Acasta European Insurance Company Limited

Solvency & Financial Condition Report

For year ended 31st December 2017

Contents

Executive Summary

HIGHLIGHTS

- We have had a difficult 2017 with stresses to our solvency position unexpectedly materialising and a need to strengthen reserves significantly further impacting solvency.

- However, the remediation actions taken, including increasing quota share reinsurance, de-risking the portfolio to mitigate underwriting risk, and securing additional shareholder capital has resulted in the Company now being in a strong position to take advantage of good quality, profitable, business opportunities to grow the business thereby reinforcing its resiliency to any future volatility. The reported SCR solvency margin at 30 September 2018 was 117% (MCR solvency margin 468%).

- We look forward to a stable, solvent, and profitable finish to 2018.

This report relates to Acasta European Insurance Company Limited ('AEICL' or 'the Company'). It, with its parent company, Focus Holdings (Gibraltar) Limited ('FHGL') is an insurance group. AEICL is a 100% subsidiary of FHGL. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act (the Solvency II Act in Gibraltar) including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

This report is an updated version of the 2017 Solvency and Financial Condition Report ('SFCR') to include the quantitative impact of the actions taken during 2018 to remediate the Company's solvency position. For the avoidance of doubt, none of the figures contained herein pertaining to the Company's position at 31st December 2017 have changed, and there have been no material changes to the business that were not disclosed previously.

During 2017 the business continued to grow by offering a diversified range of niche products of low volatility in a range of territories where the Company is able to differentiate itself by service rather than price alone. A small number of books of business deteriorated during the year and corrective action was taken. This, together with a requirement to strengthen reserves, resulted in a significant stress on solvency arising at the end of the year.

During 2017 the relationship with the outsourced insurance manager deteriorated and broke down. A replacement manager was appointed at the end of the year.

The Board took action to review controls in place and instigated an overhaul of how our financial information is produced, with the aid of its new insurance manager from December 2017. The integrity of financial and solvency reporting has improved and the Board has regained confidence that the management information produced is an accurate reflection of the Company's position.

The Company has cancelled those books of business which have contributed to the result either a deterioration of claims experience, greater volatility or with longer term uncertainty.

The Company's policy, in line with a prudent approach to business, is to use the external actuary's reserve best estimates in the management accounts and solvency calculations. The reserve review as at December 2017 resulted in a need to increase reserves significantly which had an impact on the Company's solvency position. The Company was also subject to a full external audit of the figures going into this Solvency and Financial Condition Report which highlighted some adjustments which increased the solvency requirement and resulted in a further deterioration in solvency ratios.

The Board has worked hard to recover the Company's solvency position and has secured whole book quota share reinsurance retrospectively from 1st January 2017 to 31st December 2017 and from 1st January 2018 to 31st December 2018, 100% quota share reinsurance on the French construction books, as well as securing an additional £5m of shareholder capital. These changes were completed by the end of August 2018 and the reported SCR solvency ratio at 30 September 2018 was 117%. Further actions to hedge currency risk taken in December are anticipated to increase the margin over SCR even more and therefore additional sub-ordinated debt is unlikely to be required, however is still available, and has been agreed in principle, to provide a volatility buffer and facilitate the Company's growth if necessary.

Although 2017 has been volatile and the results disappointing, the Company now has a strong portfolio of profitable books, robust reserves and sufficient capital to enable it to grow and prosper. At a strategic level by growing the Company it will increase its resiliency to any future volatility. No dividends are forecast in the business planning period.

We continue to seek good quality, profitable business through well managed business producers in order to meet our growth plans.

We continue to employ strong governance procedures with the assistance of our outsourced specialist partners, Robus Risk Services (Gibraltar) Ltd ('RRS') (insurance management), Mazars (actuarial services), PricewaterhouseCoopers (internal audit) and Lombard Odier (investment management).

We continue to strengthen the corporate governance framework including the risk management function. The Boards are committed to ensuring that the Group's business is managed in a risk-focused manner at all times. The risk management philosophy is an integral part of its business culture and the decision-making processes and drives the manner in which the Group seeks to achieve its objectives. The governance and risk frameworks are detailed in this report. There have been no significant changes in the reporting period.

The Board is considering various options for the Company to enable trading to be continued with the least interruption post Brexit.

Keith Wardell **Date: 4th January 2019**
Chief Executive Officer
Acasta European Insurance Company Limited

A. Business & Performance

1. Business

1.1. This report relates to Acasta European Insurance Company Limited (‘AEICL’ or ‘the Company’). It, with its parent company, Focus Holdings (Gibraltar) Limited (‘FHGL’) is an insurance group. AEICL is an insurance Company licensed in Gibraltar and limited by shares.

1.2. AEICL is regulated by:

Gibraltar Financial Services Commission
PO Box 940
Suite 3, Atlantic Suites
Gibraltar
Tel: +350 200 40283
www.fsc.gi

1.3. AEICL’s external auditor is:

RSM Gibraltar Limited
21 Engineer Lane
Gibraltar
GX11 1AA
https://www.rsm.global/gibraltar

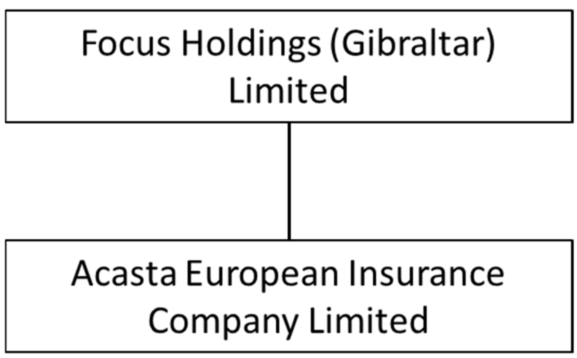
AEICL prepares its audited financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar (‘GAAP’).

1.4. FHGL shareholders with qualifying holdings at 31st December 2017:

Keith Wardell
Peter Done
Lea Ann Done-Jackson
Nicola Done-Orrell

AEICL is 100% owned by Focus Holdings (Gibraltar) Limited.

1.5. FHGL structure.



1.6. The Company writes business across several licence classes in multiple territories and in several different currencies. The table below shows the business licence by class for the year to December 2017

Class	Type of insurance business	Jurisdiction
1	Accident	France, Spain, UK
2	Sickness	France, Spain, UK
8	Fire and natural forces	UK
9	Damage to property	France, Poland, UK
13	General liability	France, Ireland, UK
15	Suretyship	France, Ireland, Spain, UK
16	Miscellaneous financial loss	Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, Luxembourg, Poland, Slovakia, Spain, UK
17	Legal Expenses	France, Ireland, Poland, UK
18	Assistance	Poland, UK

1.7. The material undertaking in the Group is AEICL as FHGL is solely a holding company. The results and net assets of each of the material undertakings are as follows:

Undertaking	Profit/(Loss) (£'000)	Total Assets (£'000)	Net Assets (£'000)
AEICL	(2,356)	47,065	3,750

1.7.1. FHGL is a non-trading insurance holding Company.

1.7.2. AEICL's source of profit is from underwriting activities and investment income which is explained in further detail in this report.

2. Underwriting Performance

2.1. The premium written in the year ended 31 December 2017 is shown overleaf by class of business and jurisdiction.

Territory	Accident	Sickness	Fire and natural Forces	Damage to Property	General Liability	Suretyship	Miscellaneous Financial Loss	Legal Expenses	Assistance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Austria							742		
Belgium							17		
Czech Republic							1,049		
France			2,900		2,665		8,784		
Germany							1,087		
Hungary							21		
Ireland					337	263	7		
Luxembourg									
Poland							612		
Slovakia							148		
Spain									
United Kingdom			524		746	864	9,000	4,212	16
	-	**-**	**3,423**	**-**	**3,748**	**1,127**	**21,467**	**4,212**	**16**

2.2. All premiums written are single premium policies bar commercial ATE policies which are single premiums, but each premium has 4 stages commencing with stage 1 from inception to stage 4 when a case is heard at court. Premiums are therefore uplifted as each stage is reached. Settlement within the relevant stage requires payment on a successful outcome of the applicable premium.

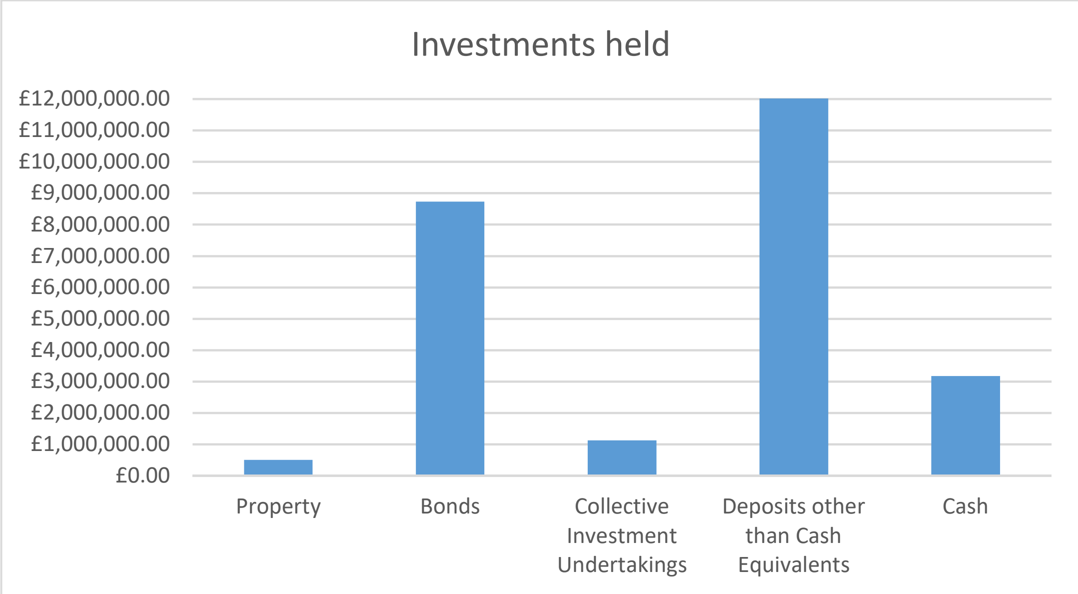
2.3. Underwriting performance has been disappointing with a technical loss reported in the financial statements for the year ended 31 December 2017 of £2,914k (compared to loss of £1,349k in 2016).

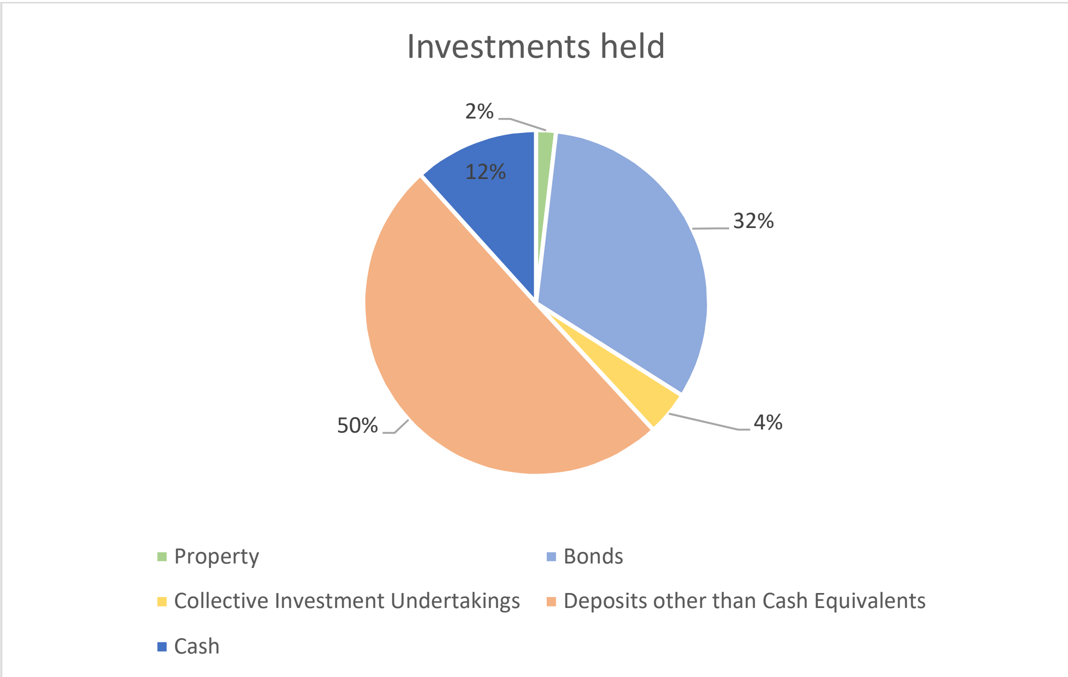
3. Investment Performance

3.1 The Company employs an external investment manager, Lombard Odier Darier Hentsch, to invest surplus Euro balances into highly diversified and highly rated fixed interest investment portfolio. The Investment Committee ('IC') also monitors the assets and liabilities by major currency. In order to minimise currency exposure assets and liabilities are held and matched in the same currency.

3.2 The investments held by the Company are as follows:

The Company's investment portfolio is valued at around £23.99 million. This investment portfolio comprises £13.64 million of short term deposits, £1.12 million of investments in collective investment undertakings, £8.73 million in bonds and £0.5 million in property. Additionally, the Company holds £3.17 million of cash. This composition is graphically depicted in the charts overleaf.





4. Performance of Other Activities

4.1 The Company receives profit commissions on a quota share reinsurance treaty that incepted in April 2011 for a three-year period.

4.2 The profit commission income in 2017 was £96k (2016: £22k).

5. Any Other Information

5.1 The Group changed insurance manager on 1st December 2017 from Artex Risk Solutions (Gibraltar) Limited to Robus Risk Services (Gibraltar) Limited.

B. System of Governance

1. General Information on System of Governance

Board and Committee Structure

AEICL carries out its functions via the Board of Directors, various Committees and carefully selected, experienced, outsourced service providers.

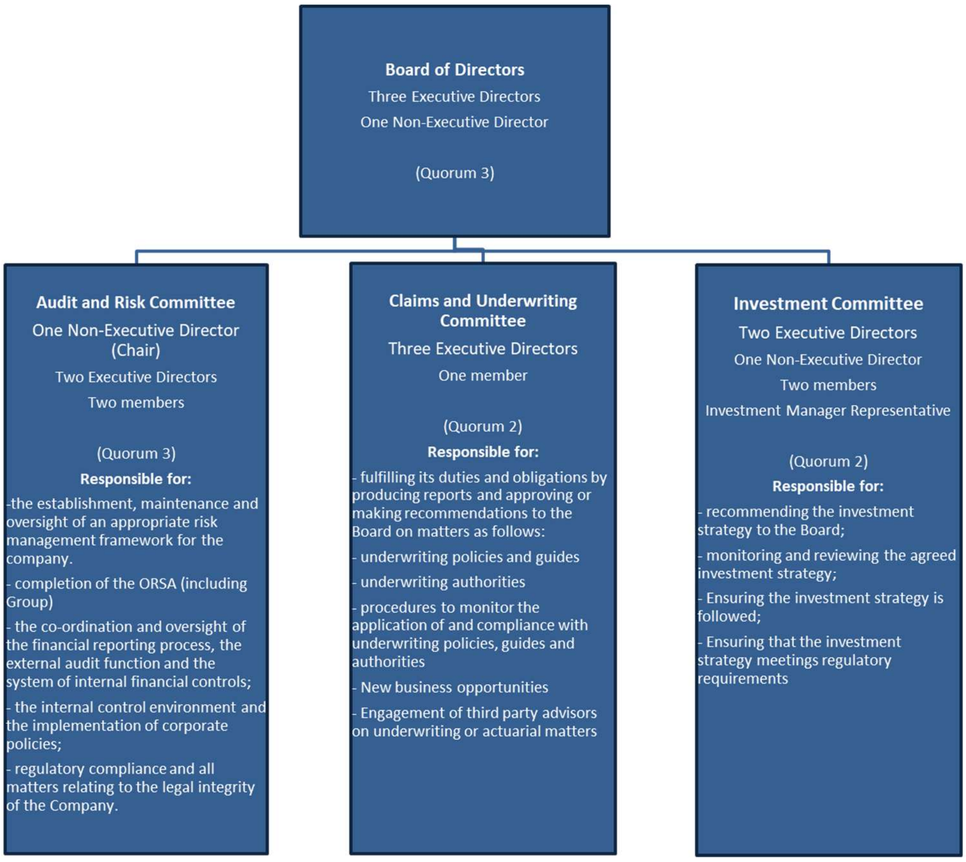
The Directors of AEICL are:
- Keith Wardell - Executive Director & Chairperson
- David Kearns - Executive Director
- Chris Kelly - Executive Director - (until 31st August 2017)
- Paul Cole - Executive Director - (until 30th November 2017)
- Colin Peters - Executive Director - (until 30th November 2017)
- Shawn Cawdery - Executive Director - (from 6th December 2017)
- Ruth Mathews - Executive Director - (from 6th December 2017)
- Michael Christophers - Independent Non-Executive Director

The Company's Board and Committee structure is set out below.

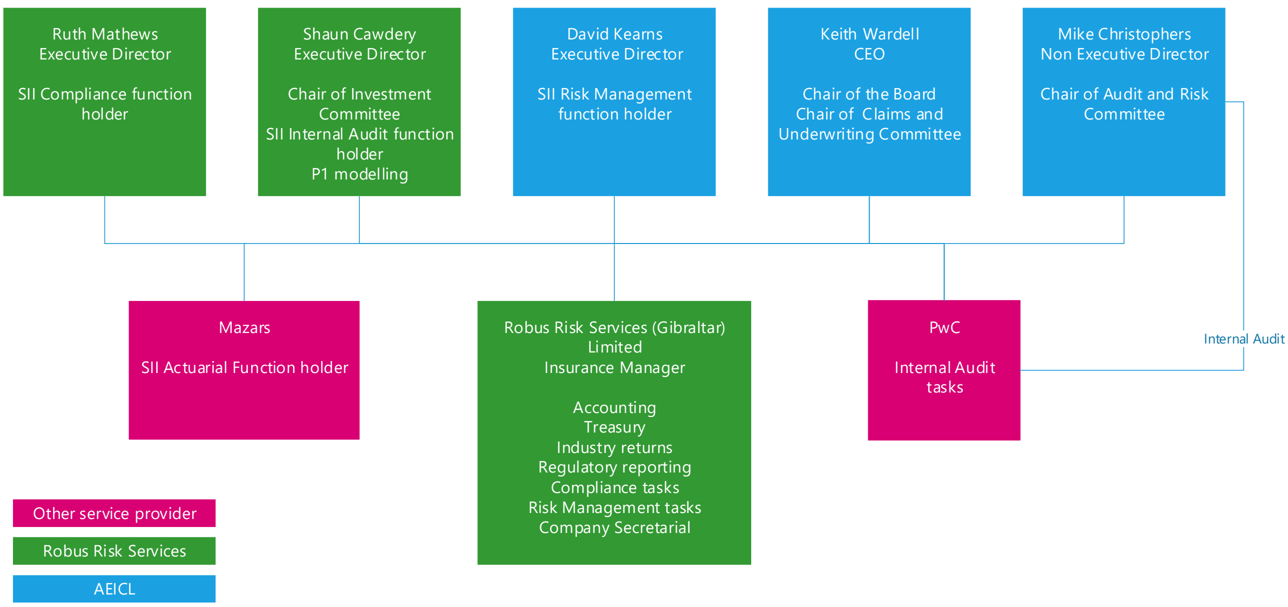
Terms of reference describe the purpose, responsibilities, membership and authority delegated from the Board to each Committee. Relevant attendees are invited to Committees as determined by the Committee.

On 1st December 2017 the Company changed its insurance manager which led to some alterations to the governance structure. The Roles and Responsibilities diagram shown overleaf is as at 31st December 2017.

Board and committee structure at 31st December 2017



Roles and Responsibilities at 31st December 2017



Material Intra-Group Transactions

There are no Intra-Group transactions.

2 Fit and Proper Requirements

Requirements for skills, knowledge and expertise

It is the responsibility of the Board to ensure that the individuals managing the business or fulfilling key functions have the appropriate knowledge and skills to do so. To achieve this, an assessment takes place prior to appointment to a role and is reviewed annually by the Board. Additionally, the Board will review fitness and propriety on an ad hoc basis when becoming aware of a potential issue.

This assessment will in particular focus on the following areas:

- Understanding of insurance and financial markets;
- Knowledge of business model and strategy;
- Understanding system of governance;
- Financial analysis skills including management information;
- Actuarial analysis;
- Regulatory framework and requirements.

Policies and processes with regard to Fit and Proper requirements

An assessment takes place prior to appointment to a role and is reviewed annually by the Board. Additionally, the Board will review fitness and propriety on an ad hoc basis when becoming aware of a potential issue. Individuals are required to ensure their skills and knowledge are kept up-to-date.

All individuals carrying out key or significant functions for AEICL are required to demonstrate that they meet the Company's proper requirements with regard to their reputation and character. In order to assess whether this requirement is met the following factors will be considered:

- the individual's character;
- the individual's personal behaviour;
- the individual's business conduct;
- any criminal aspects;
- any financial aspects; and
- any regulatory aspects.

The compliance function is responsible for ensuring that appropriate notification documents are prepared for all individuals carrying out notifiable functions and submitted for regulatory approval.

3 Risk Management System including ORSA

Risk Management System Overview

Risks identified are categorised, analysed, evaluated, and then treatment of the risk is determined (control, avoid or accept). These stages are recorded on the risk register which is then also utilised to monitor and review risks by the Audit and Risk Committee ('ARC').

The business classifies its risks into the following categories:

- Underwriting Risk
- Reserving Risk
- Lapse Risk
- Regulatory/Legal Risk
- Investment Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Operational Risk
- Reputational Risk
- Strategic Risk
- Capital Risk

The Company identified the following as its key risks in the most recent ORSA.

1. Underwriting Risk
2. Investment Risk
3. Reserving Risk
4. Reputation Risk
5. Regulatory Risk

Risk Management Strategies, Objectives, Processes and Reporting
Governance arrangements position the AEICL Board at the apex of the risk management process, suitably supported by the ARC and risk management key function holder. The Board, the ARC, the key function holder, and executive management have the following accountabilities in regards to risk management:

- The Board approves and confirms that defined risks are complete and reflect the full range of business risks to which AEICL is exposed by reviewing the entire risk register on a six-monthly basis and the top ten risks at each quarterly board meeting;
- The overall risk appetite is set by the Board and informed by its strategic objectives. The Board regularly looks at possible scenarios and examines their positive/adverse effects to ensure the continued suitability of the risk appetite; and
- The ARC considers risk reports, including the results of stress tests and other management information, in order to support the Board in its decision making on risk related issues. The Committee also makes recommendations to the Board regarding additions /modifications to the register as appropriate. In addition, the Committee uses the risk register to produce a summary of the principal risks facing the business which is reviewed and approved by the Board on a quarterly basis.

The Board is responsible for the day-to-day operations of AEICL's risk management processes and the production of management information that allows for timely and relevant decision making on risk related matters.

The Company sets risk appetite and tolerance limits for each category of risk and monitors performance on a quarterly basis.

Identification, Measurement, Monitoring, Management and Reporting of Risks
The Board retains responsibility for the identification and monitoring of the material risks inherent in the business. However, the compliance function will report to the ARC which in turn reports to the Board on a regular basis, with regard to the most material risks as identified in the risk register.

The internal audit function will report to the Board as set out in its role and responsibilities. In addition, as set out above, individuals have a duty to inform the Board of any weaknesses or failures.

The ARC meets regularly to discuss and review emerging risk and report on any risk events in the period. The Committee uses a risk register to document the risks faced by the company. All risks identified are recorded and assessed as to their impact that the likelihood of their occurrence, both on an inherent basis (before controls and mitigations) and on a residual basis (after taking account of appropriate controls and mitigations).

Implementation of Risk Management Function
The risk management key function holder is responsible for the risk management function, reporting into the ARC. Risk management tasks are outsourced to the Company's insurance manager. The key function holder is responsible for the outsourced relationship and for reviewing and challenging performance. The function holder is an Executive Director who ensures that risk management is fully integrated into AEICL's business and decision-making process.

The AEICL risk management process is described above. Day-to-day responsibility for risk management rests with the Board. The ARC has oversight of the Company's risk process and is responsible for advising the Board on risk issues including the Company's risk appetite and strategy. The Board retains ultimate responsibility for risk management. Regular reporting to the Board and board discussions on risk policies and issues ensures that the Board:

- understands and approves the full range of risks to the business;
- can consider the most significant risks facing the business on an on-going basis;
- understands risk developments, the key issues arising, and any regulatory changes which may affect these risks;
- understands the possible effects on shareholder value of deviations to expected performance;
- knows how the business will manage a crisis; and
- knows whether the risk management process is working.

The outputs from the Company's risk process have formed a key input into the production of the ORSA including the Company's documented strategy, risk appetite and the risk register. In addition, the Company's outsourcing policy and management and compliance information received from its intermediaries were also key inputs.

The Company undertakes a business planning process before the start of each financial year, producing a detailed budget for the coming year and a three-year forecast. These, along with the business assumptions from the plan, market trends, expenses budgets, economic considerations and legislative and regulatory developments, all feed into the ORSA.

In the event of a material change in the business' risk profile during the year the ARC will consider whether an ORSA is required to be conducted.

Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management
The ORSA enables the Board to assess the Company's capital needs over the planning horizon. The ORSA is carried out taking due account of AEICL's specific risk profile. This includes risks explicitly

captured in the Solvency II 'standard formula' as well as risks which are not adequately represented, or excluded from, the standard formula.

The capital management policy has been established to ensure that the Company has in place the appropriate levels and quality of both economic (ORSA) and regulatory (SCR) capital. The policy aims to ensure that appropriate plans are in place to enable the Company to meet its capital requirements both in the immediate and the medium-term future and that all items of own funds comply with the relevant rules, regulations and legislation.

The risk management function takes due account of the available capital, the risk profile, future business plans and the outcome of the ORSA in an iterative cycle.

4 Internal Control System

The Company's internal controls are part of its compliance framework, being the first line of defence in the 'three lines of defence' model the Company has implemented.

The Company has implemented policies which describe the Board's approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfils its policies. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control system, however day-to-day oversight is provided by the compliance key function holder. In practice, the ARC, other Directors and key role holders also necessarily participate in the management of the system.

All Company policies are reviewed at least annually to make certain that they are still fit for purpose. The relevant area of the business is responsible for ensuring that their procedures are up-to-date and reflect how the business operates.

There is a risk-based Compliance Monitoring Programme ('CMP') in place to check that AEICL fulfils all its legislative and regulatory requirements. This is completed on a quarterly basis and forms part of the compliance report to the ARC.

Compliance Function
The compliance key function holder is responsible for the completion of compliance tasks although the tasks may be outsourced to the Company's insurance manager. The key function holder is also the Compliance Officer and has direct access to both the Board and the ARC.

The compliance function is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficacy through the CMP. The key function holder reports to the ARC at each meeting and will provide advice to the business when requested.

The compliance function also liaises with regulatory bodies and authorities and provides updates on changes in legislation and regulatory requirements.

The Board supports the compliance function and makes available such resource as is necessary and provides access to all relevant documentation and information from the business for the compliance function to fulfil its aims.

5 Internal Audit Function

Internal audit exists to provide the Company with independent assessments of the quality of internal controls and administrative processes and provide recommendations and suggestions for continuous improvement. It provides advisory services to management, will conduct investigations on an ad hoc basis as requested by management, and has responsibility for assisting in the development and operation of the risk management framework. It will also audit providers of material services to ensure that the agreements governing these relationships are being adhered to.

The Board appointed internal audit key function holder has responsibility for the internal audit function and reports into the ARC. Internal audit tasks are outsourced to a third-party provider selected by the ARC. PwC have been engaged as internal auditors for AEICL. The results of these audits are reviewed by the ARC. The key function holder also has responsibility for co-ordinating this outsourcing and challenging the results.

The third-party provider prepares an internal audit plan for the following year which is based on a three-year plan and is developed using a risk-based approach to prioritise high risk areas and the extent and frequency of audits. The plan is approved by the ARC and provided to the Board for information. The plan is subject to change throughout the year depending on the business and changing risk environment.

Audit reports are produced after each internal audit and provided to the ARC for review with management responses. Any actions coming out of the audits are monitored to completion by the ARC.

Internal audits will be conducted by appropriately skilled, experienced and independent persons to carry out the audit to the ARC's standards.

To carry out its work effectively and to retain integrity of the function, internal audit acts independently of line management. The internal audit function holder is responsible to the ARC for the planning, management and performance of internal audit. The ARC consists of 4 executive directors and is chaired by the NED.

The ARC provides a quarterly report to the Board.

Internal audit reports may be requested by appointed external auditors. These requests are considered by the ARC for approval.

6 Actuarial Function

AEICL outsources the role of actuarial key function holder to Mazars LLP who report directly to the Board.

The actuarial function is responsible for:

a) Coordination of the calculation of technical provisions;
b) ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c) assessing the sufficiency and quality of the data used in the calculation of technical provisions;
d) comparing best estimates against experience;
e) informing the Board of the reliability and adequacy of the calculation of technical provisions;

f) expressing an opinion on the overall underwriting policy;
g) expressing an opinion on the adequacy of reinsurance arrangements;
h) contributing to the effective implementation of the risk-management system.

Each of these activities is undertaken on at least an annual basis and the outcome reported to the Board in an internal actuarial report.

7 Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom an activity is outsourced is a 'service provider'.

Each Board shall ensure that an outsourcing arrangement shall not diminish the Company's ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator (should it be regulated).

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of the Company's processes, and the final responsibility for customers shall not be outsourced.

The respective Boards consider outsourcing where they believe that there is an advantage to the Company and customer by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits.

The key outsourced service providers used by AEICL are:

Material Service Providers in the Reporting Period:

Service Provider	**Service Provided**	**Jurisdiction Located**
Acasta Europe Limited (AEL)	Data analysis and support Underwriting support Claims control and oversight Operational auditing Debtor control Sales and marketing and monitoring of performance	United Kingdom
Artex Risk Solutions - until 30th November 2017	Insurance management (compliance tasks, risk management tasks, accounting, banking & investments, regulatory reporting, company secretarial)	Gibraltar
Robus Risk Services (Gibraltar) Limited - from 1st December 2017	Insurance Management (compliance tasks, risk management tasks, accounting, banking & investments, regulatory reporting, company secretarial)	Gibraltar
CTC Limited	Provides, hosts and develops the policy administration system	United Kingdom
Mazars LLP	Internal actuarial function	Gibraltar
PwC Gibraltar Limited	Internal audit	Gibraltar

Lombard Odier Darier Hentsch	Investment management	Gibraltar
Policy administration and claims handlers	Claims outsourced to AEL who sub-delegate to appropriate claims handlers.	Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, Luxembourg, Poland, Slovakia, Spain, UK
Fiscal representatives	Local tax collection/reporting within a jurisdiction.	Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, Luxembourg, Poland, Slovakia, Spain, UK

8 Adequacy of the System of Governance

AEICL aims to continuously improve its compliance and governance systems by ensuring that they are reviewed, evaluated and recommendations made to the Boards regarding enhancing and developing the systems, including the outcomes from compliance monitoring programmes, root cause analysis from complaints, breaches and risk events, and incremental development as the systems mature. It also considers relevant industry advice and guidelines, for example the UK Financial Reporting Council's Corporate Governance Code, implementing these as appropriate for the size and complexity of the Group companies.

Internal audits and external audits provide independent evaluation of AEICL's system of governance. Recommendations from these audits are considered by the relevant Boards and implemented proportionate to the risks within each business.

C. Risk Profile

1. Underwriting Risk

Underwriting risk is a key risk to AEICL. In 2017 the Company wrote a mix of business, the material lines being After The Event ('ATE') legal expenses, rental guarantee, extended warranty, GAP, dommages ouvrage, decennial, accident & health, and surety insurances, across a number of European jurisdictions.

During 2017 and subsequent to the year end, in 2018, the Company took action to de-risk its underwriting portfolio, putting the French rental guarantee, decennial and dommages ouvrage schemes into run-off. This action was largely instigated by the need to recover and protect its solvency position.

It also placed additional quota share reinsurance to further mitigate its underwriting risk and reduce its solvency requirement. This consisted of a 44.5% quota share reinsurance from 1st January 2017 to 31st December 2017 and a provisional 50% quota share reinsurance from 1st January 2018 to 31st December 2018 across the whole book except the bonds, staff absence, French construction and rental guarantee schemes; and 100% quota share reinsurance on all years of the French construction business. The reinsurer is Ocean Re, which is A- rated (AM Best).

Underwriting risk is monitored by the Claims and Underwriting Committee ('CUC') which reports to the Board at least quarterly, and by the ARC and risk management key function holder, via the risk management processes. It is assessed and monitored using key indicators such as written premium, claims reserves, loss ratio and large loss claims details.

The Company sells its insurance through intermediaries who have been granted limited delegated authority by the Board, under strict guidelines set by the CUC. Intermediaries are monitored by the CUC based on management information and are also subject to cover holder audits conducted by AEL on behalf of AEICL, to ensure adherence to contractual requirements including delegated underwriting authority parameters. These audits are conducted on a risk assessed basis. The results are reported to the CUC which may make underwriting decisions based on the results, and the ARC, and are escalated to the Board if necessary.

There has been no change to the methodology for identifying, assessing, managing and reporting on underwriting risk over the reporting period.

Setting delegated authority limits appropriate to the risk presented and careful selection and close monitoring of intermediaries and books of business are AEICL's primary methods of mitigating underwriting risk. The use of quota share and excess of loss reinsurance is also considered on a book by book basis in accordance with risk appetite.

There has been no material change to the risks that the Company is exposed to in the reporting period, however, as discussed above, a number of changes have been made subsequent to the year end to facilitate recovery of the solvency capital requirement.

2. Market Risk

The IC is responsible for reviewing and monitoring market risk and maximising investment returns within the Company's risk appetites and tolerances. The Company engages an investment manager, Lombard Odier Darier Hentsch ('LODH'), to provide specialist knowledge, detailed investment analysis and make recommendations to the IC. LODH operates under an investment policy and within agreed guidelines.

AEICL pursues a conservative investment strategy, focussed on the preservation of capital. As a result, the Company has no investments in equities, only limited investment in property and aims to hedge any currency risk within agreed parameters.

Currency

The Company is primarily exposed to two currencies, the Euro ("EUR") and British Sterling ("GBP"), although there is also some exposure to Polish Zloty and Hungarian Florint. Investments are held in GBP and EUR and therefore also present some currency risk to the Company. The Company holds a Euro cash account for Euro premium funds and claims payments to minimise the number of currency exchanges necessary, however it is exposed to currency risk as its accounting currency is GBP and the exchange rate affects the value of transactions and balances.

RRS monitors the EUR:GBP exchange rate on a monthly basis or more regularly where there are significant movements in the currency pair, assesses the currency risk on behalf of AEICL, and will make recommendations via consultation with the IC regarding when to make foreign exchange transactions to mitigate the risk. The IC evaluates the efficacy of the mitigating measures in place and will evaluate other mitigating options if necessary.

The currency risk has fluctuated considerably over the reporting period due to the economic conditions in the EU and the UK.

Property

The Company has one property in Gibraltar whose value is not material to the risk profile. It therefore has minimal exposure to property risk.

The material risks presented by the property portfolio have not significantly changed over the reporting period

Interest rate

Interest rate risk arises as a result of the impact of interest yield curves on future payments to be made in respect of claims and receipts from the Company's investments. The interest yield curves in the UK have decreased in the reporting period which reflects the decreases in base rates applied by the Bank of England. While interest yield curves were suppressed following the UK's referendum and the US Presidential election, recent increases in US Federal Reserve rates have seen interest yield curves increase moderately in the fourth quarter, although continuing economic uncertainty in the UK and Europe around Brexit negotiations continue to keep rate expectations low in the UK.

The Company's exposure to interest rates arises primarily from bond portfolios (as bond values are susceptible to changes in interest rates) and the settlement of future claims (as the discount rates applied to claims settlement projections are impacted by interest yield curves).

Interest rate risk is assessed and monitored by the IC. The Company considers the prudent person principle (see 4) in considering the investment assets and how they match to the expected payment profile of the Company's technical liabilities. Maximum duration limits (seven years) are also imposed on conventional fixed income assets in order to ensure that interest rate exposure on the bond portfolio is appropriate, while the property portfolio assists in hedging against longer term changes in the interest rate yield curve. The IC reviews the effectiveness of the mitigating measures, considers how they could be improved, and makes recommendations as appropriate.

Concentration
IC reviews the investment portfolio and assesses the concentration risk that the Company is exposed to, to ensure that it is within the risk appetite. The concentration exposure arises in respect of positions taken in the Company's bond portfolio, property exposure and counterparties in respect of its cash holdings and reinsurance recoveries. Concentration exposure is assessed in respect to exposure to any single name. In respect to properties, concentration exposure is considered where the individual properties are part of the same building. Concentration exposure is calculated based on the proportion of the single name exposure (or grouped property exposure) relative to the investment assets as a whole.

Concentration risk has not materially changed over the reporting period as the investment profile has remained consistent.

Concentration risk in the bond portfolio is mitigated by limiting exposure to any one single name, the limit depending on the security of the issuer. Concentration risk on property acquisitions is easier to control since the concentration exposure is considered as part of the due diligence on acquisition.

The Company is exposed to concentration risk in respect of loans with other Group companies and to other related parties. Management monitors such exposures carefully and, where appropriate, obtain security via registered charges over assets.

Ongoing monitoring of concentration risk is undertaken by IC and by the risk management framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

Concentration of counterparties in respect of cash and reinsurance exposures is considered with credit risk in section 3.

Spread
Spread risk is the sensitivity of the values of investments, primarily bonds and secured loans in respect of the Company, to changes in the level or in the volatility of credit spreads. As credit spreads will typically be narrower for well rated securities than for poorly rated securities (and for short duration rather than long duration securities), the Company considers credit quality limits to the conventional fixed income assets in their investment guidelines to the investment manager.

The investment policy and risk appetites are reviewed regularly to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

Ongoing monitoring of spread risk is undertaken by IC and by the risk management framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

3. Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

AEICL

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts held with banks and other financial institutions;
- amounts due from insurance intermediaries.

Reinsurance and Financial Institutions

All reinsurance and financial counterparties used have a credit rating of at least 'A-' bar our travel reinsurer which is BBB rated. The Company partners with a limited number of counterparties, reducing exposure and mitigating contagion risk.

Reinsurer credit ratings on the current and historic programmes are monitored on a quarterly basis and reported to the Risk Committee. Any material deterioration is escalated to the Board.

The Board recognises the concentration risk exposure to Ocean International Reinsurance Company Limited ('OceanRe'), which has underwritten the whole book and French construction quota share reinsurance entered into in 2018. However, OceanRe is rated A- and the Board considers the exposure to be acceptable. It's rating is monitored as described above.

Amounts due from insurance intermediaries

Credit risk is presented by the use of insurance intermediaries as premiums have to be collected from the policyholder and paid to AEICL. Credit risk therefore occurs when the policy has incepted but the policyholder has not yet paid (so the intermediary cannot pay the insurer for time on risk), and when the policyholder has paid and funds are due from the intermediary.

Intermediary credit risk is mitigated by all intermediary relationships being governed by contractual agreements which specify payment terms. The Executive Directors review amounts owed closely, and use these to monitor and manage intermediaries' performance, escalating to the Board where necessary. Relationships with intermediaries are subject to coverholder audit and can be terminated if contractual payment terms are not met.

Credit risk is also identified, assessed and monitored by the Board through the risk management framework (see above for further details), which necessitates regular review and evaluation of the mitigation measures in place to ensure the risk remains within risk appetite.

4. Prudent Person Principle

The Company is required to invest the assets used to cover the minimum capital requirement and the solvency capital requirement in accordance with the 'prudent person principle'. The prudent person principle defines that the assets must be invested in a manner that a 'prudent person' would - that is that the decisions are generally accepted as being sound by the average person.

The Company forecasts the cash needed over a three-year horizon based on the three-year business plan taking in to account the liquidity of assets. The bond portfolio is invested in highly liquid securities which, along with the cash and cash equivalents held, are designed to approximate the nature and duration of the insurance liabilities.

The assets of the Company are distributed as disclosed in Section A 3 and transitions based on underlying exposure are detailed in Section D 1. There are no material other financial instruments held by other companies in the Group.

5. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay the obligations when they are due.

The IC is responsible for monitoring and managing liquidity risk, ensuring that AEICL has liquidity available to meet both immediate and foreseeable cash flow requirements. The Company's insurance manager is responsible for day-to-day operational liquidity management. The business is cash flow positive which means that premium income will normally more than offset claims outflows. The investment portfolios do not therefore tend to be called upon to meet claims.

The expected technical profit included in future premiums at the current expected loss ratios is £7.7 million.

6 Operational Risk

AEICL's key operational risks are:

- External and internal fraud: AEICL carries out few operational processes itself, being reliant on outsourced service providers for these. This risk is controlled by having robust due diligence and monitoring procedures in place which encompass both employees/officers of the Company and external service providers. Internally a four-eyes policy is implemented to ensure that all transactions are verified and approved before sending. The Company also has a bribery policy. Nearly all material service providers are regulated companies in their respective jurisdictions. Internal controls are evaluated and improved via the internal audit process.
- Regulatory breach: This risk is controlled by ensuring that the Board meets fit and proper requirements, having a robust corporate governance system in place, and nurturing a compliance culture within the Company. Specifically, the compliance monitoring programme checks adherence to the main regulatory requirements on a quarterly basis and reports to the ARC.
- Inadequate procedures: The Company reviews and updates procedures on at least an annual basis to ensure that they are kept up-to-date and fit for purpose. The business is responsible for adherence to procedures which the compliance function monitors. Internal and external audit review the effectiveness of procedures and make recommendations in a process of continuous improvement.
- Failure of or poor performance by a material service provider: The Company is reliant on its service providers and therefore is heavily exposed to this risk. A failure could incur significant cost and result in an inability to meet policyholder and regulatory requirements. It is mitigated by selecting service providers very carefully, including having robust due diligence processes, and by continuous monitoring. This will include reviewing the financial status of the service provider to identify any emerging risks. Service providers' performance is regularly monitored and any issues raised and resolved.
- Failure to record new business and claims correctly and on time: Management information is key for the business to be able to control its liabilities and make appropriate decisions. Intermediaries submit business and claims information via regular electronic bordereaux which are reviewed for accuracy. This information could be submitted manually if required. RRS provides regular financial management information based on the bordereaux supplied. This data is reviewed by the Executive Directors on an ongoing basis, and the CUC and Board on a quarterly basis.
- Failure to attract additional or new distribution channels: This risk could result in an inability to meet the business plan sales volumes and is mitigated by being able to increase marketing if required.

Operational risk within AEICL is identified, assessed and monitored through the risk management processes which are overseen by the ARC.

There have been no material changes to the operational risks the Company is exposed to over the reporting period.

7 Other Material Risks

‘Brexit’

At the time of writing the draft transitional arrangements for the UK’s exit from the EU have been published. The UK and Gibraltar governments have confirmed that trade terms between the two jurisdictions will continue until 2020 and in the meantime a new framework to enable trade to continue after this date will be developed and implemented. Spain has the right of veto over whether the wider EU transitional arrangements for the UK will also apply to Gibraltar. Talks between Spain and the UK continue.

The Company recognises the importance of being proactive to ensure that service to policyholders is maintained and EU facing business can continue. Therefore, despite the ongoing uncertainty, it is progressing mitigating actions including obtaining a licence in a jurisdiction which will continue to be in the EU.

D. Valuation for Solvency Purposes

1. Assets

1.1 As at 31 December 2017 the Company held the following assets:

Asset Class	GAAP Accounts Value (£'000)	Look Through (£'000)	Reclassification for Solvency purposes (£'000)	Solvency Valuation Adj. (£'000)	Solvency Value (£'000)	Explanation of differences
Tangible fixed assets	46	-	(46)	-	-	1.2.1
Investments in properties	500	-	-	-	500	1.2.2
Reinsurer's share of unearned premiums	676	-	-	(676)	-	1.2.6
Reinsurer's share of claims outstanding	278	-	(87)	347	538	1.2.6
Debtors arising out of insurance operations	16,361	-	(16,361)	-	-	1.2.10
Debtors arising out of reinsurance operations	1,327	-	(1327)	-	-	1.2.10
Related party receivables	36	(36)	-	-	-	1.2.5
Other debtors	1,180	(91)	(714)	-	375	1.2.10
Cash and cash equivalents	3,172	808	714	-	4,694	1.2.7
Deposits other than cash equivalents	-	12,841	-	-	12,841	1.2.7
Collective investment undertakings	-	1,121	-	-	1,121	1.2.4
Financial investments - corporate bonds	23,489	(14,757)	-	-	8,732	1.2.3
Financial investments - government bonds	-	91	-	-	91	1.2.3
TOTAL	**47,065**	**(23)**	**(17,821)**	**(329)**	**28,892**	

As at 31 December 2016 the Company held the following assets:

Asset Class	GAAP Accounts Value (£'000)	Look Through (£'000)	Reclassification for Solvency purposes (£'000)	Solvency Valuation Adj. (£'000)	Solvency Value (£'000)	Explanation of differences
Tangible fixed assets	-	-	-	-	-	1.2.1
Investments in properties	425	-	-	75	500	1.2.2
Reinsurer's share of claims outstanding	568	-	(568)	(660)	(660)	1.2.6
Debtors arising out of insurance operations	22,638	-	(22,638)	-	-	1.2.10
Deferred acquisition costs	34	-	(34)	-	-	1.2.9
Other debtors	1,184	-	(853)	-	331	1.2.10
Cash and cash equivalents	3,671	-	-	-	3,671	1.2.7
Deposits other than cash equivalents	-	463	-	-	463	1.2.7
Collective investment undertakings	-	820	-	25	845	1.2.4
Financial investments - corporate bonds	4,668	(1,478)	-	-	3,190	1.2.3
Financial investments - government bonds	-	196	-	-	196	1.2.3
TOTAL	**33,188**	**-**	**(24,093)**	**(560)**	**8,536**	

Reclassifications for solvency purposes are reclassifications to the technical provisions, whereas solvency valuation adjustments are valuation differences applied on a line-by-line basis.

1.2. The valuation principles applied to these assets are consistent with those used in the GAAP accounts with the following exceptions:
   - 1.2.1 Tangible and intangible assets - these are not recognised on the Solvency II balance sheet as they do not meet the valuation principles in Article 12 of the Commission Delegated Regulation (EU) 2015/35.
   - 1.2.2 Property - property transactions which display debt-like features and are secured on underlying properties have been looked-through and considered with bonds and secured loans on the Solvency II balance sheet.
   - 1.2.3 Bonds and secured loans - financial instruments displaying debt-like features have been looked through on the Solvency II balance sheet and recorded as bonds and secured loans. Further, the valuation has been adjusted to include accrued interest, which is included within accrued income in the GAAP balance sheet.
   - 1.2.4 Collective investment schemes - investments in financial instruments for which a full look-through has been unavailable have been reclassified to collective investment schemes.
   - 1.2.5 Intermediary receivables - these have been reclassified to technical provisions.
   - 1.2.6 Reinsurance share of unearned premiums and other technical provisions - these are not recognised on the Solvency II balance sheet as they are non-cash settled balances. Instead, the expected claims payable on unearned premiums are recorded within reinsurance share of technical provisions.
   - 1.2.7 Cash and cash equivalents - financial instruments displaying features like debt or equity have been looked through on the Solvency II balance sheet and removed from cash and cash equivalents. The value of cash and cash equivalents has been adjusted to reflect accrued income.
   - 1.2.8 Prepayments and accrued income - prepayments are not recognised on the Solvency II balance sheet as they are non-cash settled balances, whereas accrued income on cash and bonds have been reversed and included in the valuation of the underlying asset.
   - 1.2.9 Deferred acquisition costs - these are not recognised on the Solvency II balance sheet as they are non-cash settled balances.
   - 1.2.10 Other assets - other assets have been moved to technical provisions where they are technical in nature.
   - 1.2.11 Deferred tax asset - valued based on the expected tax benefit once the valuation adjustments to transition to solvency valuations unwind.

2. Technical Provisions

2.1 The GAAP accounts of the Company include provisions for claims incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but not yet reported ('IBNR'). The Company also considers any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR.

2.2 The technical provisions by line of business are as follows:

Line of business	Technical provisions (excluding risk margin) (£'000)	Risk margin (£'000)	Technical provisions (£'000)
Fire and other damage to property insurance	2,546	1,397	3,943
General liability insurance	2,486	1,064	3,550
Credit and suretyship insurance	343	17	360
Legal expenses insurance	-4,023	154	-3,869
Assistance	14	0	14
Miscellaneous financial loss insurance	11,232	1,229	12,461
Total	**12,598**	**3,861**	**16,459**

As at 31 December 2016 these were:

Line of business	Technical provisions (excluding risk margin) (£'000)	Risk margin (£'000)	Technical provisions (£'000)
Fire and other damage to property insurance	-705	58	-647
General liability insurance			
Credit and suretyship insurance			
Legal expenses insurance	-3,452	162	-3,290
Assistance			
Miscellaneous financial loss insurance	3,989	292	4,281
Total	**-169**	**512**	**344**

Negative technical provisions arise where future premiums exceed provisions for claims.

2.3 The key areas of uncertainty around technical provisions are as follows:

2.3.1 Estimation of outstanding loss reserves ('OSLR') - while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.

2.3.2 Estimation of the losses relating to claims IBNR - this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving.

2.3.3 Estimation of claims arising on business which have not yet expired ('unexpired risks') - this is uncertain as the claims have not yet been incurred but are expected to be incurred on the business which the Company has written.

2.3.4 Market environment - changes in the market environment increase the inherent uncertainty affecting the business. Claims inflation, legal changes (especially on the ATE book), perceived regulatory risk and jurisdictional reputation have all impacted the market environment in recent years.

2.3.5 Events not in data ('ENID loading') - estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed.

2.3.6 Run-off expenses - the estimation of the change in expense base for run-off of the Company is inherently uncertain due to the estimations around the period of the run-off, base costs and inflation.

2.3.7 Risk margin - the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run-off. This therefore shares the same uncertainties of the run off expenses provision considered at [2.3.6], as well as the inherent uncertainties around forecasting future solvency capital requirements.

2.4 The Company manages the risks around these uncertainties via the following actions:

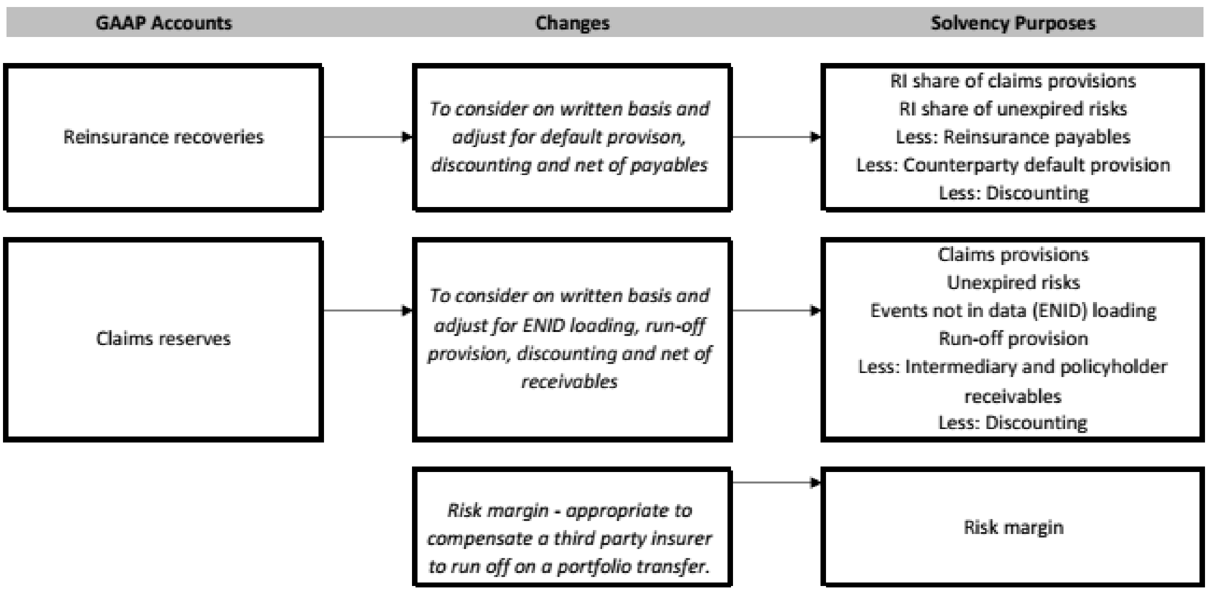
2.4.1 Ongoing monitoring of claims including regular reviews of claims handling functions.

2.4.2 Maintaining reinsurance arrangements to limit the impact of adverse claims development (see [2.8]).

2.4.3 Internal controls through the underwriting committee and actuarial function which monitor claims development and reinsurance arrangements.

2.4.4 Regular external actuarial reviews.

2.5 The changes required to transition from GAAP accounts to technical provisions for solvency purposes are consistent and are noted below:



We shall consider each of these adjustments to transition from GAAP accounts to solvency technical provisions.

2.5.1 Claims provisions - In line with GAAP reserves the Company evaluates the claims provisions on a best estimate basis, albeit it on a cash flow basis and with the removal of unearned premium reserves. The Company has considered whether adjustments may be required as a result of contract boundaries and believe there are no such adjustments required.

2.5.2 Reinsurance share of claims provisions – Expected proportional reinsurance recoveries are allowed for by the Company on the same basis as the claims provisions in paragraph [2.5.1].

2.5.3 Unexpired risks - The Company has estimated the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The premium provision as at 31 December 2017 is £18,062,781. Therefore, the unexpired risk reserve in the GAAP accounts has been reversed for the purposes of the Solvency II balance sheet.

2.5.4 Reinsurance share of unexpired risks - The Company has estimated the amounts recoverable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The reinsurance share of premium provisions as at 31 December 2017 is £351,547. Therefore, the reinsurance share of the unexpired risk reserve in the GAAP accounts has been reversed for the purposes of the Solvency balance sheet.

2.5.5 Intermediary and policyholder receivables - Intermediary and policyholder receivables are netted off the technical provisions for solvency purposes. There are no valuation differences between GAAP accounts and intermediary and policyholder receivables for solvency purposes. The insurance receivables as at 31 December 2017 is £17,688,046.

2.5.6 Other receivables and payables in technical provisions - Other receivables and payables, notably claims funds held by intermediaries and commissions payable to intermediaries, are netted off the technical provisions for solvency purposes. The Company has estimated the other receivables and payables which will be payable on premium provisions and added these to those recorded in the GAAP accounts in respect of the claims provisions. The net receivables as at 31 December 2017 were £nil.

2.5.7 Reinsurance payables - Net reinsurance payables are netted off the reinsurance recoveries for solvency purposes. There are no valuation differences between GAAP accounts and net reinsurance payables for solvency purposes. The reinsurance payables as at 31 December 2017 are £87,370.

2.5.8 Events not in data loading - Technical provisions for solvency purposes are required to allow for all possible events, including those that may not have been historically realised before. Such events not presented in a set of observable historical loss date are often called ENID. This is a difference in valuation methodology compared to the GAAP accounts which consider best estimates which can be reasonably foreseen, and therefore leads to a loading on the technical provisions to consider the probability weighted effect of events which have not previously been observed.

The Company has undertaken an assessment of previously unobserved events for each line of business and sought to consider the probability weighted effect of such events. As such, the ENID loading applied by the Company as at 31 December 2017 was £128,021, driven primarily by dommages ouvrage and warranty books.

2.5.9 Counterparty default provision - The Company has considered a provision for default by one or more of its reinsurance providers. The provision is based on the total exposure to the counterparty, the rating of the counterparty and the existence of any collateral arrangements with the counterparty. The Company estimates the counterparty default provision and considers each of the exposures, net of collateral arrangements in existence, apply the estimated probability of default by rating, and derive a weighted average probability of default.

The Company has calculated the weighted average probability of default of reinsurers as 0.25%, and thus the counterparty default adjustment is £1,329.

2.5.10 Run-off provision - Technical provisions for solvency purposes are required to take account of all expenses that will be incurred in servicing insurance obligations. This is commonly referred to as a 'run-off' provision as it therefore considers all future expenses which would be incurred to allow the existing obligations to run-off.

The Company has considered a run-off period of seven years and estimated the level of future expenses based on the current level of expenses, considering the decrease in activity in the period, underlying expense inflation and an estimated minimum level of costs which would be incurred in any one year. The run-off provision applied by the Company as at 31 December 2017 was £3,940,397.

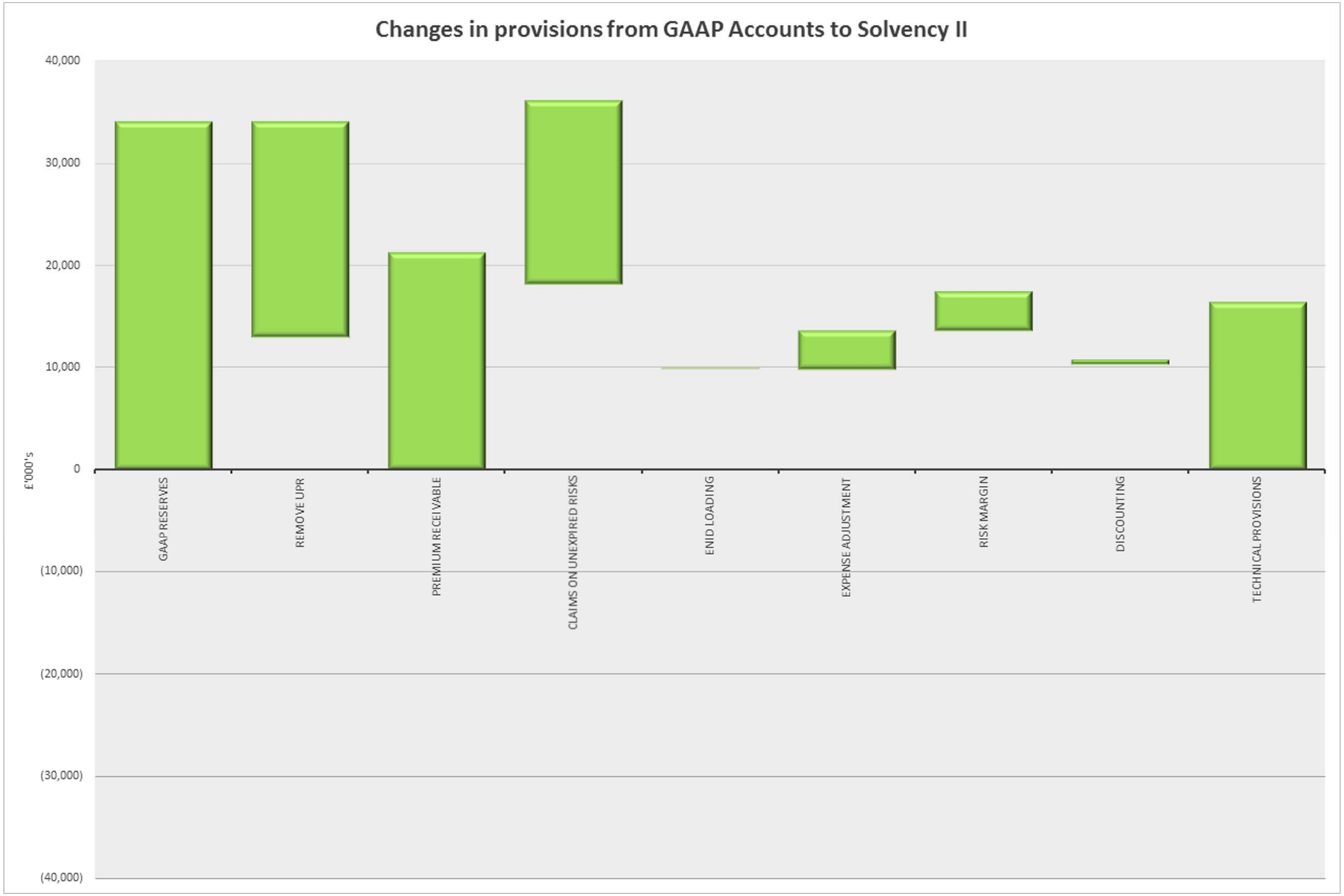
2.5.11 Discounting - Discounting has been applied in the technical provisions based on a weighted average of the yield curves as at 31 December 2017 as issued by the European Insurance and Occupational Pensions Authority ('EIOPA'). The impact of discounting on the technical provisions is £522,750, and on the reinsurance share of technical provisions the impact of discounting is £2,209.

2.5.12 Risk Margin - The risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance Company in order to take over and meet the insurance obligations of the Company. The risk margin has been calculated based on the estimated capital requirements to run off the Company's obligations and applying a cost of capital of 6%.

The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of underwriting risk and reinsurance counterparty risk. This results in a risk margin of £3,862,149.

2.6 The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

2.7 The changes to technical provisions highlighted above are reflected in the waterfall diagram below:



2.8 The key reinsurance arrangements in place at 31st December 2017 are as follows:

Class of Business	Territory	Reinsurer	Type	Share	Period of Cover (Start)	Period of Cover (End)
Commercial ATE	England and Wales	AmTrust International Insurance Ltd	Quota Share	50%	01 April 2011	31 March 2012
Commercial ATE	England and Wales	AmTrust International Insurance Ltd	Quota Share	50%	01 April 2012	31 March 2013
Commercial ATE	England and Wales	AmTrust International Insurance Ltd	Quota Share	50%	01 April 2013	31 March 2014
Commercial ATE	United Kingdom	WR Berkley Insurance (Europe) Ltd	Quota Share	50%	01 August 2014	31 July 2015
Commercial ATE	United Kingdom	WR Berkley Insurance (Europe) Ltd	Quota Share	50%	01 August 2015	31 July 2016
Travel	Worldwide	GBG Insurance Limited	Quota Share	100%	01 November 2016	Effective
Surety Bonds	United Kingdom and Ireland	Builders Reinsurance Company SA	Quota Share	90%	01 January 2017	Effective
Insurance Bonds	Open	Barents Re Reinsurance Company Inc.	Quota Share	100%	01 October 2016	Effective
Surety Bonds	Spain	Swiss Reinsurance Company Munich Reinsurance Company DEVK Reinsurance Company Trans Re	Quota Share	80%	01 October 2017	31 December 2018

3. Other Liabilities

3.1 As at 31 December 2017 the Company recorded the following classes of liabilities for solvency purposes:

Liability	GAAP Accounts Value (£'000)	Solvency Value (£'000)	Explanation of Differences
Subordinated debt	0	0	Reclassified to tier 2 capital. See section E.
Accruals and deferred income	91	91	Not applicable
Reinsurance accounts payable	87	0	Commissions payable to intermediaries reclassified to technical provisions (see [2.5.6])
Other creditors, including corporation tax and IPT	8,543	8,543	Not applicable

There have been no valuation adjustments for solvency purposes.

As at 31 December 2016 these were:

Liability	GAAP Accounts Value (£'000)	Solvency Value (£'000)	Explanation of Differences
Subordinated debt	0	0	Reclassified to tier 2 capital. See section E.
Accruals and deferred income	110	110	Not applicable
Insurance/Reinsurance payable	10,144	0	Commissions payable to intermediaries reclassified to technical provisions (see [2.5.6])
Other creditors, including corporation tax and IPT	1,619	655	Not applicable

4. Alternative Methods for Valuation

Not applicable for the Company.

5. Any Other Information

Not applicable for the Company.

E. <u>Capital Management</u>

1. Own Funds

1.1. The Company undertakes an ORSA exercise at least annually or when the risk profile of the Company changes. The ORSA exercise incorporates the business planning process which is typically considered over a three-year time horizon. There have been no significant changes in the reporting period.

1.2. The Company classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

The Company's own funds are as follows.

Own fund item	Tier	£'000	%
Ordinary share capital (gross of own shares)	1	26	0.73%
Share premium account related to ordinary share capital	1	3,432	96.68%
Reconciliation reserve	1	92	2.59%
		3,550	100%

The reconciliation reserve represents retained earnings and reconciliation adjustments from GAAP balance sheet to SII balance sheet.

1.3. The eligible capital which may be used towards meeting the Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR') of the Company are as follows:

Own fund item	Tier	Eligible capital for the SCR (£'000)	Eligible capital for the MCR (£'000)
Ordinary share capital (gross of own shares)	1	26	26
Share premium account related to ordinary share capital	1	3,432	3,432
Reconciliation reserve	1	92	92
		3,550	3,550

Reported own funds at 30th September 2018 were £16,403k (all tier 1 and eligible capital).

2. Solvency Capital Requirements & Minimum Capital Requirements

2.1. The SCR of the Company as at 31 December 2017 was £14,198k. The MCR of the Company as at 31 December 2017 was £6,212k.

2.2. The SCR of the Company is made up as follows:

2.2.1. The Company is exposed to market risks derived predominately from the assets held by the Company to meet its insurance liabilities, although exposures to shocks in interest rates and currency rates also considered in the exposure from underwriting risks.

As at 31 December 2017 these were:

MARKET RISK	**Company £**
Interest rate risk	380,392
Spread risk	788,146
Equity risk	
Currency risk	1,056,873
Property risk	125,000
Concentration risk	116,274
Market risk diversification	-722,718
MARKET RISK TOTAL	**1,743,967**

As at 31 December 2016 these were:

MARKET RISK	**Company £**
Interest rate risk	133,508
Spread risk	225,267
Equity risk	
Currency risk	145,203
Property risk	125,000
Concentration risk	37,660
Market risk diversification	-254,354
MARKET RISK TOTAL	**412,284**

2.2.2. The Company is exposed to counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

As at 31 December 2017 these were:

COUNTERPARTY RISK	**Company £**
Type 1 risk	425,787
Type 2 risk	
Market risk diversification	
COUNTERPARTY RISK TOTAL	**425,787**

As at 31 December 2016 these were:

COUNTERPARTY RISK	Company £
Type 1 risk	257,891
Type 2 risk	76,829
Market risk diversification	-15,141
COUNTERPARTY RISK TOTAL	**319,579**

2.2.3. The Company is exposed to non-life underwriting risk as a result of the insurance policies it sells. The risks are based on volatility around earned premiums and claims reserves, and to catastrophe events to which the Company may be exposed.

As at 31 December 2017 these were:

NON-LIFE UNDERWRITING RISK	Company £
Premium and reserve risk	12,184,295
Lapse	2,129,642
Catastrophe risk	1,551,464
Non-life diversification	-3,025,961
NON-LIFE UNDERWRITING RISK TOTAL	**12,839,440**

As at 31 December 2016 these were:

NON-LIFE UNDERWRITING RISK	Company £
Premium and reserve risk	6,083,621
Lapse risk	186,976
Catastrophe risk	538,750
Non-life diversification	-566,397
NON-LIFE UNDERWRITING RISK TOTAL	**6,242,950**

2.2.4. The final solvency capital requirement of the Company is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by the Company.

As at 31 December 2017 these were:

Solvency capital requirement	2017 £	2016 £	Movement £
Market risks	1,743,967	412,284	1,331,683
Counterparty risks	425,787	319,579	106,208
Non-life underwriting risks	12,839,440	6,242,950	6,596,490
Basic SCR diversification	-1,403,759	-448,370	-955,389
Operational risks	592,864	732,047	-139,183
SOLVENCY CAPITAL REQUIREMENT	**14,198,299**	**7,258,490**	**6,939,809**

2.3 The Company has not utilised simplified calculations in applying the standard model and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

2.4 The inputs used to calculate the MCR of the Company are as follows:

Line of business	Net (of reinsurance) best estimate and technical provisions calculated as a whole (£'000)	Net (of reinsurance) written premiums in the last 12 months (£'000)
Accident		
Sickness		
Fire and natural forces	2,546	3,423
Damage to Property		
General Liability	2,486	3,748
Suretyship		103
Miscellaneous Financial Loss	11,206	21,238
Legal expenses		4,212
Assistance	14	16

2.5 This is the second period in which the Solvency Capital Requirement and Minimum Capital Requirement have been reported.

3. Non-Compliance with the MCR and Non-Compliance with the SCR

3.1 The Company has not maintained capital sufficient to meet its minimum capital requirement or solvency capital requirement throughout the period covered by this report.

3.2 However, a remediation plan as outlined in the Executive Summary is being actioned. The remediation plan consists of a whole book quota share from 1st January 2017 to 31st December 2018, 100% quota share of all years of the French construction book, withdrawal from the French construction and rental guarantee markets, and £5m of capital injected by the shareholders. The effects of these actions were that the Company reported a SCR solvency ratio of 117%, and a MCR ratio of 468%, at 30 September 2018.

4. Any Other Information

The Directors do not consider that there is any further information which should be disclosed regarding the capital management of the Company.

F. Quantitative Reporting Templates

P.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	23,285
R0080	Property (other than for own use)	500
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	8,824
R0140	Government Bonds	91
R0150	Corporate Bonds	8,732
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	1,121
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	12,841
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	538
R0280	Non-life and health similar to non-life	538
R0290	Non-life excluding health	538
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
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	4,694
R0420	Any other assets, not elsewhere shown	375
R0500	**Total assets**	28,892

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	16,458
R0520	Technical provisions – non-life (excluding health)	16,458
R0530	TP calculated as a whole	0
R0540	Best Estimate	12,596
R0550	Risk margin	3,862
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	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	TP calculated as a whole	0
R0670	Best Estimate	0
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	2,453
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	6,181
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	25,093
R1000	**Excess of assets over liabilities**	3,800

P.05.01.02.01 - Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for:accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	0	0	0	0	0	3,423	3,748	1,127	4,212	16	21,467					33,993
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0140	Reinsurers' share	0	0	0	0	0	0	0	0	1,024	0	0	229	0	0	0	0	1,253
R0200	Net	0	0	0	0	0	0	3,423	3,748	103	4,212	16	21,238	0	0	0	0	32,740
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	0	0	0	488	321	514	4,212	14	13,448					18,996
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0240	Reinsurers' share	0	0	0	0	0	0	0	0	467	0	0	110	0	0	0	0	577
R0300	Net	0	0	0	0	0	0	488	321	47	4,212	14	13,338	0	0	0	0	18,420
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	0	0	0	724	394	-1	881	11	14,951					16,961
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0340	Reinsurers' share	0	0	0	0	0	0	0	0	0	286	0	113	0	0	0	0	399
R0400	Net	0	0	0	0	0	0	724	394	-1	595	11	14,838	0	0	0	0	16,562
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	601					601
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	601	0	0	0	0	601
R0550	**Expenses incurred**	0	0	0	0	0	0	249	235	71	2,392	1	1,343	0	0	0	0	4,290
R1200	**Other expenses**																	0
R1300	**Total expenses**																	4,290

P.05.02.01 - Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB	FR	DE	CZ	AT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	15,361	14,348	1,087	1,049	742	32,587
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	1,014	0	0	0	0	1,014
R0200	Net	0	14,347	14,348	1,087	1,049	742	31,573
	Premiums earned							
R0210	Gross - Direct Business	0	9,100	7,942	900	230	468	18,639
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	452	0	0	0	0	452
R0300	Net	0	8,648	7,942	900	230	468	18,186
	Claims incurred							
R0310	Gross - Direct Business	0	4,593	10,983	704	141	415	16,837
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	399	0	0	0	0	399
R0400	Net	0	4,194	10,983	704	141	415	16,438
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	601	0	0	0	0	601
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	601	0	0	0	0	601
R0550	**Expenses incurred**	0	3,092	931	68	66	46	4,202
R1200	**Other expenses**							0
R1300	**Total expenses**							4,202

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			0	0	0	0	0	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0
	Premiums earned							
R1510	Gross	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0
	Claims incurred							
R1610	Gross	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0
R2500	**Other expenses**							0
R2600	**Total expenses**							0

P.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protectioninsurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0	0	0	0	0	1,894	2,048	342	0	3	3,371	0	0	0	0	7,658
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	0	0	350	0	0	-86	0	0	0	0	264
R0150	Net Best Estimate of Premium Provisions	0	0	0	0	0	0	1,894	2,048	-8	0	3	3,458	0	0	0	0	7,395
	Claims provisions																	
R0160	Gross	0	0	0	0	0	0	652	438	0	-4,023	11	7,860	0	0	0	0	4,938
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	0	0	0	163	0	111	0	0	0	0	275
R0250	Net Best Estimate of Claims Provisions	0	0	0	0	0	0	652	438	0	-4,186	11	7,749	0	0	0	0	4,663
R0260	**Total Best estimate - gross**	0	0	0	0	0	0	2,546	2,486	342	-4,023	14	11,231	0	0	0	0	12,596
R0270	**Total Best estimate - net**	0	0	0	0	0	0	2,546	2,486	-8	-4,186	14	11,206	0	0	0	0	12,058
R0280	**Risk margin**	0	0	0	0	0	0	1,397	1,064	17	154	0	1,229	0	0	0	0	3,862
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total																	
R0320	Technical provisions - total	0	0	0	0	0	0	3,943	3,550	360	-3,869	14	12,461	0	0	0	0	16,458
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	0	0	0	0	0	350	163	0	25	0	0	0	0	538
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	0	0	0	0	0	3,943	3,550	10	-4,032	14	12,436	0	0	0	0	15,920

P.19.01.21 - Non-life Insurance Claims Information

Total Non-Life Business

Z0020	Accident year / Underwriting year	**Z0020**	Underwriting year [UWY]

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

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**											0	0	0
R0160	**N-9**	5	20	10	17	46	30	0	-5	10	0		0	134
R0170	**N-8**	4	20	21	169	24	5	13	0	0			0	255
R0180	**N-7**	2	46	45	41	10	21	-5	0				0	159
R0190	**N-6**	11	20	42	1	21	-8	6					6	93
R0200	**N-5**	3	179	101	130	-26	97						97	483
R0210	**N-4**	57	187	672	445	520							520	1,881
R0220	**N-3**	598	696	948	907								907	3,148
R0230	**N-2**	2,102	2,539	2,106									2,106	6,747
R0240	**N-1**	2,256	6,277										6,277	8,533
R0250	**N**	2,799											2,799	2,799
R0260												**Total**	12,712	24,232

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	**Prior**											7	7
R0160	**N-9**	0	0	0	0	0	0	0	0	2	4		4
R0170	**N-8**	0	0	0	0	0	0	0	5	29			29
R0180	**N-7**	0	0	0	0	0	0	2	43				43
R0190	**N-6**	0	0	0	0	0	25	5					5
R0200	**N-5**	0	0	0	0	146	122						122
R0210	**N-4**	0	0	0	543	889							889
R0220	**N-3**	0	0	-955	206								208
R0230	**N-2**	0	2,118	393									391
R0240	**N-1**	4,461	3,263										3,251
R0250	**N**	7,269											-12
R0260												**Total**	4,938

P.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	26	26		0	
R0030	Share premium account related to ordinary share capital	3,432	3,432		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	92	92			
R0140	Subordinated liabilities	0		0	0	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
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	**Total basic own funds after deductions**	3,550	3,550	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			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			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	3,550	3,550	0	0	0
R0510	Total available own funds to meet the MCR	3,550	3,550	0	0	
R0540	Total eligible own funds to meet the SCR	3,550	3,550	0	0	0
R0550	Total eligible own funds to meet the MCR	3,550	3,550	0	0	
R0580	**SCR**	14,198				
R0600	**MCR**	6,212				
R0620	**Ratio of Eligible own funds to SCR**	0.2500				
R0640	**Ratio of Eligible own funds to MCR**	0.5714				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	3,800
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	3,458
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	250
R0760	**Reconciliation reserve**	92
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	3,806
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,806

P.25.01.21 - Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,744		
R0020	Counterparty default risk	426		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	12,839		
R0060	Diversification	-1,404		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	13,605		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	593
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
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**	14,198
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	14,198
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

P.28.01.01 - Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	6,212

		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 expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	2,546	3,423
R0090	General liability insurance and proportional reinsurance	2,486	3,748
R0100	Credit and suretyship insurance and proportional reinsurance	0	103
R0110	Legal expenses insurance and proportional reinsurance	0	4,212
R0120	Assistance and proportional reinsurance	14	16
R0130	Miscellaneous financial loss insurance and proportional reinsurance	11,206	21,238
R0140	*Non-proportional health reinsurance*	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL 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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	6,212
R0310	SCR	14,198
R0320	MCR cap	6,389
R0330	MCR floor	3,550
R0340	Combined MCR	6,212
R0350	Absolute floor of the MCR	3,251

		C0070
R0400	**Minimum Capital Requirement**	6,212