for both changes in exposure and differences in the size of projected payment, based on the age of a claim. For DGIEU portfolios, the methodology is based on monthly incremental paid data (i.e., cash flows) related to accident month cohorts, separately for segments defined for the Solvency II Best Estimate calculation.

In FY23, DGIEU implemented sensitivity testing on technical provisions as part of each reporting cycle to quantify the uncertainties within the technical provisions. The sensitivity testing on technical provisions includes stresses on claims and expenses, each increasing by 5%, 10% and 20%. The outcome is shared with the Group Data Governance Committee as part of the QRT data sign-off.

Reconciliation to Statutory Values

FY23	€'000
German GAAP Technical Provision	29.145
Adjustment to Gross Solvency II Best Estimate	-31.117
Gross Best Estimate Liability	**-1.972**
Remove Ceded Best Estimate	37.967
Net Best Estimate Liability	**-39.939**
Add Risk Margin	1.005
Solvency II Technical Provision	**-38.934**

FY22	€'000
German GAAP Technical Provision	46.934
Adjustment to Gross Solvency II Best Estimate	-32.434
Gross Best Estimate Liability	**14.500**
Remove Ceded Best Estimate	42.578
Net Best Estimate Liability	**-28.078**
Add Risk Margin	1.100
Solvency II Technical Provision	**-26.978**

The Solvency II technical provisions for the Company are estimated on a best estimate cash flow basis. The primary adjustments to move from a German GAAP to a Solvency II basis are as follows:

Removal of German GAAP Reserves

- Removal of the unearned premium from the starting position of the German GAAP reserves as this is not measured on a cash flow basis and
- Removal of the margins within the German GAAP claims reserves as the Solvency II technical provisions are on a best estimate basis.

Solvency II Specific Adjustments

- Inclusion of claims provision which is the cost of claims for events which have occurred prior to the valuation date, estimated on a future cash flow basis,
- Inclusion of an allowance for expenses which is required to service the run-off of the technical provisions,
- Inclusion of premiums provision which is the future cost arising from policies obligated to at the valuation date,
- Recognition of cash flows relating to business bound before, but incepting after the valuation date,
- Recognition of future cash inflows for existing business less an allowance for policies lapsing,
- The inclusion of an additional cost for Events Not In Data,
- The impact of discounting the cash flows above using the risk-free yield curve, and
- The inclusion of the risk margin as shown separately in the table above.

Adjustments and Simplifications

The Matching Adjustment and Volatility Adjustment have not been applied in the calculation of technical provisions.

The transitional risk-free interest rate term structure as per Article 308c of the Directive has not been applied in the calculation of Technical Provisions.

The transitional deduction as per Article 308d of the Directive has not been applied in the calculation of Technical Provisions of 31 March 2023.

D.3 Other liabilities

Other liabilities represent provisions for estimated costs incurred but not yet billed or paid. Estimates are periodically reviewed and changes are reflected in the income statement as they occur.

Material Class	
Insurance and Intermediaries Payable	Insurance and intermediaries payables are recognised at fair value. As they have been authorised for settlement, they do not form part of the cashflows considered in the best estimate technical provision calculation. Under German GAAP, insurance and intermediaries payable are valued with the settlement amount.
Payables (Trade, Not Insurance)	Trade payables include Insurance Premium Tax ("IPT") costs which, as they relate to insurance and intermediary debtors receivable, form part of the cashflows considered in the best estimate technical provision calculation (see D.2). Under German GAAP, Trade payables are valued at the settlement / repayment amount.
Deferred Tax Liabilities	The deferred tax liability is netted with the deferred tax asset which resulted in a total net deferred tax liability in the Solvency II balance sheet. The difference reflects the deferred tax impact of the revaluations made between German GAAP and Solvency II in the other balance sheet line items, primarily the changes to the Technical Provisions (see D.2). As the Company projected ongoing future taxable profits starting with FY25, the net deferred tax asset is assessed as recoverable. Under German GAAP, deferred tax assets or liabilities calculate the future tax impact of the revaluations made between German GAAP and tax GAAP. For DGIEU no deferred taxes are applicable (§ 274 Abs. 1 Satz 2 HGB).
Other Liabilities	Other liabilities are measured at fair value and represent provisions for estimated costs incurred but not yet billed or paid. Estimates are periodically reviewed and changes are reflected in the income statement as they occur. Under German GAAP, other liabilities are valued with the expected settlement amount.

There are no further other liabilities at DGIEU. Therefore, there are no other items to report on.

D.4 Alternative methods for valuation

Property has been valued based on a market rent benchmark incorporating characteristics of similar assets. At the year-end, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Land and buildings	Movement
	FY23	FY22	
Operating leases which expire:	€ 000	€ 000	€ 000
within one year	821	1.088	-267
within one to five years	1.583	1.681	-98
over five years	0	0	0
Total	2.404	2.769	-366

D.5 Any other information

Sensitivity Testing on Key Assumptions

Below shows the sensitivity test on key assumptions within the Technical Provision calculation:

	DGIEU	Likelihood
	€mio	
Base	**-1,50**	
Stress 1: Claims increase by 5%	1,26	Unlikely
Stress 1: Claims increase by 10%	4,02	Remote
Stress 1: Claims increase by 20%	9,54	Remote
Stress 4: Expenses increase by 5%	-1,34	Likely
Stress 4: Expenses increase by 10%	-1,18	Unlikely
Stress 4: Expenses increase by 20%	-858,72	Remote

Other Information

There is no other material information to report.

E. CAPITAL MANAGEMENT

The Solvency Ratio is calculated as the ratio of Eligible Own Funds to the Solvency Capital Requirement (SCR).

There are limits for the calculation of the Solvency Ratio.

The following quantitative limits are set for the Solvency Capital Requirement:

- The allowable amount of Tier 1 own funds must be at least 50% of the Solvency Capital Requirement,
- The allowable amount of Tier 3 own funds must not exceed 15% of the Solvency Capital Requirement,
- The sum of allowable Tier 2 and Tier 3 own funds must not exceed 50% of the Solvency Capital Requirement.

The following quantitative limits shall apply to the Minimum Capital Requirement:

- The allowable amount of Tier 1 own funds must be at least 80% of the Minimum Capital Requirement,
- The allowable amount of Tier 2 own funds must not exceed 20% of the Minimum Capital Requirement.

This section contains reconciliation from the IFRS net assets to the Solvency II excess of assets over liabilities that forms part of Tier 1 Own Funds. The individual material classes of assets, technical provisions, and liabilities are considered in sections D.1, D.2 and D.3, respectively.

The Company's capital position as of 31 March 2023 is as follows:

The Company's Capital Position	FY23	FY22	Movement
	€'000	€'000	€'000
Eligible Own Funds	29.626	25.762	3.864
Solvency Capital Requirement (SCR)	9.008	10.205	-1.197
Ratio of Eligible Own Funds to the SCR	329%	252%	76%

DGIEU makes use of USPs in its application of the Standard Formula. Based on this model, and on assessment of risk and solvency requirements, DGIEU remains well capitalised in relation to its risk profile. Compared to the previous FY the Solvency Ratio with USPs significantly increased by 76 percent points to 329%. This is mainly due to the change of the Reinsurance contract with DGI, impacting the claims reinsurance figure in full FY23. The reinsured claims expenses now include claims handling expenses as well. In addition, a tax income relating to PY impacting the CY own funds positive. The decreased SCR is mainly due to a reduced intercompany default risk compared to FY22.

E.1 Own funds

Capital Management Objectives

The DGIEU Management Board's primary objective in respect of capital management is to ensure the Company maintains sufficient financial resources to meet all obligations as they fall due, including meeting the MCR and SCR requirements plus a buffer.

DGIEU has embedded its capital management processes into its normal planning, reporting, and decision-making activities. Capital projections are undertaken each year as part of the budgeting and ORSA processes and also as part of the planning process. The DGIEU Management Board reviews the capital position of DGIEU each quarter.

The Company is well capitalised under the Solvency II standard model including USPs for premium and reserve risk and on the basis of its ORSA.

Classification of Own Funds by Tier

Under Solvency II, a distinction is made between basic and ancillary own fund items. Basic own funds are basically the excess of assets over liabilities whereas ancillary own funds are defined as further own fund components subject to approval by the supervisory authority. Based on this, own funds are divided into three different tiers:

- Tier 1: Basic own fund items meeting all defined criteria under Solvency II
- Tier 2: Basic own fund items meeting most defined criteria as well as ancillary own fund items all defined criteria under Solvency II
- Tier 3: Other own fund items not covered by the other classes

DGIEU’s own funds in its Solvency II balance sheet were made up as follows:

FY23	Tier	Total available own funds to meet the SCR	Total available own funds to meet the MCR	Total eligible own funds to meet the SCR	Total eligible own funds to meet the MCR
		€'000	€'000	€'000	€'000
Ordinary Share Capital	Tier 1	2.550	2.550	2.550	2.550
Share Premium	Tier 1	250	250	250	250
Reconciliation Reserve	Tier 1	22.322	22.322	22.322	22.322
Subordinated Liabilities	Tier 2	7.000	7.000	4.504	540
Deferred Tax Asset	Tier 3	0	0	0	0
Own Funds		**32.122**	**32.122**	**29.626**	**25.662**

FY22	Tier	Total available own funds to meet the SCR	Total available own funds to meet the MCR	Total eligible own funds to meet the SCR	Total eligible own funds to meet the MCR
		€'000	€'000	€'000	€'000
Ordinary share capital	Tier 1	2.550	2.550	2.550	2.550
Share premium	Tier 1	250	250	250	250
Reconciliation reserve	Tier 1	17.859	17.859	17.859	17.859
Subordinated liabilities	Tier 2	7.000	7.000	5.103	510
Deferred Tax asset	Tier 3	0	0	0	0
Own Funds		**27.659**	**27.659**	**25.762**	**21.170**

There are no conditions attached to elements of those Own Funds. The Tier 2 funds relate to a subordinated loan agreement with Domestic & General Services PTY Ltd., Australia.

There are certain differences between the value of Own Funds under Solvency II and the value of Equity shown in the Company’s Financial Statements. These arise due to the difference in valuation of assets and liabilities described in Section D of this report. A reconciliation is shown in the table below.

Reconciliation between German GAPP and Solvency II Reserves	FY23
	€'000
German GAPP Capital and reserves	26.610
German GAPP Intangible Assets (mainly Goodwill and ViF)	-32.531
Difference in valuation of technical provision related items	30.112
Other valuation differences	931
Difference of Excess of assets over liabilities	25.122
Subordinated liabilities	7.000
Solvency II Own Funds	32.122

Reconciliation between German GAPP and Solvency II Reserves	FY22
	€'000
German GAPP Capital and reserves	23.610
German GAPP Intangible Assets (mainly Goodwill and ViF)	-36.333
Difference in valuation of technical provision related items	31.334
Other valuation differences	2.048
Difference of Excess of assets over liabilities	20.659
Subordinated liabilities	7.000
Solvency II Own Funds	27.659

None of the Company's Own Funds are subject to transitional arrangements and the Company has no Ancillary Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

DGIEU only writes insurance policies in the miscellaneous financial loss line of business. It uses the Solvency II standard formula including USPs for premium and reserve risk.

	FY23	FY22	Movement
	€'000	€'000	€'000
SCR	9.008	10.205	-1.197
MCR	2.700	2.551	149

Solvency Capital Requirement (SCR)

The Company's SCR split by risk modules as of 31 March 2023 is shown in the table below.

SCR	FY23	FY22	Movement
	€'000	€'000	€'000
Non-life Underwriting Risk	5.699	4.770	928
Market Risk	2.514	3.452	-938
Counterparty Default Risk	3.699	5.538	-1.840
Diversification Credit	-2.672	-3.294	622
Basic SCR	9.239	10.467	-1.228
Operational Risk	2.772	3.140	-368
Deferred Tax Adjustment	-3.003	-3.402	399
SCR	**9.008**	**10.205**	**-1.197**

The reduction in SCR has been mainly driven by the decrease in basic SCR and within the counterparty default risk following a decrease in the net reinsurance position.

Minimum Capital Requirement (MCR)

The Company calculates its linear MCR using the prescribed formula. This is then compared with the absolute floor of the MCR, the MCR cap and the MCR floor. Both the cap and floor are determined using the SCR.

Overall MCR Calculation	FY23	FY22	Movement
	€'000	€'000	€'000
Linear MCR	2.347	2.154	193
SCR	9.008	10.205	-1.197
MCR Cap	4.054	4.592	-539
MCR Floor	2.252	2.551	-299
Combined MCR	2.347	2.551	-204
Absolute Floor of the MCR	2.700	2.500	200
Minimum Capital Requirement	**2.700**	**2.551**	**149**

SCR USPs

The SCR effects of not using USPs are shown below:

Comparison of SCR	FY23 €'000
Solvency Capital Requirement (SCR) with USPs	9.008
Solvency Capital Requirement (SCR) without USPs	16.163
Difference	-7.155

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

The duration-based equity sub-module has not been used in the calculation of the Solvency Capital Requirement.

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

Not applicable – as no internal model has been used during the reporting period.

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

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the reporting period.

E.6 Any other information

There is no other material information on capital management to report.

ANNEX – QUANTITATIVE REPORTING TEMPLATES

The following templates form part of the published SFCR report:

S.02.01.02	Balance Sheet
S.05.01.02	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life Technical Provisions
S.19.01.21	Non-life insurance claims information
S.23.01.01	Own Funds (solo undertaking)
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement

All are in €000's

S.02.01.02 – Solvency II Balance Sheet – 1/2

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1.458
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	30.121
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	30.121
R0140	*Government Bonds*	7.807
R0150	*Corporate Bonds*	22.314
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	15.000
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	15.000
R0270	Reinsurance recoverables from:	37.967
R0280	*Non-life and health similar to non-life*	37.967
R0290	*Non-life excluding health*	37.967
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	2.752
R0380	Receivables (trade, not insurance)	-5.672
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	11.558
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	93.184

S.02.01.02 – Solvency II Balance Sheet – 2/2

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	-967
R0520	*Technical provisions - non-life (excluding health)*	-967
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-1.972
R0550	*Risk margin*	1.005
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	11.567
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	13.032
R0790	Derivatives	
R0800	Debts owed to credit institutions	1.308
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	12.871
R0830	Reinsurance payables	26.806
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	7.000
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	7.000
R0880	Any other liabilities, not elsewhere shown	-3.555
R0900	**Total liabilities**	68.062
R1000	**Excess of assets over liabilities**	25.122

S.05.01.02 – Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Total
		Misc. financial loss	
		C0120	C0200
	Premiums written		
R0110	Gross - Direct Business	174.586	174.586
R0120	Gross - Proportional reinsurance accepted		0
R0130	Gross - Non-proportional reinsurance accepted		0
R0140	Reinsurers' share	157.128	157.128
R0200	Net	17.458	17.458
	Premiums earned		
R0210	Gross - Direct Business	196.138	196.138
R0220	Gross - Proportional reinsurance accepted		0
R0230	Gross - Non-proportional reinsurance accepted		0
R0240	Reinsurers' share	160.892	160.892
R0300	Net	35.247	35.247
	Claims incurred		
R0310	Gross - Direct Business	53.593	53.593
R0320	Gross - Proportional reinsurance accepted		0
R0330	Gross - Non-proportional reinsurance accepted		0
R0340	Reinsurers' share	44.877	44.877
R0400	Net	8.716	8.716
	Changes in other technical provisions		
R0410	Gross - Direct Business		0
R0420	Gross - Proportional reinsurance accepted		0
R0430	Gross - Non-proportional reinsurance accepted		0
R0440	Reinsurers' share		0
R0500	Net	0	0
R0550	**Expenses incurred**	26.440	26.440
R1200	**Other expenses**		
R1300	**Total expenses**		26.440

S.05.02.01 – Premiums, claims, and expenses by country

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			ES	PT	FR	NL	IE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	40.737	71.002	51.560	3.678	2.990	2.500	172.468
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	36.664	63.903	46.404	3.310	2.691	2.250	155.222
R0200	Net	4.074	7.100	5.156	368	299	250	17.246
	Premiums earned							
R0210	Gross - Direct Business	40.920	71.794	70.386	4.185	3.223	2.958	193.465
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	36.696	64.041	49.692	3.399	2.732	2.330	158.889
R0300	Net	4.224	7.753	20.694	786	491	628	34.577
	Claims incurred							
R0310	Gross - Direct Business	10.860	23.869	14.079	1.345	1.094	1.287	52.534
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	9.094	19.987	11.789	1.127	916	1.078	43.990
R0400	Net	1.766	3.882	2.290	219	178	209	8.544
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	5.982	7.612	10.565	2.063	193	-1.060	25.355
R1200	**Other expenses**							
R1300	**Total expenses**							25.355

S.17.01.02 – Non-life Technical Provisions

		Direct business and accepted	
		Miscellaneous financial loss	Total Non-Life obligation
		C0130	C0180
R0010	**Technical provisions calculated as a whole**	0	0
R0050	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		0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	-6.163	-6.163
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	34.215	34.215
R0150	**Net Best Estimate of Premium Provisions**	-40.378	-40.378
	Claims provisions		
R0160	Gross	4.191	4.191
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3.752	3.752
R0250	**Net Best Estimate of Claims Provisions**	439	439
R0260	**Total best estimate - gross**	-1.972	-1.972
R0270	**Total best estimate - net**	-39.939	-39.939
R0280	**Risk margin**	1.005	1.005
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole		0
R0300	Best estimate		0
R0310	Risk margin		0
R0320	**Technical provisions - total**	-967	-967
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	37.967	37.967
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	-38.934	-38.934

S.19.01.21 – Non-life insurance claims information

Gross Claims Paid (non-cumulative)
(absolute amount)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											0	0	0
2014	0	0	0	0	0	0	0	0	0	0		0	0
2015	0	0	0	0	0	0	0	0	0			0	0
2016	0	0	0	0	0	0	0	0				0	0
2017	0	0	0	0	0	0	0					0	0
2018	0	0	0	0	0	0						0	0
2019	0	0	0	0	0							0	0
2020	993	439	0	0								0	1.433
2021	20.551	4.250	0									0	24.801
2022	44.314	3.057										3.057	47.371
2023	45.717											45.717	45.717
											Total	48.774	119.322

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Year	**Development year**											**Year end (discounted data)**
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											0	0
2014	0	0	0	0	0	0	0	0	0	0		0
2015	0	0	0	0	0	0	0	0	0			0
2016	0	0	0	0	0	0	0	0				0
2017	0	0	0	0	0	0	0					0
2018	0	0	0	0	0	0						0
2019	0	0	0	0	0							0
2020	1.855	0	0	0								0
2021	5.589	0	0									0
2022	4.328	0										0
2023	4.264											0
											Total	0

S.23.01.01 – Own Funds (solo undertaking) Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	2.550	2.550		0	
R0030	Share premium account related to ordinary share capital	250	250		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	22.322	22.322			
R0140	Subordinated liabilities	7.000		0	7.000	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	32.122	25.122	0	7.000	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	32.122	25.122	0	7.000	0
R0510	Total available own funds to meet the MCR	32.122	25.122	0	7.000	
R0540	Total eligible own funds to meet the SCR	29.626	25.122	0	4.504	0
R0550	Total eligible own funds to meet the MCR	25.662	25.122	0	540	
R0580	**SCR**	9.008				
R0600	**MCR**	2.700				
R0620	**Ratio of Eligible own funds to SCR**	328,87%				
R0640	**Ratio of Eligible own funds to MCR**	950,44%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	25.122				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	2.800				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	22.322				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	19.179				
R0790	**Total Expected profits included in future premiums (EPIFP)**	19.179				

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2.514		
R0020	Counterparty default risk	3.699		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	5.699		
R0060	Diversification	-2.672		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	9.239		

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2.772
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-3.003
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	9.008
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	9.008
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	-3.003
R0650	LAC DT justified by reversion of deferred tax liabilities	-3.003
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-3.003

S.28.01.01 – Minimum Capital Requirement

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
R0010	MCR_{NL} Result	2.347

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	19.241
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

		C0070
	Overall MCR calculation	
R0300	Linear MCR	2.347
R0310	SCR	9.008
R0320	MCR cap	4.054
R0330	MCR floor	2.252
R0340	Combined MCR	2.347
R0350	Absolute floor of the MCR	2.700
R0400	**Minimum Capital Requirement**	2.700