# Acadia International Insurance DAC ("Acadia")

# Solvency & Financial Condition Report (SFCR)

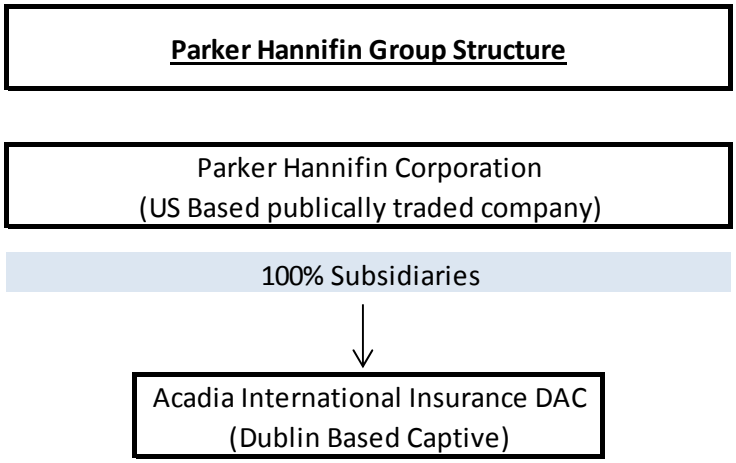
# June 30, 2017

Acadia has prepared the below Solvency and Financial Condition Report in accordance with the regulations set out in Articles 292–297 of the Solvency II Delegated Acts together with the Guidelines on reporting and public disclosure issued by EIOPA.

## A. BUSINESS & PERFORMANCE

### A.1 Business

Acadia International Insurance DAC ("Acadia" or "The Company") is a Captive Insurance Company regulated by The Central Bank of Ireland ("CBI"). The Company is engaged exclusively in the underwriting on an insurance and reinsurance basis of property, liability, marine and aviation liability risks, providing coverage to Parker Hannifin entities worldwide, particularly in the United States of America, Germany and France. The Company is the wholly-owned subsidiary of Parker Hannifin Corporation 6035 Parkland Blvd, Cleveland, Ohio 44124-4141, which is incorporated in the United States of America.




On 28 February 2017, Parker Hannifin Corporation completed the purchase of CLARCOR, a filtration systems and packing material manufacturing company, and the risks of CLARCOR were incorporated in the underwriting programme of Acadia.

External Audit services are provided to Acadia by Deloitte, Hardwicke House, Hatch Street, Dublin 2, Ireland, and the signing partner is Mr. Matthew Foley.

## A.2 Underwriting Performance

The principal risks and uncertainties that the Company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the Directors adopt an appropriately prudent approach to the provision and valuation of adequate insurance reserves, with annual support and certification being provided by an external actuary.

The Group strategy is to maintain a level of risk within Acadia that provides Parker Hannifin with the optimal insurance structure. It is therefore accepted that, in accordance with its business plan, the best strategic operating options available is for Acadia to write a number of lines of insurance business, insuring Parker Hannifin:

- Property Damage/Business Interruption
- General Liability
- Annual Aggregate Deductible Marine
- Aviation Products Liability

All policies are subject to original policy deductibles, sub-limits and individual aggregates. There are also reinsurance layers for the General Liability programme, with the excess layers of the programme 100% reinsured, and the Property Damage/Business Interruption programme, of which Acadia retains a portion. Reinsurance for 100% of the programme is also purchased for the Aviation Products Liability line of business.

Claims are paid by Acadia up to agreed single loss limits and aggregates, in excess of deductibles.

Premiums written relate to business incepted during the financial year.

Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers.

Profit after tax for the period ended 30 June 2017 amounted to US$0.90m (2016: US$0.82m).

Gross premiums written relate to related party liability, marine, property damage and business interruption, and aviation products liability risks located worldwide. All premiums resulted from contracts of insurance concluded in the Republic of Ireland. Gross premium written for the period ended 30 June 2017 amounted to US$14.87m (2016: US$16.02m).

Gross claims paid during the financial year ended 30 June 2017 totalled US$0.20m (2016: US$0.33m). This compares to net claims paid of US$0.20m (2016: US$0.07m). As at 30 June 2017, the Company held gross claims provisions of US$11.92m (2016: US$13.25m), and net claims provision of US$1.61m (2016: US$1.70m.) Net operating expenses for the year amounted to US$1.25m (2016: US$0.70m).

## A.3 Investment Performance

The Company allocates its investment portfolio in three distinct portfolios, as described below;

BlackRock Liquidity Fund: The Company invests in BlackRock's Institutional US Dollar Ultra Short Bond Fund. The custodian of the Fund is J.P. Morgan Bank (Ireland) plc. The Fund aims to generate income and a reasonable degree of liquidity consistent with low volatility of capital, through the maintenance of a portfolio of high quality short to medium term fixed income securities including money market instruments and securities which pay income according to a floating rate of interest and asset backed securities (ABS). The Fund's assets will be rated high quality at the time of purchase and it will only invest in securities which have a residual maturity of 2 years or less at time of purchase.

Fixed Deposits: The Company holds fixed short term US Dollar deposits with preapproved credit institutions.

Intercompany Loan: Available funds are invested, as deemed prudent by the Board of Directors, in an intercompany loan with Parker Hannifin Global Capital Management Sarl, a wholly owned subsidiary of Parker Hannifin Corporation.

The investment gain for the year to 30 June 2017 amounted to US$245k (which includes interest income and unrealised gains on investments), compared to US$126k in 2016.

# B. SYSTEM OF GOVERNANCE

## B.1 System of Governance

In aiming to meet the requirements for sound corporate governance, ensuring efficient conduct of business and to protect the interests of the Company's stakeholders, the Company has a comprehensive Governance and Risk Management system in place.

It is the responsibility of the Board of Directors to ensure that risks are fully understood and appropriately managed in accordance with this framework. Risk management, reporting and auditing processes will reflect the requirements set out in this Governance Manual.

The Governance and Risk Management System of the Company may be described as relying on four cornerstones:

1) Governance Framework, aligned with the Company's strategic objectives, providing top level oversight by the Board, clear ownership and accountability for risks, as well as clear escalating and reporting channels.

2) Risk Management System which, details the Company's strategic objectives in documented Risk Policies. For each risk, limits and operational checkpoints as well as functional identification mitigation and monitoring processes are documented.

3) A series of Internal Controls, defining the architecture of processes required to manage the Company in accordance with its Governance and risk management framework.

4) A Risk Register combining operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's global strategy objectives.

There have been no material changes to this structure in the period. Acadia implemented the above framework in advance of the inception of Solvency II to ensure compliance.

Given the scale and complexity of the Company, and having reviewed the risks facing the company thoroughly, the Board are satisfied that the system of governance in place is adequate.

## B.2 Fit & Proper

The ‘Fit and Proper’ requirement is the standard required by the Central Bank of Ireland when appointing pre-approved controlled function holders. Acadia is satisfied that appointed individuals performing controlled functions meet all relevant regulatory requirements.

The Compliance function adopts appropriate controls in the registration of its individuals across the Group ensuring that identified individuals meet the regulators’ fit and proper criteria at the point of registration.

**Roles and Responsibilities Detail**

| Key Roles | Outsourcing | Responsible |
|---|---|---|
| Board of Directors | No | Richard Skerbec (Chairman)<br><br>Oleg Williamson<br><br>Graham Ellinor<br><br>Jane de Barra Murphy<br><br>Brian Lehane |
| Risk Management Function | Yes (External) | Brian Lehane |
| Compliance Function | Yes (External) | Aon Insurance Managers (Dublin) Limited – John McNamara (Head of Compliance Function) |
| Operations - Underwriting/Claims Management | Yes (External) | Aon Insurance Managers (Dublin) Limited in conjunction with Parker Hannifin |
| Operations - Finance and Accounting | Yes (External) | Aon Insurance Managers (Dublin) Limited |
| Operations – Investment | Yes (External) | Aon Insurance Managers (Dublin) Limited |
| Operations – Administration | Yes (External) | Aon Insurance Managers (Dublin) Limited |
| Internal Audit Function | No | Oleg Williamson (Head of Internal Audit Function) |
| Actuarial Function | Yes (External) | Actuarial Function carried out by Aon Risk Solutions – Sinéad Browne (Head of Actuarial Function) |

## B.3 Risk Management System

The overriding goal of the Company's risk management strategy is to control and to achieve, as much as possible, a reduction in the Company's risk exposure as a means of minimising the impact of unexpected events, this to increase the likelihood of achieving the Company's strategic and business objectives.

The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

- Underwriting/Reserving
- Asset Liability Management ("ALM")
- Investment
- Liquidity and concentration
- Operational
- Reinsurance and other risk mitigation techniques
- Strategic

In order to achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through risk management policies to each key risk category.

In addition to these policies, an outsourcing policy defining the key rules and criteria to be respected by a service provider has been determined.

Each year, Acadia produces an Own Risk and Solvency Assessment ("ORSA") report. The approach may be summarised as follows:

**Define the Stress Scenarios**

Stress testing and scenario analysis are used to assess whether the available and future capital are sufficient in expected and stressed situations. The appropriateness of the risk limits is also assessed by stress testing and sensitivity analysis.

**Stress the Financial Plan**

Stress test scenarios are embedded into the projected financial plan under Solvency II GAAP. Related SCR/MCR and solvency ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of validated scenarios. The tasks of this process are conducted by the Actuarial Function and validated by the Risk Management Function.

**Assess prospective solvency needs on the basis of the Stressed Financial Plan**

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the Stress Scenarios. The main purpose of this stage is to identify and assess any relevant complementary control, mitigation actions or review of the Risk Appetite in order to match prospective solvency needs with capital position. Any remaining solvency gap will be covered through a relevant capital plan, i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

**Produce the ORSA Report**

The ORSA report will bring clarity over projected risk assessments and solvency needs to three different stakeholders

| Stakeholder | Expectation | ORSA Report |
|---|---|---|
| Board of Directors | Matching projected risks vs the Risk Appetite framework. | Will provide a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries. |
| Shareholders | Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital. | Will provide a plan for capital needs on the time horizon of the financial planning. |
| Supervisory Authority | Detailed and prospective understanding of potential ORSA deviations compared to the SCR under Pillar I. | Will gather information about: projected Solvency ratios; - explanations about deviations due to specific critical risks exposures. |

The ORSA-Process described above ensures that ORSA is integrated in the decision-making and business planning process. Furthermore monitoring procedures as set out in the risk management policies ensures that risk exposures are measured on a regular basis triggering exception reports for the Board.

In line with CBI requirements the Head of Actuarial Opinion provides an actuarial Opinion to the Board of Directors in respect of the ORSA as same time that the results of the ORSA process are presented to the Board.

The capital risk appetite for Acadia is to sustain its capital at a level sufficient to meet the Solvency Capital Requirement at all times. The Board of Directors maintains a prudent approach to capital to ensure that Acadia is a comfortable position to meet its SCR obligation.

Should Acadia find itself in the position where capital would need to be replenished, Parker Hannifin Corporation would provide additional capital to ensure that SCR compliance can be demonstrated. Parker Hannifin Corporation is expected to continue to have ample capacity to provide this support to Acadia.

## B.3 Internal Control System

The Internal Control System embedded in the Company's operations is a mix of processes and undertaken by all stakeholders within the Company to provide reasonable assurance that the strategic objectives will be achieved.

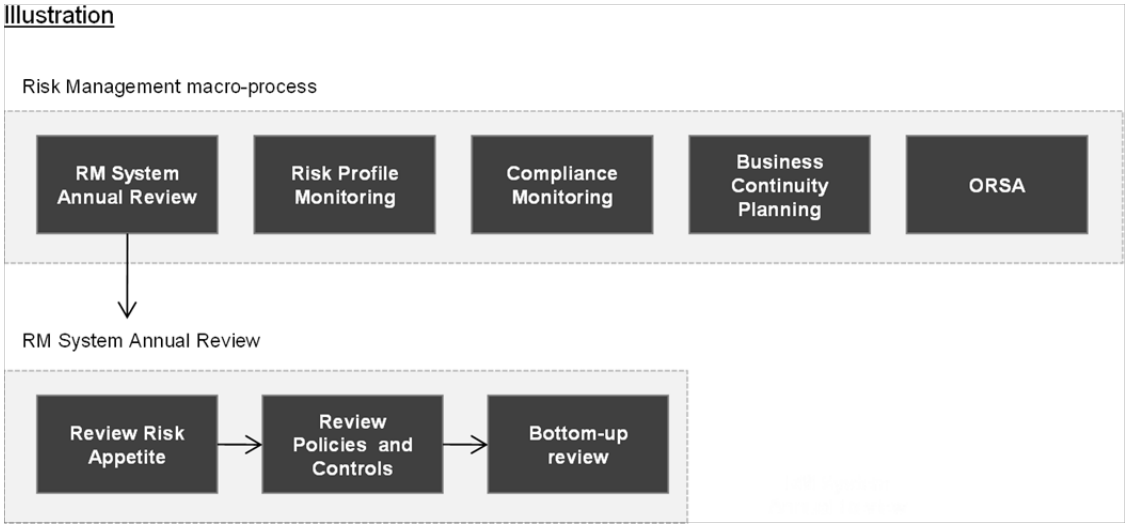
In order to achieve the aforementioned objectives, the Internal Control framework of the Company is structured around five complementary components.

| Component | Contents |
|---|---|
| 1) Control environment | A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight of the Board of Directors and the communication to all internal stakeholders of all governance and risk principles through the present manual. |
| 2) Risk assessment | Procedures and policies are detailed and formalized in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category. |
| 3) Reporting channels | Clear and structured reporting processes are in place enabling the Board of Directors to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events. |
| 4) Monitoring process | The appropriate escalation of significant issues to the Board of Directors, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables to Company to continuously monitor and adapt when necessary its Internal Control System. |
| 5) Control activities | The Company developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations, as formalized hereafter. |

**Process Architecture**

The purpose of the processes detailed hereafter is to define and formalise the key processes needed to manage the Company's activities and operations in accordance with the specified governance framework, policies, roles and responsibilities.

Each macro-process is then broken down in several key processes detailing the operational flow and embedding the relevant control activities formalizing the functioning of the Internal Control System of the Company.



**Detailed Processes and Embedded Control Activities**

In order to set out how the Internal Control System is implemented, the Company's processes and related control activities are documented, monitored and reviewed on a regular basis.

These items are designed by the Risk Management Function, approved by the Board of Directors and evaluated by the Internal Audit Function. They are reviewed as often as necessary but, at minimum, once a year.

As described each of the aforementioned macro-process is detailed in key processes and workflow processes aimed at describing how the tasks and actions composing the given process are shared between the key functions of the Company and at clarifying related roles, responsibilities and embedded control activities.

## B.4 Internal Audit Function

**Purpose & Objectives**

The purpose of the Internal Audit Function is to serve as an independent Function that objectively evaluates and recommends improvements to the Company's Internal Control System by facilitating an objective and independent assessment.

It assists the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes employed by the Company.

The Board is keen to develop effective policies and practices and take appropriate corrective action in response to weaknesses identified by internal and external auditors.

**Independence and Impartiality**

The Company's Internal Audit Function must be independent of the activities audited and must also be independent from the operational Functions and the Board of Directors.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit Function entails that the Internal Audit Function operates under the direct control of the Board of the Company.

## B.5 Actuarial Function

The Actuarial Function is carried out by Sinéad Browne as Head of Actuarial Function.

Role and Responsibility of the Actuarial Function include:

- Coordination of the calculation of technical provisions;
- Identify any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- Explain any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions if already calculated on a Solvency II basis;
- Assess the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the Actuarial Function should provide recommendations on internal procedures to improve data quality so as to ensure that the undertaking is in a position to comply with the related Solvency II requirements when implemented;
- The Actuarial Function, when providing its opinion on the Underwriting Policy and the reinsurance arrangements, to take into consideration the interrelations between these and the technical provisions;
- Report in writing at least annually to the Board of Directors of the undertaking. The reporting should document all material tasks that have been undertaken by the Actuarial Function, their results, clearly identifying any:

  Deficiencies and giving recommendations as to how such deficiencies could be remedied.

  i. Technical Provisions Coordination of calculation
  ii. Methodologies & assumptions
  iii. Data sufficiency & quality
  iv. Experience analysis
  v. Report to the Board on reliability & adequacy
  vi. Opinion on Underwriting policy
  vii. Opinion on Reinsurance arrangements.

- Contribute to the effective implementation of the Risk Management System, in particular:
  i. With regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and MCR;
  ii. Contributing to the ORSA process.

- Think critically and organize the execution of actuarial approaches
- Provide an actuarial opinion to the Board of Directors in respect of the ORSA

**Responsibility**

The person in charge of the Actuarial Function shall meet all the following criteria:

- Be a duly qualified actuary;
- Have experience of more than five years in the field of insurance and / or reinsurance.

The Head of Actuarial Function is a pre-approval controlled function (PCF) under the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011.

The Head of Actuarial Function reports to the Board on an annual basis.

## B.6 Outsourcing

The objectives of Acadia's Outsourcing Policy are to ensure that the outsourcing of critical or important operational Functions or activities does not lead to:

- Reduction in the Board's, and where applicable a relevant sub committee's, responsibility for, or influence over, key Functions of the Company;
- Material impairment of the quality of the Company's System of Governance;
- Any impairment of the Company's ability to meet its regulatory requirements;
- Non adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest;
- Breach of the Company's data protection obligations.

All Functions and activities of the Company are eligible to be outsourced provided that each of the criteria detailed above are satisfied in each instance. Sub-outsourcing is also allowable only in exceptional circumstances, on the condition that the sub-outsourced service provider satisfies the above criteria and subject to approval from the Board of Directors.

The Board is responsible for the approval of and termination of all outsourcing arrangements of critical or important Functions or activities. Critical or important Functions or activities include key Functions of the Company's System of Governance and all Functions within the Company that are fundamental to carry out its core business.

The Board must decide whether arrangements with third parties are deemed to fall within the scope of this outsourcing policy. The provision of services which do not form part of the Company's core activities need not be included within the scope of this policy.

The Board is responsible for ensuring notification to the supervisory authorities is made in a timely manner prior to the outsourcing of critical or important Functions or activities, and thereafter where there have been material developments in relation to the service provider.

The Board is responsible for reviewing the performance of outsourced service providers against the agreed Service Level Agreements ("SLA").

The Board is responsible for assessing the risks associated with the outsourcing of critical or important Functions or activities.

# C. RISK PROFILE

## C.1 Underwriting Risk

The Company underwrites contracts that transfer insurance risk. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient assets to satisfy the amounts payable under the contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the Directors ensure that suitable processes are in place to ensure the reliability, sufficiency and adequacy of both the statistical and accounting data to be considered in the loss reserve estimation and recording process and to detail the Company's approach to the calculation of technical provisions.

Annual support and certification is provided by an Actuarial Function. The Company additionally manages its insurance risk exposures through the purchase of reinsurance cover.

## C.2 Market Risk

The Company's principal transactions are carried out in US Dollars and its exposure to foreign exchange risk arises primarily with respect to Euro and GBP. The main foreign exchange risk arises from the receipt of premium and Insurance Premium Tax (IPT) in other currencies. The Board has discussed options to mitigate foreign exchange rate fluctuations at recent meetings and is considering participation in the parent company hedging program.

## C.4 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company has identified credit risks associated with the cash and deposits it has placed with third party financial institutions. All investments undertaken are in line with the Company's Investment Policy, which is regularly reviewed by the Board. The requirements of the Company's Investment Policy were met at all times during the financial year.

The Company also recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy and this strategy sets out the required security ratings of its reinsurers and the procedures to follow if a financial strength rating of a minimum of A- is not met.

## C.5 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial obligations. The Company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the Company has all of its investments held in bank deposits, intercompany loan or within a liquidity

fund managed by Blackrock Asset Management. The Blackrock liquidity fund invests primarily in commercial paper, floating rate notes, certificates of deposit, fixed rate bonds and cash deposits. Investments in the fund are in compliance with the Company's investment guidelines.

## C.6 Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Company cannot expect to eliminate all operational risk, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education, and assessment processes.

## C.7 Other Material Risk

## Strategic Risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes i.e. the risk associated with implementing the wrong strategy or failing to correctly implement the chosen strategy.

The control and monitoring actions/principles underlying the strategic risk management of the Company are:

- Review at least annually the appropriateness of the high level overall objectives for the Company; the major risks facing the Company; the Risk Appetite for each of these major risks identified. The Board of Directors will ensure continuing appropriateness, at least annually and revisions shall be affected where necessary.

- Ensure the Company Strategy is implemented correctly including approval, review and, monitoring of agreed Key Performance Indicators for the Company.

- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total. Compare actual versus target performance on a regular basis (as defined for each objective) and produce a variance analysis explaining reasons for deviations.

## Sensitivity Risk

Actuarial function assesses the impact of varying the underlying assumptions with respect to initial average severity and expected reported loss development on their Best Estimate of Acadia’s unpaid claim liabilities and vary severity of -50%/+200% around the selected average severity as well as varying the paid and reported loss development patterns.

No other material risks have been identified.

# D. VALUATION FOR SOLVENCY PURPOSES

## D.1 Assets

Acadia prepares its financial statements on a going concern basis in compliance with FRS 102 and FRS 103 issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants Ireland, being applicable UK and Irish GAAP accounting standards, and in accordance with the provisions of the Companies Act 2014 and the European Union (Insurance undertakings: Financial Statements Regulations 2015).

Acadia uses the historical cost convention. Acadia has 5 classes of assets.

- Cash and cash equivalents
- Investments and deposits with credit institutions
- Intragroup Loan
- Reinsurers share of insurance liabilities
- Amounts due from reinsurers

The valuation of the reinsurer share of insurance liabilities is detailed in the subsequent section, "Technical Provisions."

Cash and cash equivalents comprise cash at banks whereas investments and deposits with credit institutions comprise short term deposits with an original maturity of three months or less and an investment in liquidity funds held with BlackRock. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments. The intragroup loan is measured at the undiscounted amount receivable.

Amounts due from reinsurers are held at the lower of cost or market value/realisable value.

The only differences in the valuation of these assets between the financial statements and the Solvency II annual Quantitative Reporting Templates ("QRT's") relate to accrued interest on the cash and equivalents and the investments and deposits, which is shown separately in the Financial Statements.

## D.2 Technical Provisions

Provision is made for notified claims reserves and future claims on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate net estimate being made of amounts recoverable from reinsurers. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out using actuarial evaluation.

Reserves for insurance contract liabilities and reinsurance assets are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of the Head of Actuarial Function. The reserves include estimates for both case reserves (and future claims handling expense) and losses incurred but not reported ("IBNR").

In arriving at these valuations, Acadia uses the following methodology and assumptions.

## Best Estimate of Unpaid Claim Liabilities (IFRS)

The overall methodology for estimating Acadia's unpaid claim liabilities is based upon a combination of several actuarial valuation methods that, based on in the Actuary's opinion, what is believed to accurately reflect the reserve requirement for the individual policy year and line of business:

**The Chain Ladder ("CL") method** : estimates the ratio by which cumulative claims to date will increase (or decrease) at annual intervals from the date of policy inception. The 12 to 24 month ratio (for example) is estimated by taking the average ratio observed in policies 24 months or more from their date of inception. This approach assumes the earliest year of origin to experience no future movement. Claims experience is not adjusted for past inflation.

**The Loss Ratio Method** : an exposure based expected loss approach that often applies the average ultimate loss ratio for earlier years of the portfolio to more recent exposures (e.g. turnover). It is sometimes referred to as the Initial Expected Loss Ratio ("IELR") method.

**The Incurred Bornhuetter-Ferguson Method ("IBF")** : a blended method of claims development where estimates of ultimate claims derived using a loss development (or Chain Ladder) method are blended with the estimates derived using alternative methods. It is often blended with estimates using the IELR method. A blended approach is preferred for recent, less-developed policy periods because using the chain ladder method in isolation can be particularly unstable. In addition the use of a blended approach helps provide a smooth and consistent transition from past policy periods to partially complete and future periods.

**The Generalised Cape Cod Method ("GCC")** : a Bornhuetter-Ferguson methodology in which the exposure based ultimate claims estimates are derived by considering the ratios of the Chain Ladder ultimates to exposure measures. An expected ratio is calculated for each policy period based on a weighted average adjusted for any significant trend, using a decay factor of 75%. The weights used reflect the exposure, the claims development and the proximity to the policy period in question. The proportions developed (Bornhuetter-Ferguson weights) are used to blend the Chain Ladder estimated ultimate claims with the exposure based estimates.

**The Exposure method :** estimates the ultimate value of claims in a given underwriting or accident year in proportion to the exposure measure in that year (e.g. premium or sum insured) compared to other similar years. This is most commonly done by applying an average of the ultimate loss ratio observed in earlier years. This approach gives no recognition to the current level of claims reported in the year under consideration. It is influenced only by claims experience and exposure levels in neighbouring years.

The Head of Actuarial Function estimates ground-up gross ultimates (the sum total of paid claims, case estimates, cost of claims function related overhead costs ("ULAE") and IBNR) by policy year, allocating an IBNR and ULAE for each line of business and policy year for future claim development.

**Key Assumptions**

The actuary has identified the following assumptions as being the most significant assumptions underlying our methodology:

1. That the range analysis applied has been estimated by considering 50% and 200% of the best estimate prior loss ratio for the lower and upper reserves respectively, and that this range is significantly larger than what one may expect to see in a larger, more diversified insurance company;

2. The relatively few claims and lack of extensive development patterns add to the uncertainty of the Best Estimates;

3. That the Best Estimates are neither deliberately overstated nor deliberately understated, and that is equally likely for this to be understated as it is overstated;

4. That the employed techniques and assumptions employed are appropriate for the purpose of determining the Best Estimate, and that the actual amounts required to meet future claim payments may differ, due to the inherent uncertainty of insurance.

## Solvency II Technical Provisions

The Solvency II Technical Provision is comprised of a Best Estimate of Liabilities ("BEL") and a Risk Margin ("RM").

The Solvency II BEL is comprised of a provision for claims outstanding ("PCO") and a premium provision ("PP"). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the expected profit underlying the unearned portion of policies that have already incepted and any policies that have been bound but not incepted ("BBNI"). The PCO is derived from actuarial estimate of Acadia's IFRS unpaid claim liabilities. The adjustment of IFRS estimate of unpaid claim liabilities to a Solvency II basis requires that IFRS unpaid claim liabilities are discounted to a present value basis. The actuary utilizes the basic RFR (risk-free rate) curves with no volatility adjustment as of June 30, 2017 as published by EIOPA to discount the cash flows underlying the PCO. These interest rates are utilized to discount all cash flows underlying the calculation of the Solvency II TPs. A provision for expenses related to the runoff of these liabilities is then added, as required by Solvency II, as the IFRS estimate of unpaid claim liabilities does not include a provision for the expenses that will be incurred in running off the liabilities.

The methodology adopted implicitly assumes that Acadia will continue to write business into the future and that a portion of the expenses in future years will be attributable to new business, consistent with the required derivation of the expense reserve as per the current Solvency II regulations. The BEL is calculated as the sum of the PCO and the PP.

**Risk Margin**

The Solvency II risk margin is intended to represent an amount that Acadia would be required to pay, in excess of the Best Estimate of the Liabilities, for a third party to assume the risk of running of the existing liabilities. The actuarial calculation of the Solvency II risk margin is consistent with the Solvency II regulations, which applies a 6% cost of capital to the amount of capital required at the beginning of each year to support the runoff of the insurance obligations.

## D.3 Other Liabilities

Aside from Technical provisions, the valuation of which are detailed above, Acadia has three other classes of assets;

- Deferred taxations
- Creditors arising out of direct insurance operations
- Deferred Income

Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured, on an undiscounted basis, at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Amounts due from reinsurers are held at the lower of cost or market value/realizable value.

Commission income is earned in line with the related reinsurance premium in the accounting years over which those reinsurance premiums are earned. Accordingly a proportion of commission is carried forward at the accounting date, as deferred income, to the extent that it is considered to be recoverable.

## D.4 Alternative Methods of Valuation

No alternative methods were used.

## D.5 Any Other Information

There is no other information to report

# E. CAPITAL MANAGEMENT

## E.1 Own Funds

The Solvency II Directive and the Delegated Acts identify the criteria own funds items must possess in order to be classified in one of the three Tiers (Tier 1, Tier 2 and Tier 3) of eligible capital. The Delegated Acts provide lists of items that fall into each of the three Tiers.

The company assess material risks that may threaten the accomplishment of the Company's strategic objectives or might have a substantial impact on the available qualifying own funds, these risks could result from either internal or external events.

Management has identified Underwriting Risk, Reserve Risk, and Investment Risk as the material risks to which Acadia is exposed. Management has investigated the magnitude of each of these risks as well as sought to determine any potential correlations that may exist within, or between, these risk categories based on review of historical experience.

In relation to Investment Risk, a clear strategy has been developed to manage risk in a manner which limits exposure to investment volatility for those assets matching insured liabilities. All other risks are managed through a framework of internal controls supported by monitoring by management, internal audit, governance groups and the various functions of the board.

Acadia's capital structure is composed of ordinary share capital and retained earnings, as below.

| | **2017** | **2016** |
|---|---|---|
| | US$'000s | US$'000s |
| Authorised (20,000,000 ordinary shares of US$1 each) | 20,000 | 20,000 |
| Allotted, called-up and fully paid (1,000,000 ordinary shares of US$1 each) | 1,000 | 1,000 |
| Retained Earnings | 20,482 | 19,585 |

By resolution, in order to become eligible as tier 1 capital under Solvency II, the board, following legal and tax advice, agreed to transfer the capital contribution of US$280,000 from Parker Hannifin Corporation into retained earnings during the financial year ended 30 June 2016.

**Solvency II own funds**

Under Solvency II valuation principals, the eligible own funds available to meet the SCR and MCR is US$21.64m. This is comprised solely of Tier 1 capital.

The reconciliation reserve is comprised of US$21.64m of excess assets over liabilities less other own fund items of US$21.46m giving a total reconciliation reserve of (US$.16m).

Acadia has no material ancillary own funds.

**Capital management**

The total capital of the Company as at 30 June 2017 consists of shareholder's equity of US$21.49m (2016: US$20.59m).

Management reviews capital on an ongoing basis with a view to maintaining a level of capital sufficient to cover significant statement of financial position risks and regulatory requirements. As at 30 June 2017 the Company has adequate capital to meet these objectives.

## E.2 Solvency Capital Requirement & Minimum Capital Requirement

Acadia's Solvency Capital Requirement ("SCR") as of June 30, 2017 totals US$13.78m. Acadia's Solvency II recognized own funds totalling US$21.64 million is sufficient to meet its SCR and results in a Solvency Ratio of 157%. Acadia's Minimum Capital Requirement ("MCR") as of June 30, 2017 totals US$4.16m.

This is broken down into the various components of risk as below.

| Capital Charges | |
|---|---|
| **Market Risk** | The US$9m capital charge for market risk arises largely from the concentration risk charge of US$9m, This is due to the intercompany loan "ICL" with the parent who is unrated. The charge for an unrated loan is (loan amount x 98.5% x 73%). The remainder is for currency risk is US$0.3m, Spread risk US$0.5m, Interest rate risk US$0.04m and diversification benefit of (US$0.8m) which is driven by higher charges for the underlying modules. |
| **Underwriting Risk** | The US$5.4m capital charge for Underwriting Risk is primarily due to the US$5.2m capital charge for catastrophe risk. This is calculated based on applying the prescribed factors within the Solvency II regulations incorporating the EEA Nat Cat risk using the sums insured. The remainder is made up of premium and reserve risk of US$0.7m and US$0.4m for Lapse risk. There is also a diversification benefit of (US$0.9m) again driven by higher charges for underlying modules. |
| **Counterparty Default Risk** | The US$3.2m risk charge is driven bythe rating of each individual counterparty and the loss given on default of that counterparty. This risk module reflects the possible losses due to unexpected default or deterioration in the credit standing of counterparties.. |
| **Operational Risk** | There is a small operational risk charge of US$0.50m which takes into account earned premiums and technical provisions that are held in respect of (re)insurance obligations. |

Acadia's SCR has increased by US$.05m million relative to its SCR as of June 30, 2016. The marginal increase in results is due to the progressive maintenance and stability of Acadia's risk profile.

Table 3.1: SCR Results comparison ($'000)

| Risk charge | 30 Jun 2017 | 30 Jun 2016 | Movement |
|---|---|---|---|
| Premium/Reserve Risk | 742 | 754 | (12) |
| Catastrophe Risk | 5,157 | 5,072 | 85 |
| Lapse Risk | 383 | 316 | 67 |
| Diversification Benefit | (878) | (821) | (56) |
| **Non-Life Underwriting Risk** | **5,404** | **5,320** | **84** |
| | | | |
| Premium/Reserve Risk | - | - | - |
| Catastrophe Risk | - | - | - |
| Lapse Risk | - | - | - |
| Diversification Benefit | - | - | - |
| **Health Underwriting Risk** | - | - | - |
| | | - | |
| **Counterparty Default Risk** | **3,240** | **3,458** | **(218)** |
| | | | |
| Interest Rate Risk | 35 | 54 | (20) |
| Equity Risk | - | - | - |
| Spread Risk | 513 | 507 | 6 |
| Currency FX Risk | 266 | 331 | (65) |
| Property Risk | - | - | - |
| Concentration Risk | 9,005 | 8,916 | 90 |
| Diversification Benefit | (791) | (866) | 75 |
| **Market Risk** | **9,028** | **8,942** | **87** |
| | | | |
| Diversification Benefit | (4,341) | (4,384) | 43 |
| **BSCR** | **13,332** | **13,336** | **(4)** |
| | | | |
| Operational Risk | 450 | 500 | (50) |
| Tax Adjustments | - | - | - |
| | | | |
| **SCR** | **13,782** | **13,836** | **(54)** |
| **Available Capital** | **21,644** | **19,617** | **2,026** |
| **Surplus/Deficit** | **7,862** | **5,781** | **2,081** |
| | | | |
| **Solvency Ratio** | **157%** | **142%** | **15%** |

Acadia's Solvency II balance sheet equity as of June 30, 2017 totals US$21.64m. Provided below is a reconciliation of Acadia's IFRS balance sheet equity as of June 30, 2017 totalling US$21.49m and the Solvency II balance sheet equity.

**Table A1.1: Restatement of Balance Sheet ($'000)**

| Balance Sheet Items | Statutory | Solvency II | Movement |
|---|---|---|---|
| Investment funds | 8,270 | 8,270 | - |
| Deposits other than cash equivalents | 604 | 604 | 0 |
| Loans and mortgages | 12,585 | 12,659 | 74 |
| Cash and cash equivalents | 4,274 | 4,277 | 3 |
| Reinsurance recoverables | 17,503 | 7,987 | (9,516) |
| Insurance and intermediaries | 2,002 | - | (2,002) |
| Reinsurance receivables | 187 | - | (187) |
| Receivables (trade, not insurance) | 77 | - | (77) |
| Any other assets | 71 | - | (71) |
| **Assets** | **45,573** | **33,797** | **(11,776)** |
| Technical Provisions | 20,804 | 12,019 | (8,785) |
| Best Estimate | | *10,886* | |
| Risk margin | | *1,133* | |
| Reinsurance payables | 2,773 | - | (2,773) |
| Payables (trade, not insurance) | 99 | 99 | (1) |
| Deferred tax liabilities | - | 23 | 23 |
| Any other liabilities | 412 | 13 | (399) |
| **Liabilities** | **24,089** | **12,154** | **(11,935)** |
| Paid up share capital | 1,000 | 1,000 | - |
| Retained earnings including profits | 20,485 | 20,485 | - |
| Reconciliation Reserve | | 159 | 159 |
| **Basic Own Funds** | **21,485** | **21,644** | **159** |

Noted below are the adjustments to convert Acadia's Ireland-IFRS balance sheet to a Solvency II balance sheet:

**1. Reinsurer recoverables**: This reduction has been driven by the inclusion of profit on bound but unincepted premiums and removal of prudence in the RI UPR (-US$6.3m). There are also Solvency II adjustments for removal of prudence (-US$0.1m), RI counterparty default (-US$0.02m), discounting (-US$0.8m) and binary events (+US$0.3m). Reinsurance premium payable (-US$2.5m) are also included in the technical provisions.

**2. Technical provisions**: This reduction has been driven by the inclusion of profit on bound but un-incepted premiums and removal of prudence in the RI UPR (-US$7.4m). Unpaid premiums from the balance sheet have been included within the technical provisions (-US$1.9m). These reductions have been partially offset by Solvency II adjustments for expenses (+US$.16) and ENID (+US$0.3m), allowance for discounting (-US$0.9m), removal of prudence (-US$0.1m) and the addition of the risk margin (+US$1.1m).

**Data**

Estimates are based on:

- information contained in Acadia's June 30, 2017 financial statements
- Actuarial estimates of Acadia's unpaid claim liabilities as of June 30, 2017,

**Methodology**

The actuarial calculation of Acadia's Solvency Capital Requirement is based on application of the Solvency II regulations as detailed in the Commission Delegated Regulation (EU) 2015/35 as published on October 10, 2014 ("Delegated Acts").

## E.3 Use of Duration Based Equity Risk Sub Model in calculation of the SCR

There was no use of duration based equity risk sub model in the calculation of the SCR

## E.4 Differences between the Standard Model & Any Internal Model

Acadia used the Standard Model in determining the SCR and MCR and did not rely on any internal model.

## E.5 Non-Compliance with MCR and SCR

There are no issues with non-compliance with the MCR and SCR

## E.6 Any Other Information

There is no other information to report

## CONCLUSION

Solvency II Audit came into effect from 31st December 2016. The following additional detail from Annual QRT's are included within the SFC Report:

S.02.01.02 – Balance sheet.

S.05.01.01 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.17.01.02 – Non Life technical provisions

S.19.01.21 – Claims Developments

S23.01.01 – Own Funds

S25.01.21 – SCR using standard formula

S28.01.01 – MCR

# ANNEX I - QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 - Balance Sheet

S.05.01.02 - Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 - Non Life technical provisions

S.19.01.21 - Claim development triangles

S.23.01.01 - Own funds

S.25.01.21 - SCR using standard formula

S.28.01.01 - MCR

## S.02.01.02 - Balance Sheet (In thousands of USD)

| | | C0010 |
|---|---|---|
| | | **Solvency II value** |
| **Assets** | | |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 8,874 |
| R0080 | Property (other than for own use) | |
| R0090 | Holdings in related undertakings, including participations | |
| R0100 | Equities | 0 |
| R0110 | Equities - listed | |
| R0120 | Equities - unlisted | |
| R0130 | Bonds | 0 |
| R0140 | Government Bonds | |
| R0150 | Corporate Bonds | |
| R0160 | Structured notes | |
| R0170 | Collateralised securities | |
| R0180 | Collective Investments Undertakings | 8,270 |
| R0190 | Derivatives | |
| R0200 | Deposits other than cash equivalents | 604 |
| R0210 | Other investments | |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 12,659 |
| R0240 | Loans on policies | |
| R0250 | Loans and mortgages to individuals | |
| R0260 | Other loans and mortgages | 12,659 |
| R0270 | Reinsurance recoverables from: | 7,987 |
| R0280 | Non-life and health similar to non-life | 7,987 |
| R0290 | Non-life excluding health | 7,987 |
| R0300 | Health similar to non-life | |
| R0310 | Life and health similar to life, excluding health and 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 | |
| R0360 | Insurance and intermediaries receivables | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | |
| R0410 | Cash and cash equivalents | 4,277 |
| R0420 | Any other assets, not elsewhere shown | |
| R0500 | **Total assets** | 33,797 |

## S.02.01.02 - Balance Sheet (In thousands of USD)

| | | C0010 |
|---|---|---|
| | | **Solvency II value** |
| **Liabilities** | | |
| R0510 | Technical provisions – non-life | 12,019 |
| R0520 | Technical provisions – non-life (excluding health) | 12,019 |
| R0530 | Technical provisions calculated as a whole | |
| R0540 | Best Estimate | 10,886 |
| R0550 | Risk margin | 1,133 |
| R0560 | Technical provisions - health (similar to non-life) | 0 |
| R0570 | Technical provisions calculated as a whole | |
| R0580 | Best Estimate | |
| R0590 | Risk margin | |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | Technical provisions - health (similar to life) | 0 |
| R0620 | Technical provisions calculated as a whole | |
| R0630 | Best Estimate | |
| R0640 | Risk margin | |
| R0650 | Technical provisions – life (excluding health and index-linked and unit-linked) | 0 |
| R0660 | Technical provisions calculated as a whole | |
| R0670 | Best Estimate | |
| R0680 | Risk margin | |
| R0690 | Technical provisions – index-linked and unit-linked | 0 |
| R0700 | Technical provisions calculated as a whole | |
| R0710 | Best Estimate | |
| R0720 | Risk margin | |
| R0730 | Other technical provisions | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | 23 |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | 99 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | Subordinated liabilities not in Basic Own Funds | |
| R0870 | Subordinated liabilities in Basic Own Funds | |
| R0880 | Any other liabilities, not elsewhere shown | 13 |
| R0900 | Total liabilities | 12,154 |
| R1000 | **Excess of assets over liabilities** | 21,643 |

## S.05.01.02 - Premiums, claims and expenses (In thousands of USD)

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 |
| **Premiums written** | | | | | | | | | | |
| Gross - Direct Business | R0110 | | | | 53 | | 49 | 5,611 | 8,193 | |
| Gross - Prop reinsurance accepted | R0120 | | | | | | | 967 | | |
| Gross - Non-Prop reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | | | | | | | 5,418 | 7,251 | |
| Net | R0200 | 0 | 0 | 0 | 53 | 0 | 49 | 1,160 | 942 | 0 |
| **Premiums earned** | | | | | | | | | | |
| Gross - Direct Business | R0210 | | | | 13 | | 49 | 5,605 | 8,524 | |
| Gross - Prop reinsurance accepted | R0220 | | | | | | | 792 | | |
| Gross - Non-Prop reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | | | | | | | 5,364 | 7,527 | |
| Net | R0300 | 0 | 0 | 0 | 13 | 0 | 49 | 1,033 | 997 | 0 |
| **Claims incurred** | | | | | | | | | | |
| Gross - Direct Business | R0310 | | | | 3 | | 18 | -891 | -371 | |
| Gross - Prop reinsurance accepted | R0320 | | | | | | | 112 | | |
| Gross - Non-Prop reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | | | | | | | -1,116 | -121 | |
| Net | R0400 | 0 | 0 | 0 | 3 | 0 | 18 | 337 | -250 | 0 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross - Direct Business | R0410 | | | | | | | | | |
| Gross - Prop reinsurance accepted | R0420 | | | | | | | | | |
| Gross - Non-Prop reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers' share | R0440 | | | | | | | | | |
| Net | R0500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | | | | 4 | | 5 | -356 | 859 | |
| **Other expenses** | R1200 | | | | | | | | | |
| **Total expenses** | R1300 | | | | | | | | | |

## S.05.01.02 - Premiums, claims and expenses (In thousands of USD)

| | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | |
| Gross - Direct Business | R0110 | | | | | | | | 13,906 |
| Gross - Prop reinsurance accepted | R0120 | | | | | | | | 967 |
| Gross - Non-Prop reinsurance accepted | R0130 | | | | | | | | 0 |
| Reinsurers' share | R0140 | | | | | | | | 12,669 |
| Net | R0200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,204 |
| **Premiums earned** | | | | | | | | | |
| Gross - Direct Business | R0210 | | | | | | | | 14,191 |
| Gross - Prop reinsurance accepted | R0220 | | | | | | | | 792 |
| Gross - Non-Prop reinsurance accepted | R0230 | | | | | | | | 0 |
| Reinsurers' share | R0240 | | | | | | | | 12,891 |
| Net | R0300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,092 |
| **Claims incurred** | | | | | | | | | |
| Gross - Direct Business | R0310 | | | | | | | | -1,241 |
| Gross - Prop reinsurance accepted | R0320 | | | | | | | | 112 |
| Gross - Non-Prop reinsurance accepted | R0330 | | | | | | | | 0 |
| Reinsurers' share | R0340 | | | | | | | | -1,237 |
| Net | R0400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 108 |
| **Changes in other technical provisions** | | | | | | | | | |
| Gross - Direct Business | R0410 | | | | | | | | 0 |
| Gross - Prop reinsurance accepted | R0420 | | | | | | | | 0 |
| Gross - Non-Prop reinsurance accepted | R0430 | | | | | | | | 0 |
| Reinsurers' share | R0440 | | | | | | | | 0 |
| Net | R0500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | | | | | | | | 512 |
| **Other expenses** | R1200 | | | | | | | | 172.00 |
| **Total expenses** | R1300 | | | | | | | | 684 |

## S.05.01.02 - Premiums, claims and expenses (In thousands of USD)

| | | Line of Business for: life insurance obligations | | | | | | Life reinsurance obligations | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| **Premiums written** | | | | | | | | | | |
| Gross | R1410 | | | | | | | | | 0 |
| Reinsurers' share | R1420 | | | | | | | | | 0 |
| **Net** | R1500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Premiums earned** | | | | | | | | | | |
| Gross | R1510 | | | | | | | | | 0 |
| Reinsurers' share | R1520 | | | | | | | | | 0 |
| **Net** | R1600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Claims incurred** | | | | | | | | | | |
| Gross | R1610 | | | | | | | | | 0 |
| Reinsurers' share | R1620 | | | | | | | | | 0 |
| **Net** | R1700 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross | R1710 | | | | | | | | | 0 |
| Reinsurers' share | R1720 | | | | | | | | | 0 |
| **Net** | R1800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R1900 | | | | | | | | | 0 |
| **Other expenses** | R2500 | | | | | | | | | |
| **Total expenses** | R2600 | | | | | | | | | 0 |

## S.05.02.01 - Premiums, claims and expenses by country (In thousands of USD)

| | | Home country | Country (by amount of GWP) | | | | | Total for top 5 countries and home country |
|---|---|---|---|---|---|---|---|---|
| | | | US | DE | GB | FR | SE | |
| | | C0080 | C0090 | C0090 | C0090 | C0090 | C0090 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | R0110 | 8,331 | 3,105 | 923 | 354 | 261 | 171 | 13,145 |
| Gross - Proportional reinsurance accepted | R0120 | | 967 | | | | | 967 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | 0 |
| Reinsurers' share | R0140 | 7,251 | | | | | | 7,251 |
| Net | R0200 | 1,080 | 4,072 | 923 | 354 | 261 | 171 | 6,861 |
| **Premiums earned** | | | | | | | | |
| Gross - Direct Business | R0210 | 8,538 | 1,035 | 308 | 118 | 87 | 57 | 10,143 |
| Gross - Proportional reinsurance accepted | R0220 | | 322 | | | | | 322 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | 0 |
| Reinsurers' share | R0240 | 7,527 | 3,266 | 740 | 284 | 210 | 137 | 12,164 |
| Net | R0300 | 1,011 | -1,909 | -432 | -166 | -123 | -80 | -1,699 |
| **Claims incurred** | | | | | | | | |
| Gross - Direct Business | R0310 | -353 | -421 | -125 | -48 | -35 | -23 | -1,005 |
| Gross - Proportional reinsurance accepted | R0320 | | -131 | | | | | -131 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | 0 |
| Reinsurers' share | R0340 | -121 | -691 | -157 | -60 | -44 | -29 | -1,102 |
| Net | R0400 | -232 | 139 | 32 | 12 | 9 | 6 | -34 |
| **Changes in other technical provisions** | | | | | | | | |
| Gross - Direct Business | R0410 | | | | | | | 0 |
| Gross - Proportional reinsurance accepted | R0420 | | | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | | | 0 |
| Reinsurers' share | R0440 | | | | | | | 0 |
| Net | R0500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | R0550 | 939 | 434 | 98 | 38 | 28 | 18 | 1,555 |
| **Other expenses** | R1200 | | | | | | | |
| **Total expenses** | R1300 | | | | | | | 1,555 |

## S.17.01.02 - Non Life technical provisions (In thousands of USD)

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 |
| **Technical provisions calculated as a whole** | R0010 | | | | | | | | | | | | |
| 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 | R0050 | | | | | | | | | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | |
| **Best estimate** | | | | | | | | | | | | | |
| Premium provisions | | | | | | | | | | | | | |
| Gross | R0060 | | | | 10 | | 22 | -491 | 191 | | | | |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | | | | | | | -1,069 | -309 | | | | |
| Net Best Estimate of Premium Provisions | R0150 | 0 | 0 | 0 | 10 | 0 | 22 | 578 | 500 | 0 | 0 | 0 | 0 |
| Claims provisions | | | | | | | | | | | | | |
| Gross | R0160 | | | | 14 | | | 582 | 10,558 | | | | |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | | | | | | | -594 | 9,959 | | | | |
| Net Best Estimate of Claims Provisions | R0250 | 0 | 0 | 0 | 14 | 0 | 0 | 1,176 | 599 | 0 | 0 | 0 | 0 |
| **Total Best estimate - gross** | R0260 | 0 | 0 | 0 | 24 | 0 | 22 | 91 | 10,749 | 0 | 0 | 0 | 0 |
| **Total Best estimate - net** | R0270 | 0 | 0 | 0 | 24 | 0 | 22 | 1,754 | 1,099 | 0 | 0 | 0 | 0 |
| **Risk margin** | R0280 | | | | 9 | | | 745 | 379 | | | | |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | | | | | | | | | | | | |
| Best estimate | R0300 | | | | | | | | | | | | |
| Risk margin | R0310 | | | | | | | | | | | | |
| **Technical provisions - total** | | | | | | | | | | | | | |
| Technical provisions - total | R0320 | 0 | 0 | 0 | 33 | 0 | 22 | 836 | 11,128 | 0 | 0 | 0 | 0 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 0 | 0 | 0 | 0 | 0 | 0 | -1,663 | 9,650 | 0 | 0 | 0 | 0 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 0 | 0 | 0 | 33 | 0 | 22 | 2,499 | 1,478 | 0 | 0 | 0 | 0 |

## S.17.01.02 - Non Life technical provisions (In thousands of USD)

| | | Accepted non-proportional reinsurance | | | | TOTAL |
|---|---|---|---|---|---|---|
| | | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | |
| | | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | R0010 | | | | | 0 |
| 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 | R0050 | | | | | 0 |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | |
| **Best estimate** | | | | | | |
| Premium provisions | | | | | | |
| Gross | R0060 | | | | | -268 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | | | | | -1,378 |
| Net Best Estimate of Premium Provisions | R0150 | 0 | 0 | 0 | 0 | 1,110 |
| Claims provisions | | | | | | |
| Gross | R0160 | | | | | 11,154 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | | | | | 9,365 |
| Net Best Estimate of Claims Provisions | R0250 | 0 | 0 | 0 | 0 | 1,789 |
| **Total Best estimate - gross** | R0260 | 0 | 0 | 0 | 0 | 10,886 |
| **Total Best estimate - net** | R0270 | 0 | 0 | 0 | 0 | 2,899 |
| **Risk margin** | R0280 | | | | | 1,133 |
| **Amount of the transitional on Technical Provisions** | | | | | | |
| Technical Provisions calculated as a whole | R0290 | | | | | 0 |
| Best estimate | R0300 | | | | | 0 |
| Risk margin | R0310 | | | | | 0 |
| **Technical provisions - total** | | | | | | |
| Technical provisions - total | R0320 | 0 | 0 | 0 | 0 | 12,019 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 0 | 0 | 0 | 0 | 7,987 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 0 | 0 | 0 | 0 | 4,032 |

## S.19.01.21 - Claim development triangles (In thousands of USD)

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

| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ | Current year | All years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
| Prior | R0100 | | | | | | | | | | | 13 | 13 | 13 |
| N-9 | R0160 | | | | | | | | | | | | 0 | 0 |
| N-8 | R0170 | | | | | | | | 15 | -3 | | | -3 | 12 |
| N-7 | R0180 | | | | | | | -47 | -14 | | | | -14 | -61 |
| N-6 | R0190 | | | | | | | | | | | | 0 | 0 |
| N-5 | R0200 | | | | | | | | | | | | 0 | 0 |
| N-4 | R0210 | | | | | | | | | | | | 0 | 0 |
| N-3 | R0220 | | | | 111 | | | | | | | | 111 | 111 |
| N-2 | R0230 | | 64 | 255 | | | | | | | | | 255 | 319 |
| N-1 | R0240 | | 9 | | | | | | | | | | 9 | 9 |
| N | R0250 | | | | | | | | | | | | 0 | 0 |
| | | | | | | | | | | | | Total | 371 | 403 |

### Gross undiscounted Best Estimate Claims Provisions - Development year (non cumulative absolute amount)

| | | 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 |
| Prior | R0100 | | | | | | | | | | | 484 | |
| N-9 | R0160 | | | | | | | | | 0 | 2 | | |
| N-8 | R0170 | | | | | | | | 0 | 59 | | | |
| N-7 | R0180 | | | | | | | | | | | | |
| N-6 | R0190 | | | | | | | 1 | | | | | |
| N-5 | R0200 | | | | | 1,380 | 460 | | | | | | |
| N-4 | R0210 | | | | 1,729 | 821 | | | | | | | |
| N-3 | R0220 | | | 3,064 | 1,736 | | | | | | | | |
| N-2 | R0230 | | 4,396 | 2,026 | | | | | | | | | 2,026 |
| N-1 | R0240 | 647 | 3,833 | | | | | | | | | | 3,833 |
| N | R0250 | 2,623 | | | | | | | | | | | 2,623 |
| | | | | | | | | | | | | Total | 8,482 |

## S.23.01.01 - Own funds (In thousands of USD)

| | | 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 Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 1,000 | 1,000 | | | |
| Share premium account related to ordinary share capital | R0030 | 0 | | | | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | 0 | | | | |
| Subordinated mutual member accounts | R0050 | 0 | | | | |
| Surplus funds | R0070 | 0 | | | | |
| Preference shares | R0090 | 0 | | | | |
| Share premium account related to preference shares | R0110 | 0 | | | | |
| Reconciliation reserve | R0130 | 20,644 | 20,644 | | | |
| Subordinated liabilities | R0140 | 0 | | | | |
| An amount equal to the value of net deferred tax assets | R0160 | 0 | | | | |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | 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** | | | | | | |
| 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 | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | 0 | | | | |
| **Total basic own funds after deductions** | R0290 | 21,644 | 21,644 | 0 | 0 | 0 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | 0 | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | 0 | | | | |
| Unpaid and uncalled preference shares callable on demand | R0320 | 0 | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | 0 | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | 0 | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | 0 | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | 0 | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | 0 | | | | |
| Other ancillary own funds | R0390 | 0 | | | | |
| **Total ancillary own funds** | R0400 | 0 | | | 0 | 0 |

## S.23.01.01 - Own funds (In thousands of USD)

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 21,644 | 21,644 | 0 | 0 | 0 |
| Total available own funds to meet the MCR | R0510 | 21,644 | 21,644 | 0 | 0 | |
| Total eligible own funds to meet the SCR | R0540 | 21,644 | 21,644 | 0 | 0 | 0 |
| Total eligible own funds to meet the MCR | R0550 | 21,644 | 21,644 | 0 | 0 | |
| **SCR** | R0580 | 13,782 | | | | |
| **MCR** | R0600 | 4,159 | | | | |
| **Ratio of Eligible own funds to SCR** | R0620 | 1.5704542 | | | | |
| **Ratio of Eligible own funds to MCR** | R0640 | 5.2041356 | | | | |

## Reconciliation reserve

| | | C0060 |
|---|---|---|
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | R0700 | 21,644 |
| Own shares (held directly and indirectly) | R0710 | |
| Foreseeable dividends, distributions and charges | R0720 | |
| Other basic own fund items | R0730 | 1,000 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | |
| **Reconciliation reserve** | R0760 | 20,644 |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) - Life business | R0770 | |
| Expected profits included in future premiums (EPIFP) - Non-life business | R0780 | |
| **Total Expected profits included in future premiums (EPIFP)** | R0790 | 0 |

## S.25.01.21 - SCR using standard formula (In thousands of USD)

### Basic Solvency Capital Requirement

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0040 | C0090 | C0100 |
| Market risk | R0010 | 9,028 | | |
| Counterparty default risk | R0020 | 3,240 | | |
| Life underwriting risk | R0030 | | | |
| Health underwriting risk | R0040 | | | |
| Non-life underwriting risk | R0050 | 5,404 | | |
| Diversification | R0060 | -4,340 | | |
| Intangible asset risk | R0070 | | | |
| **Basic Solvency Capital Requirement** | R0100 | 13,332 | | |

### Calculation of Solvency Capital Requirement

| | | Value |
|---|---|---|
| | | C0100 |
| Operational risk | R0130 | 450 |
| Loss-absorbing capacity of technical provisions | R0140 | |
| Loss-absorbing capacity of deferred taxes | R0150 | |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | |
| **Solvency Capital Requirement excluding capital add-on** | R0200 | 13,782 |
| Capital add-on already set | R0210 | |
| Solvency capital requirement | R0220 | 13,782 |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | |

## S.28.01.01 - MCR (In thousands of USD)

| Linear formula component for non-life insurance and reinsurance obligations | | MCR components |
|---|---|---|
| | | C0010 |
| MCRNL Result | R0010 | 505 |

| Background information | | Background information | |
|---|---|---|---|
| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | | |
| Income protection insurance and proportional reinsurance | R0030 | | |
| Workers' compensation insurance and proportional reinsurance | R0040 | | |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 24 | 53 |
| Other motor insurance and proportional reinsurance | R0060 | | |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 22 | 49 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 1,754 | 1,159 |
| General liability insurance and proportional reinsurance | R0090 | 1,099 | 942 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | | |
| Legal expenses insurance and proportional reinsurance | R0110 | | |
| Assistance and proportional reinsurance | R0120 | | |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | | |
| Non-proportional health reinsurance | R0140 | | |
| Non-proportional casualty reinsurance | R0150 | | |
| Non-proportional marine, aviation and transport reinsurance | R0160 | | |
| Non-proportional property reinsurance | R0170 | | |

| Linear formula component for life insurance and reinsurance obligations | | C0040 |
|---|---|---|
| MCRL Result | R0200 | 0 |

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

| Overall MCR calculation | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 505 |
| SCR | R0310 | 13,782 |
| MCR cap | R0320 | 6,202 |
| MCR floor | R0330 | 3,445 |
| Combined MCR | R0340 | 3,445 |
| Absolute floor of the MCR | R0350 | 4,159 |
| **Minimum Capital Requirement** | R0400 | 4,159 |