Advent Insurance dac

Solvency and Financial Condition Report ("SFCR") for the financial year ended 31 December 2017

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Executive Summary

The new, harmonized EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by (re)insurers. This document is the second version of the Solvency and Financial Condition Report ("SFCR") that is required to be prepared by Advent Insurance dac (''the Company").

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

Company Background

Advent Insurance dac is a company incorporated in Ireland and authorised by the Central Bank of Ireland to carry out the following classes of non-life insurance business:

- Class 3: Land Vehicles;
- Class 13: General Liability;
- Class 16: Miscellaneous Financial Loss.

The company was incorporated on 3rd November 2010 and was established to provide insurance coverage for clients of Abbey International Finance Limited.

Business and Performance

The Company's financial year end is 31 December each year. The Company earned pre-tax profits of USD 4,917k for the year ended 31 December 2017 (2016: USD 3,037k). The profits have been driven by a strong underwriting performance. During the year a dividend of USD 5,000k was paid (2016: Nil).

System of Governance

The Company is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings ("The Code"). The corporate governance principles of the Company are implemented via the following Corporate Governance Framework:

- Board of Directors
- Board Sub-Committees
- Outsourced Service Providers
- Internal Control Framework
- Risk Management Framework
- Compliance Function
- Audit – Internal & External

Outsourced Activities

Mr. John Prosser is responsible for the oversight of all outsourced arrangements.

Risk Profile

The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with those risks as at 31 December 2017.

Risk	Capital Charge USD'000
Non-life underwriting risk	10,687
Market risk	4,436
Counterparty default risk	72

These risks are described in further detail in Section C of this report.

Valuation for Solvency Purposes

The Company's assets and liabilities are valued on a best estimate basis under Solvency II methodology. This differs in some respects from the GAAP valuations presented in the financial statements. In particular, the technical provisions in the Solvency II balance sheet represent the present value of all future cash flows required to settle the insurance and reinsurance obligations over the lifetime of those obligations. A risk margin is also included within the Solvency II technical provisions, which represents the cost to the Company of holding an amount of eligible own funds equal to the Solvency Capital Requirement ("SCR") necessary to support insurance and reinsurance obligations over the lifetime of those obligations. Section D of this report compares in detail the Solvency II balance sheet with that included in the financial statements.

Capital Management

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a three year projection of funding requirements and helps focus actions for future funding.

The Company is a single shareholder entity whose ordinary shares are fully paid up. It has no debt financing nor does it have plans to raise debt or issue new shares capital over the three year time horizon used for business planning.

As at 31 December 2017, the Company had eligible own funds to cover the SCR of USD16.7m on a Solvency II valuation basis. This compares to an SCR of USD11.7m and indicates an SCR cover ratio of 144%. The MCR cover ratio is 377%.

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

Advent Insurance dac (hereinafter "the Company") is incorporated in the Republic of Ireland and is a private company limited by shares.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking

The Company is regulated by the Central Bank of Ireland (CBI). The CBI can be contacted at:

Central Bank of Ireland, PO BOX 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.3 External auditor of the undertaking

The independent auditors of the Company are:

Deloitte, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned Abbey International Finance Limited, a company incorporated in Ireland.

A.1.5 Legal Structure of the Group

Abbey International Finance Limited is also the ultimate parent company.

A.1.6 Material lines of business and geographical areas

The policies underwritten provide cover for clients of Abbey International Finance Limited for the following risks: Employment Practice Liability, Pollution Liability, Directors and Officers Insurance, Product Tampering/Recall, Automobile and General Liability and Auto Physical Damage.

The material geographical area in which the Company operates is North America.

A.1.7 Significant Business events during the reporting period

No material events occurred during the year that would merit disclosure.

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life insurance risks of clients of Abbey International Finance Limited. The Company writes the following lines of business:

Employment Practice Liability, Pollution Liability, Directors and Officers Insurance, Product Tampering/Recall, Automobile and General Liability and Auto Physical Damage. For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
General Liability	General Liability
Auto Physical Damage	Other Motor
Motor Liability	Motor Vehicle Liability

The Company has determined that the USD is the functional currency.

The tables below show a summary of the technical (underwriting) account for the year ended 31 December 2017 by material Line of Business and Geographical area (based on Irish GAAP):

Underwriting performance by material Line of Business and Geographical areas (including aggregate performance).

Aggregate UW Performance	31/12/2017 USD'000	31/12/2016 USD'000
Gross premiums written	15,463	13,324
Gross earned premium	14,218	13,067
Claims incurred – gross and net amount	(9,809)	(9,785)
Net operating expenses	(849)	(617)
Allocated Investment Return	870	223
Net Technical Profit	**4,430**	**2,889**

Financial year ended 31 December 2017							
North America	**Employment Practice**	**Auto Physical Danages**	**Pollution**	**Product Tampering**	**D&O**	**Automobile & General Liability**	**Total**
	USD'000	**USD000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Gross premiums Written	1,128	5,339	586	740	296	7,374	**15,463**
Gross earned premium	1,091	4,400	577	784	313	7,054	**14,218**
Claims incurred – net of reinsurance	(540)	(1,916)	235	(105)	(282)	(7,201)	**(9,809)**
Net operating expenses	(62)	(293)	(32)	(41)	(16)	(405)	**(849)**
Allocated investment return	63	300	33	42	17	415	**870**
Net Technical Profit	552	2,491	813	680	32	(137)	**4,430**

Financial year ended 31 December 2016							
North America	**Employment Practice**	**Auto Physical Danages**	**Pollution**	**Product Tampering**	**D&O**	**Automobile & General Liability**	**Total**
	USD'000	**USD000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Gross premiums Written	1,064	3,725	571	815	325	6,824	**13,324**
Gross earned premium	1,098	3,625	538	747	299	6,760	**13,067**
Claims incurred – net of reinsurance	(855)	(2,332)	(485)	(674)	(269)	(5,170)	**(9,785)**
Net operating expenses	(49)	(173)	(26)	(38)	(15)	(316)	**(617)**
Allocated investment return	17	63	10	14	6	114	**223**
Net Technical Profit	**211**	**1,183**	**25**	**61**	**21**	**1,388**	**2,889**

A.3 Investment Performance

A.3.1 Income and expenses arising by asset class

The Company has an investment strategy which complies with the requirements of "the prudent person principle".

As at 31 December 2017 the Company's investment portfolio comprised the following material asset classes:

Asset Class	**31/12/2017**		**31/12/2016**	
	Amount USD'000	**% of portfolio**	**Amount USD'000**	**% of portfolio**
Cash and cash equivalents	27,470	61%	26,528	65%
Corporate Bonds	8,145	19%	3,091	8%
Collective Investment Undertakings	4,552	10%	3,032	7%
Collateralised Securities	1,906	4%	-	0%
Mortgages & Loan	2,868	6%	8,000	20%
Total	**44,941**	**100%**	**40,651**	**100%**

The table below sets out the investment returns by asset class. It should be noted that investment returns are reported net of investment manager costs.

Asset Class	31/12/2017	31/12/2016
	USD'000	USD'000
Cash and fixed deposits	96	30
Deposits with Investment Managers	981	152
Loan to Group Undertaking	281	190
Total	1,358	372

A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

A.3.3 Investments in securitisation

There are no investments in securitisation.

A.4 Performance of Other Activities

A.4.1 There have been no other significant activities undertaken by the company other than its reinsurance and related activities.

A.5 Any Other Information

There are no other material matters in respect of the business and performance of the Company.

B SYSTEM of GOVERNANCE

B.1 General information on the system of governance

B.1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

The Company is classified as a Low Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System and is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings ("The Code").

Board of Directors:

The Company's Board of Directors carries responsibility for the effective, prudent and ethical oversight of the business and set it business strategy and risk appetite. The Board of Directors is also responsible for ensuring that risk and compliance are properly managed in the company.

The current composition of the Board of Directors is as follows:

S. Gunning (Chairman)
D. Gray
J. Prosser
J. Moriarty
M. Maiden
G. Clifford (Chief Executive Officer)

Board Sub-Committees:

The Board recognises that it is necessary to have in place such sub-committees of the Board as are necessary to ensure that the business is being managed, conducted and controlled in a prudent manner with administrative and accounting procedures and internal control mechanisms and risk management systems that are sound and appropriate for the business.

Risk Committee:

The Board has established a Risk Committee. The membership of the Risk Committee is made up of an appropriate mix of non-executive directors.

Audit Committee:

The Board has established an Audit Committee. The membership of the Audit Committee is made up of a majority of independent non-executive directors. In addition, the chair of the Audit Committee can only be selected from members who are also independent non-executive directors.

Investment Committee:

The Board has established an Investment Committee. The membership of the Investment Committee is made up of a majority of directors along with a representative from the Treasury department in parent company.

Chief Executive Officer:

The Board has delegated authority for oversight of the operations and administration of the Company to the Chief Executive Officer who has relevant financial services expertise, qualifications and background to ensure that he has the necessary knowledge, skills and experience required to comprehend fully each of the following:

- the nature of the Company's business activities and related risks;
- his individual direct and indirect responsibilities and the Board's responsibilities;
- the Company's financial statements

Chief Risk Officer:

The Board has delegated authority for managing the risk control function of the Company to the Chief Risk Officer who has relevant expertise, qualifications and background to ensure that he has the necessary knowledge, skills and experience required to:

- maintain effective processes to identify, manage and monitor risks across the institution;
- risk reporting in a timely and comprehensive manner to the risk committee;
- facilitation of the setting of the risk appetite by the Board

Independent Control Functions:

The Company has established the four key control functions in line with Solvency II requirements: risk management, actuarial, compliance and internal audit. These functions, each possessing distinct responsibilities, are tasked with providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

Risk Management Function

The role of the Company's risk management function ("RMF") is to identify and evaluate the major risks facing the Company and to facilitate the implementation of the risk management system. Having considered the nature, scale and complexity of the Company the Board has determined that the role of the Risk Management Function is vested with the Chief Risk Officer.

The roles and responsibilities of the RMF are set out within the Company's risk management policy.

Compliance Function

In order to effectively monitor and report on the Company's requirement to be in compliance with all applicable laws and regulatory requirements, the Board of Directors has appointed Mr. G. Clifford as Compliance Officer. The Compliance Officer reports to the Board.

Actuarial Function

To ensure compliance with Solvency II obligations, the role of the Head of Actuarial Function ("HoAF") is outsourced to the Fabien Graeff from Marsh S.A.S.parts to the Board.

Internal Audit Function

The internal audit function is outsourced to Niall McKeon at Abbey International Finance Limited. The scope of internal audit activities includes the examination and evaluation of the effectiveness of the internal control, risk management and governance systems and processes of the entire licensed entity, including the Company's outsourced activities. The Internal Audit function reports to the Board.

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

B.1.3.1 Remuneration policy for the administrative, management or supervisory body and employees

Structure:

The Company's remuneration policy refers only to the remuneration of non-group executive directors should circumstances dictate that it is necessary to appoint external Executive Directors to the Board. At this time the Company does not make any payments for any directors remuneration.

The Board of Directors of the Company includes Group Directors acting via their direct engagement with Abbey International Finance Limited.

B.1.3.2 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

The Company did not enter into any transactions with key management personnel in the Abbey International Finance group during the year ended 31 December 2017.

There is a credit agreement in place with Abbey International Finance Limited and the loan balance to the Company as at 31 December 2017 was nil (2016: USD8m).

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

On 1 October 2010, Part 3 of the Central Bank Reform Act 2010 introduced a harmonised statutory system for the regulation by the CBI of persons performing Controlled Functions ('CFs') and Pre-Approval Controlled Functions ('PCFs') in regulated financial service providers.

On 1 December 2011 the CBI issued the Fitness & Probity Standards under Section 50 of the Central Bank Reform Act 2010 which all persons performing Controlled Functions or Pre-Approval Controlled Functions should, at a minimum, comply with.

Guidance for (Re)Insurance Undertakings on the Fitness & Probity Amendments 2015 further assist companies in complying with their obligations brought in by the Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).
The Company has adopted a Fitness and Probity Policy (reviewed by the Board on an annual basis) with the purpose of ensuring that:

- persons holding key positions within the Company are assessed in terms of their fitness and probity in relation to a proposed role and on an ongoing basis;
- effective procedures are in place to undertake this assessment;
- the results of such an assessment are documented;
- the Board is satisfied that it can conclude that persons holding key positions are fit and proper;
- responsibility is assigned to ensure fitness and probity is monitored on a continuous basis;
- approval is sought from the Central Bank of Ireland ('CBI') prior to the appointment of persons performing Pre-Approval Control Functions.

B.2.2 Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions

The Policy outlines the procedures that must be followed for assessing the fitness and probity of persons performing CFs and PCFS while also stipulating the requirements for instances when either of these functions are outsourced to a regulated or unregulated entity.

It also focuses on the documentation, controls and governance that are required to be in place to ensure compliance with the abovementioned Regulations.

This is achieved in the main by means of internal checklists, documentary evidence of qualifications proving suitability for the role in question, references, regulatory authority, companies' office and police authority checks and self-certifications from the applicant in the form of Curricula Vitae and the CBI Individual Questionnaires.

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

B.3.1 Risk management system

The Company's risk management system is set out as follows:

1. The Board sets the Company Strategy.
2. The Board sets the Risk Strategy. The Risk Strategy describes and addresses the management of all material risks that the Company is exposed to in pursuit of the Company Strategy.
3. The Board sets the Risk Appetite. The Risk Appetite sets out the desired level of risk and the maximum level of variation from its risk appetite that it is willing to accept.
4. The Board has approved a Risk Policy and other individual risk policies necessary for the implementation of it Risk Strategy, consistent with its Risk Appetite.

The Company uses the Standard Formula to assess the solvency and capital requirements.

The Company performs an Own Risk and Solvency Assessment ("ORSA") at least annually. The main purpose of performing the ORSA is to ensure that the Company engages in a process of assessing all risks inherent in the business and determining the corresponding capital needs.

In order to ensure effective risk governance, the system has been designed to identify, assess, manage and monitor and report exposure to risk. This is a continuous process subject to continuous review and development.

Identify

The board reviews the risk profile of the Company at least annually and the Risk Management Function reviews the risk profile on an ongoing basis to ensure that the material risks of the Company are identified and recorded in the risk register.

Assess

Risks identified in the risk register are then quantified by the Board with input from the Risk Management Function and tolerances are established through the development of a risk appetite statement.

Manage

The Board determines the minimum standards to be maintained by the Company in order to manage the risks in a way that is consistent with its risk appetite by developing suitable individual risk policies.

Monitor/Report

Monitoring and reporting to the Board is undertaken at least quarterly from a number of sources including the Risk Management Function, Compliance Officer and the Internal Audit Function.

Findings from the development of the risk register are considered by the Board in the preparation of the annual internal audit plans.

The result is a risk management strategy, which is led by the Board of Directors whilst being embedded in the Company's business systems, strategy and policy setting processes and the activities of the Company.

B.3.2 Implementation of the Risk management system

The Company recognises the need to have appropriate governance, monitoring and reporting processes and procedures which enable the Company to identify, assess, manage, monitor and report the risks it is or might be exposed to.

Responsibility for risk management is spread throughout the Company and the wider Abbey International Finance group. Appropriate internal reporting procedures and feedback loops ensure that information on the risk management framework is actively monitored and managed by all relevant functions and the Board.

The Company adopts a "3 lines of defence" approach for the overall governance of its risk management system.

The Board of Directors is ultimately responsible for the risk management framework and internal control, including approval of the Company strategy and business planning.

1st Line of Defence – Day to Day:

Operations – the Manager: The Manager provides day to day operations, accounting, financial reporting and administrative support services and company secretarial and regulatory reporting services on an outsourced basis to the Company.

2nd Line of Defence – Oversight:

Risk Management Function ("RMF"): The RMF is responsible for the oversight of the ongoing development, implementation and operation of the risk management framework, strategy, related resource plan and making recommendations to the Board thereon.

Compliance Function: The Compliance Function is recognised as a key part of the Company's internal control system which should identify, assess, monitor and report on the compliance risk exposure of the Company. The Compliance Function also shares its responsibilities with other Company Functions which are responsible for their specific areas.

In order to help achieve its compliance objective the Board has appointed a Compliance Officer. The role of the Compliance Officer is set out in the Company's Board approved Compliance Policy.

3rd Line of Defence – Independent Assessment:

Internal Audit Function: The Board has established an Internal Audit Function that is an independent function within the Company with a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and other elements of the system of governance of the Company.

The responsibilities of the Internal Audit function are set out in the Company's Board approved Internal Audit Policy. The Internal Audit Function reports to the Board.

Actuarial Function: The role of the Actuarial Function is outsourced to the Marsh S.A.S. actuarial function.

B.3.3 ORSA

B.3.3.1 ORSA process

The Company prepares an ORSA on an annual basis and on an ad-hoc basis, if circumstances materially change. The objective of the ORSA process is to enable the Board to assess its capital adequacy in light of the assessments of its risks and the potential impacts of its risk environment, and to enable the Company to make appropriate strategic decisions.

The ORSA process is a rolling project plan of how the ORSA is completed, the interaction and contributions from different stakeholders, the process timetable, the audit trail and the monitoring and reporting cycle.

The Company has adopted the following approach for the conduction of the ORSA process:



Risk Management System: Board puts in place an effective risk management framework comprising of strategies, tolerances, policies, governance, monitoring and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the company is or could be exposed in pursuing its Company strategy.

Risk Identification: Board initiates an organised identification of all actual risks as well as emerging risks, taking into account the Company's strategy and business planning horizon.

Risk Appetite: Appetites and tolerance limits for the risks identified are set by the Board, which provide a basis for allocating risk capacity against the Company's exposure to particular risk categories.

Current Business Activities, Risk Profile, Capital and Solvency: Analysis of the current business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

Forecast Business Activities, Risk Profile, Capital and Solvency: Analysis of the forecast business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

Stress and Scenario Analysis: Board assesses the effect of different stresses (including reverse stress testing) and scenarios.

Impact on Strategy: Output of the ORSA process is reviewed and challenged by the Board and is being continuously embedded into the Company strategy and system of governance.

B.3.3.2 ORSA review and approval process

The risk management process and ORSA is performed on an annual basis, after the SCR calculation or when there is a significant shift in The Company's business plan. The risk monitoring is performed on an on-going basis and the Risk Register is annually reviewed and updated during the ORSA review process.

The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and that it includes risk sensitivities that can be used in shaping strategy and risk appetite.

The Board reviews the ORSA report and considers appropriate action for the business such as:

- Decisions in relation to capital;
- Reassessment of risk profile and appetite;
- Additional risk mitigation actions;
- Reassessment of investment strategy.

Under the following circumstances, a non-scheduled ORSA shall be performed immediately (in addition to the scheduled ORSA):

- Significant change in the risk profile of the Company which can be defined as a major change to the business strategy/business activity/insurance program etc.
  (i.e. business activities other than the Company's current underwriting activity)
- Significant changes to Non-Financial matters - Operational/Regulatory and Legal/Strategic/Group Risks.
- Significant changes in Other categories - Capital Shortage Risks/quality of capital etc.

B.3.3.3 Statement explaining how the undertaking has determined its own solvency needs given its risk profile and how its capital management activities and its risk management system interact with each other.

The Company determines the solvency capital and assesses the overall solvency needs using the Solvency II standard formula.

A three year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements position is produced using the standard formula, as well as actuarial assumptions. The results are subjected to a range of scenario testing that is reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn.

The Company has sufficient capital to meet its base case SCR for its current and projected business activities over the 3 year business planning horizon. The Company also exceeds its strategic minimum SCR coverage over the period.

The results of the ORSA show that the Company has sufficient eligible capital own funds to:

• Maintain a comfortable margin over its Overall Solvency Needs for its current and projected business activities over the business planning horizon;
• Continue to meet internal and regulatory solvency targets for capital management;
• Continue its business on a going concern basis over the business planning horizon.

B.4 Internal Control System

B.4.1 Description of the internal control system

The Board of Directors is ultimately responsible for the internal control framework, including approval of the Company strategy and business planning. Board level controls include the Board charter, Company policies, reports and minutes of Board meetings.

The Internal Control Framework of the Company has three other elements, as previously detailed in section B3.2:

1st Line of Defence: “Day to day” operations and associated controls/

2nd Line of Defence: oversight from Compliance, Risk Management functions

3rd Line of Defence – Independent Assessment, internal audit and actuarial functions.

B.4.2 Implementation of the compliance function

The Board of the Company has ultimate responsibility for its compliance objective.

To help achieve this aim the Board has established a Compliance Function, staffed by an appointed Compliance Officer, to supplement not supplant, the responsibilities of the Board to ensure compliance with legislation and applicable requirements.

The role of the Board appointed Compliance Officer is to:

- assist the Board with ensuring ongoing compliance with legislation and applicable requirements;
- enhancing the Company’s awareness of compliance matters;
- monitor the Company’s compliance with (re)insurance legislation and applicable requirements and guidelines;
- document any breaches identified, how they were addressed and whether any third party reporting of the breach is required;
- ensure that the Board is kept informed of any amendment to the applicable regulations, legislation and guidelines or the addition of any new requirements and the potential impact on the Company;
- provide opinions, recommendations, supervision and independent controls;
- provide reasonable assessment of the effectiveness and consistency of the internal processes used to control the compliance of the Company’s operations and protect its reputation.

The Compliance Officer presents a Compliance Officer report to the Board annually which outlines the following:

- Details of regulatory correspondence with the Company
- Details of regulatory developments
- Details of which controls were tested since the last report and the results of the tests
- Conclusions and recommendations on the Company's compliance with reinsurance legislation and guidelines.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Company has outsourced its Internal Audit Function to the Abbey International Finance Limited internal audit function. The internal audit function possesses a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance.

To this end, the Internal Audit Function is mandated to:

- establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Company;
- take a risk-based approach in deciding its priorities;
- report the audit plan to Board of Directors;
- issue recommendations based on the result of work carried out in accordance with (a) above, and submit a written report on its findings and recommendations to the Board of Directors on at least an annual basis.

B.5.2 Independence of the internal audit function

The internal audit function provides independent and objective assurance services, via an Internal Audit Agreement between the Company and Abbey International Finance Limited.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to Mr. Fabien Graeff of Marsh S.A.S., via the terms of a written SLA.

The key role of the Head of Actuarial Function (HoAF) is to provide the following services:

- Opinion on Underwriting Policy
- Opinion on Technical Provisions
- Opinion on Reinsurance Arrangements
- Contribution to the Risk Management System
- Contribution to calculation of capital requirements
- Opinion on the ORSA process

B.7 Outsourcing

The Company has established an Outsourcing Policy which sets out the requirements for identifying, justifying and implementing material outsourcing arrangements. This Policy has been adopted by the Company and includes following:

- Definition of outsourcing and critical outsourcing;
- Risk Mitigation strategies;
- Board and Management responsibility;
- Due Diligence;
- Business Continuity Management (BCM);
- Contractual Arrangements;
- Management and control of the Outsourcing Relationship;
- Intra-Group Outsourcing;
- Final approval

The Company's outsourcing arrangements are subject to annual review and the findings of the report, along with the Outsourcing Policy are reviewed by the Board.

B.8 Assessment of the adequacy of the system of governance of the insurance or reinsurance undertaking to the nature, scale and complexity of the

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of operations of the Company.

B.9 Any other material information regarding the system of governance of the Company

No material changes regarding the system of governance of the Company took place, aside from those mentioned in Section B1.2.

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

Non-Life underwriting risk at 31 December 2017 comprises 70% of the undiversified basic SCR.

The key underwriting risks to which the Company is exposed to are set out below:

Non-life premium and reserve risk

Underwriting risk arises from two sources – premium risk (pricing) and adverse claims development (reserve risk).

For a non-life insurer, underwriting risk is the risk arising from non-life insurance obligations in relation to the perils covered and the processes used in the conduct of business.

There are a number of material risks that are considered as a result of the Company's insurance underwriting.

For premium risk, the Company has considered the risk of under-pricing of premiums resulting in higher loss ratios than expected. The Board of Directors has approved an underwriting policy that established the standards and limitations' regarding the Company's underwriting activities.

The Company has no appetite for the underwriting of risks outside of its approved underwriting policy.

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims.

Non-life catastrophe risk

The risk of a major natural or man-made event occurring while not listed in the Company's risk register has been considered and any exposure to such events are restricted due to the establishment of low policy limits.

C.1.2 Material risk concentrations anticipated over the business planning period

The Company seeks to avoid concentration of risks by accepting insurance of risks which are sourced across North America and across a number of lines of business.

C.1.3 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls risks via various methods, including:

- Having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- Assessing insurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk, through reinsurance with high credit quality entities;
- Monitoring changing environment and market conditions that affect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Independent opinion on the reasonableness and adequacy of the overall underwriting policy is provided by the Head of Actuarial Function on an annual basis.

C.2 Market risk

C.2.1 Material market risks

Market risk is the risk arising from the level of volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, real estate prices and exchange rates. Market risk is arrived at using the assumptions and calculations methods contained in the Standard Formula.

Investment objectives are outlined in the Company's Investment and Asset Liability Policy.

The table below outlines the material components of the market risk module as at 31 December 2017.

Market Risk sub-module	USD'000
Equity	2,230
Concentration	2,031
Spread	1,919
Interest Rate	572
Fx	60

Concentration Risk: the risk that excessive exposure to counterparty will impact on the solvency of Company.

Concentration risk is considered a material risk given the current structure of the investments. The capital charge of USD2.0m arises from the fixed deposits and equities.

Equity risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

The capital charge of USD2.2m arises from the Company's equity investments.

Spread Risk: the sensitivity of the value of investments, primarily bonds and deposits in respect of the Company, to changes in the level or in the volatility of credit spreads. Spread risk is linked to the credit rating of assets held and the effect of a market change in the credit curve.

Interest rate risk: the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates.

Currency risk: the risk that the Company is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets or liabilities arising from changes in underlying exchange rates

Currency, spread and interest rate risks are not considered material given the nature and structure of the Company's business. Although not considered material, the Company has considered it prudent to include these risks in its allocation of capital.

C.2.2 Material risk concentrations

Market risk concentration arises in respect of the inter-company loan (unrated), fixed deposits (two counterparties) and equity investments with varying credit ratings.

C.2.3 Prudent person principle applied to market risks

The high quality and conservative investments are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

C.2.4 Assessment and risk mitigation techniques used for market risks

The Company monitors and controls market risks via various methods, including:

- Compliance with the Investment and Asset Liability Policy as approved by the Company's Board of Directors;
- Diversifying investment risk through ongoing review and management
- Retaining risk within an approved risk appetite and solvency requirements;
- Monitoring changing environment and market conditions that affect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.3 Credit risk

C.3.1 Material credit risks

Credit risk at 31 December 2017 comprises <1% of the undiversified basic SCR.

Credit risk is the risk that the Company is exposed to lower returns or loss if another party fails to perform its financial obligations towards the Company.

The counterparty default risk module in the Standard Formula is mainly driven by cash at bank.

C.3.2 Material risk concentrations

The Company does not have any material credit risk concentrations.

C.3.3 Prudent person principle applied to credit risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty.

C.3.4 Assessment and risk mitigation techniques used for credit risks

The Company monitors and controls credit risks via various methods, including:

- Minimum rating criteria for the placing of deposits and opening of bank accounts, in line with the Investment and Asset Liability Policy;
- Monitoring the credit ratings of counterparties;
- Reporting of cash, investment and liquidity positions takes place quarterly as part of the Company's management accounts reporting process;
- Retaining risk within an approved risk appetite and solvency requirements;

C.4 Liquidity risk

C.4.1 Material liquidity risks

Liquidity risk refers to the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

It is the Company's policy that liquidity and concentration risk is minimised as much as possible

The Company has considered the risk of a lack of liquidity available to pay insurance liabilities in its risk register. No specific allocation of capital is considered necessary for this risk.

The Company's cash in-flow is generated from premium income. Its cash out-flow consists mainly of claims payments and a small volume of administration expenses

C.4.2 Prudent person principle applied to liquidity risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

C.4.3 Assessment and risk mitigation techniques used for liquidity risks

The Company monitors and controls risks via various methods, including:

- Compliance with the Liquidity and Concentration Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- The Manager monitors cash movements and performs cash flow forecasting which are regularly reported to the Company;
- Premiums are billed on an annual basis. Upon receipt of premium, investments are made in line with the Company's Investment and Asset Liability Policy;
- Reporting of cash, investment and liquidity positions takes place quarterly as part of the Company's management accounts reporting process.

C.5 Operational risk

C.5.1 Material operational risks

Operational risk is the risk of loss resulting from failed internal processes, people and systems or from external events. Operational risks which can result in losses include internal fraud. External fraud, employments practices, system failures and disregard of company policies.

The Company seeks to limit all operational risk through the implementation of a robust system of internal controls and procedures.

Operational risks are also addressed in the capital requirement as an addition to the BSCR to the extent that they have not been explicitly covered in other risk modules. The operational risk capital charge as at 31 December 2017 is USD734k.

C.5.2 Assessment and risk mitigation techniques used for operational risks

The Company monitors and controls operational risks via various methods, including:

- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit within the Company's business objectives;
- Implementing a robust system of internal controls and procedures;
- Segregation of duties;
- Monitoring and internal reporting;
- Outsourcing its management to an experienced management company;
- Setting a strategic surplus target of 22% above the SCR;
- Commitment of effective corporate governance.

C.6 Other material risks

The Company has included a range of non-quantifiable risks in its ORSA process. Documented associated actions exist for each of these risks and they are reviewed on a quarterly basis by the Board of Directors.

Sample risks include:

- Regulatory and Compliance;
- Loss of key personnel/director's resignation;
- Outsourcing.

The Company has no appetite for regulatory risk. It is the objective of the Company to be at all times in compliance with Insurance Acts and Regulations, and with Guidelines issued by the insurance supervisory authority and other applicable legislation in accordance with good corporate governance and codes of conduct.

The Board is satisfied that the Company has a succession plan in place and in the event that a director resigns or intends to resign the parent Company will provide a replacement nominee for that position as soon as possible.

The Board recognises that the Company operates on a basis of an outsourced model, whereby the day to day operations and number of key functions are outsourced; the Board is satisfied that all outsourcing agreements include an appropriate period notice.

This would provide the Company with sufficient time to find an alternative professional services provider. Additionally, performance of outsourced providers is reviewed on an annual basis and such review would flag any potential deficiencies of the individual service provider.

The Board considers that these non-quantifiable risks that are not captured by the standard model are covered by the application of a specified strategic solvency target.

C.7 Amount of expected profit included in future premiums as calculated in accordance with Article 260(2)

Since the Company are not expected to receive any future premium, both their technical provision calculations will be the same, and hence the expected profit will be zero.

C.8 Stress and sensitivity tests

The Company's ORSA contains 3 scenarios. Stress testing is based on the largest risks per the Company's risk register, which have been determined to be:

1. Downgrade of all investments;
2. Adverse claims development;
3. Impact of one large loss occurring unexpectedly.

Robust risk mitigation practices and remediation plans are in place to address these risks.

The Company also considered a reverse stress test. This can be defined as a stress test that requires assessment of scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.

The Company has more than sufficient capital to meet its Solvency II requirements under business plan projections and stress test scenarios. Where the Company does not have sufficient own funds to meet its overall solvency needs thorough the projection period in any of the scenarios/ stress tests consideration has been given to risk mitigation and/or appropriate capital management plan.

The Board also noted the Company's reliance on its Parent Company to support its capital base should it be required.

C.9 Any Other Information

The Company has identified all material risks through its risk register and there is no other material information regarding the risk profile of the Company that warrants disclosure.

D.1 Assets

D.1.1-2 Local GAAP and Solvency II Valuations

The table below sets out the value of the Company's material assets as at 31 December 2017:

	31/12/2017		31/12/2016	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	Total USD'000	Total USD'000	Total USD'000	Total USD'000
Cash and cash equivalents	**27,470**	**576**	26,528	6,213
Deposits other than cash equivalents	**-**	**4,972**	-	6,261
Government Bonds	**-**	**21,922**	-	14,054
Corporate Bonds	**8,145**	**8,145**	3,091	3,091
Collective Investments Undertakings	**4,552**	**4,552**	3,032	3,032
Collateralised Securities	**1,906**	**1,906**	-	-
Mortgages & loans	**2,868**	**2,868**	8,000	8,000
Other Assets	**107**	**107**	377	377
Total assets	**45,048**	**45,048**	**41,028**	**41,028**

The Company's assets are recognised and valued using the following principles:

Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with bank and cash balances with investment managers. Cash and cash equivalents are measured at cost, being the market value of the consideration paid.

Deposits other than cash equivalents

Deposits other than cash equivalents include fixed deposit accounts and are measured at cost, being the market value of the consideration paid.

Under local GAAP, $4,973k is disclosed as cash & cash equivalents, and have been reclassified for Solvency II purposes.

Government Bonds

Government Bonds include government treasury bills and are valued at quoted market price in active markets for the same assets plus accrued interest.

Under local GAAP, $21,922k is disclosed as cash & cash equivalents, and have been reclassified for Solvency II purposes.

Corporate Bonds

Corporate Bonds include bonds and are valued at quoted market price in active markets for the same assets plus accrued interest.

Collective Investment Undertakings

Collective Investments Undertakings include equity funds and debt instruments in the form of bond or fixed income funds. Collective Investments are measured at quoted market price in active markets for similar assets.

Collateralised Securities

include equity funds and debt instruments. Collateralised Securities are measured at quoted market price in active markets for similar assets.

Mortgages & loans
Other investments include an investment in a commercial property, as well accrued interest from an intercompany loan. The loan is valued at cost, being the market value of the consideration paid.

Other Assets
Other Assets include amounts receivable and also a tax refund due to the Company. Other Assets are valued at transaction price.

Realised and unrealised gains and losses arising from the changes in the fair value of investments are presented in the non-technical profit and loss account in the period in which they arise. Interest income is recognised when earned and investment management and other related expenses are recognised when incurred.

D.2 Technical Provisions

D.2.1 Local GAAP and Solvency II Valuations

The valuation of liabilities for Solvency II has been determined in accordance with Articles 75 to 86 of the Solvency II Directive 2009/138/EC and related guidance.

The table below shows an analysis of the technical provisions as at 31 December 2017:

Insurance Class	31/12/2017		31/12/2016	
	TPs per GAAP	TPs per Solvency II	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000	USD'000	USD'000
General Liability				
Best estimate of liabilities (BEL)	17,166	15,337	12,399	11,283
Risk margin	-	874	-	1,083
Auto Physical Damage				
Best estimate of liabilities (BEL)	5,706	4,412	3,871	2,288
Risk margin	-	239	-	257
Motor Vehicle Liability				
Best estimate of liabilities (BEL)	5,823	4,729	7,279	6,427
Risk margin	-	297	-	484
Total technical provisions	**28,695**	**25,889**	**23,549**	**21,822**

Solvency II classes of business: Classes of business have been allocated to Solvency II line of business on the following basis:

Class of Business as per Local GAAP	Solvency II Class of Business
General Liability	General Liability
Auto Physical Damage	Other Motor
Motor Liability	Motor Vehicle Liability

The GAAP accounts of the Company include provisions for claims incurred and claims incurred but not reported, which consider all reasonably foreseeable best estimates. An unearned premium reserve is also included, relating to gross premiums written that have not yet expired by the end of the financial period by reference to the full term of the insurance policies to which such premiums written relate.

The Solvency II technical provisions are made up of a best estimate of the claims, premiums and expenses cash flows that are discounted to give an estimate of the provisions.

A number of adjustments were made to the GAAP provisions in order to obtain the Solvency II technical provisions. Key points to note are as follows:

Cash-flows and discounting: Cash-flows have been discounted using the USD risk free yield curve as at 31 December 2017 as published by the European Insurance and Occupational Pensions Authority ("EIOPA").

Inclusion of unearned business: The expected claims on unearned business have been calculated using an expected loss ratio applied to the gross unearned premium reserve.

Expenses: An allowance has been made for claims handling expenses.

Risk Margin

The risk margin has been calculated separately by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations

The annual cost of capital is taken to be 6% of the capital estimated at each future point, discounted to the valuation date using the same risk free yield curve as that used to determine the best estimate technical provisions.

The Company has used Method 3 from Guideline 61 of the Solvency II "Guidelines on the valuation of technical provisions" (EIOPA-BoS-14/166 EN). This involves approximating the discounted sum of all future Solvency Capital Requirements in a single step without approximating the Solvency Capital Requirements for each future year separately as referred in Article 58 (b) of Commission Delegated Regulation 2015/35, inter alia by using the modified duration of the insurance liabilities as a proportionality factor.

The methodologies and simplifications are consistent with market practice, Solvency II principles and proportionate to the business written by the Company. Simplifications are not considered to be material to the technical provisions at this point in time, although they shall be reviewed in future and additional work will be performed to quantify the impact as and when necessary.

D.2.2 Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are inherently uncertain. The key areas of uncertainty of the technical provisions are driven by the uncertainty of the underlying booked reserves. Hence, the key area of particular uncertainty relating to the Company's liabilities relates to the potential for volatility in claims experience in the future that is not reflected in estimates of ultimate claims produced using actuarial methods. This arises as the ultimate liability for claims is subject to the outcome of events yet to occur, including changes in the attitudes of courts and claimants towards the settlement of claims. Techniques and assumptions have been employed in estimating claims which are expected to be appropriate, but it should be recognised that future loss emergence may deviate, perhaps materially from claim estimates.

D.2.3 Solvency II and local GAAP valuation differences of Technical Provisions by material line of business

See analysis in Section D2.1.

D.2.4 The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

D.2.5 The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

D.2.6 The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

D.2.7 The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.2.8 Recoverables from reinsurance and special purpose vehicles

There were no recoverables or special purpose vehicles as at 31 December 2017 (2016 USD Nil).

D.2.9 Material changes in relevant assumptions made in the calculation of technical provisions

There are no material changes in the relevant assumptions made in the calculation of the technical provisions compared to the previous reporting period.

D.3 Other liabilities

Other liabilities at 31 December 2017 were USD2.1M (2016: USD2.5m) and are composed of losses payable and accrued expenses.

The Company has an additional deferred tax liability of US$351k as the cash flows from their relevant Basic Own Funds items result in an increase in available capital when moving from GAAP to Solvency II and the Company is therefore obliged to recognise future tax payable on this increased capital.

D.4 Alternative Methods for Valuation for other liabilities

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

There are no other material matters in respect of the valuation of assets and liabilities.

E CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a three year projection of funding requirements and helps focus actions for future funding.

The Company is a single shareholder entity whose ordinary shares are fully paid up. It has no debt financing nor does it have plans to raise debt or issue new shares capital over the three year time horizon used for business planning.

The Company has also received a capital contribution of USD4.5m.This contribution is irrevocable, non-refundable and will not result in a grant by the Company of any rights or the assumption by the Company and obligations to the parent or any third party. These capital contributions have been approved by the CBI as Tier 1 Own Funds as per the Solvency II Directive.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an agreed level in excess of the SCR, target solvency margin cover is currently set at 122% of the SCR;
- Dividends will not be paid or will be deferred if doing so would cause the Company to breach its legal and regulatory requirements or fall below the abovementioned target SCR cover;
- The Company's own funds are primarily invested in cash or cash equivalents, fixed deposits and financial investments in line with the Board approved Investment and Asset Liability Policy.

E.1.2 Own funds analysed by tiers

An analysis of own funds are shown below:

Date	Description	Tier 1 USD'000	Total USD'000
1 January 2017	Opening balance comprising: Ordinary share capital Capital Contribution Reconciliation Reserve	 879 4,500 11,100	 **879** **4,500** **11,100**
	Movement in the Reconciliation reserve for the year ended 31 December 2017	254	**254**
31 December 2017	Closing balance	16,733	**16,733**
	Represented by:		
	Ordinary share capital	879	**879**
	Capital Contribution	4,500	**4,500**
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	11,354	**11,354**
	Total Basic own funds after deductions	16,733	**16,733**

The Company's ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(1) of the Delegated Regulation. The positive reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. There are no foreseeable dividends or own shares held.

The Company has no tier 1 restricted own funds and no tier 2 or tier 3 own funds.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The eligible amount of own funds to cover the Solvency Capital Requirement is USD16.8m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD16.8m.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The eligible amount of own funds to cover the Minimum Capital Requirement is USD16.8m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD16.8m.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Reconciliation of Basic Own Funds to Equity as per financial statements as at 31 December 2017	
	USD'000
Solvency II - Basic Own Funds	16,733
Total Equity as per financial statements	14,277
Difference:	2,456
Represented by:	
Difference between Net Technical Provisions and BEL	4,217
Risk Margin – Non Life	(1,410)
Deferred Tax Liability	(351)
Difference:	**2,456**

E.1.6 None of the Company's own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

E.1.7 There are no ancillary own funds items.

E.1.8 No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total SCR and MCR at 31 December 2017:

	USD'000
SCR	11,660
MCR	4,437

The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the SCR components by risk module (using the Standard Formula) at 31 December 2017.

SCR Overview	USD'000
Market risk	4,436
Counterparty default risk	72
Non-life underwriting risk	10,687
Diversification	(2,604)
Basic Solvency Capital Requirement	**12,591**
Operational risk	734
Adjustment	**(1,665)**
Solvency Capital Requirement	**11,660**

E.2.3 Simplified calculations are not used for any of the risk modules or sub-modules.

E.2.4 The Company does not use undertaking specific parameters in its computation.

E.2.5 The Minimum Capital Requirement is calculated using the Standard Formula specifications.

The table below shows the inputs into the MCR calculation as at 31 December 2017.

MCR Overview	USD'000
Linear MCR	3,908
SCR	11,660
MCR cap	5,247
MCR floor	2,915
Combined MCR	3,,908
Absolute floor of the MCR	2,915
Minimum Capital Requirement	**4,437**

E.2.6 There were no material changes to the Solvency Capital Requirement and to the Minimum Capital Requirement over the reporting period.

E.3 Any use of the equity risk sub-module in the calculation of the Solvency Capital Requirement.

The Company has not opted to use the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC.

E.4 Internal model information.

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.

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

There were no breaches of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any other information.

There are no other material matters in respect of the valuation of capital manage

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	-
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	41,497
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	31,973
Government Bonds	**R0140**	21,922
Corporate Bonds	**R0150**	8,145
Structured notes	**R0160**	-
Collateralised securities	**R0170**	1,906
Collective Investments Undertakings	**R0180**	4,552
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	4,972
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	2,863
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	2,863
Reinsurance recoverables from:	**R0270**	-
Non-life and health similar to non-life	**R0280**	-
Non-life excluding health	**R0290**	-
Health similar to non-life	**R0300**	-
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-
Health similar to life	**R0320**	-
Life excluding health and index-linked and unit-linked	**R0330**	-
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	-
Insurance and intermediaries receivables	**R0360**	-
Reinsurance receivables	**R0370**	-
Receivables (trade, not insurance)	**R0380**	-
Own shares (held directly)	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	-
Cash and cash equivalents	**R0410**	576
Any other assets, not elsewhere shown	**R0420**	112
Total assets	**R0500**	45,048

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	25,888
Technical provisions – non-life (excluding health)	**R0520**	25,888
TP calculated as a whole	**R0530**	-
Best Estimate	**R0540**	24,477
Risk margin	**R0550**	1,410
Technical provisions - health (similar to non-life)	**R0560**	-
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	351
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	1,807
Reinsurance payables	**R0830**	-
Payables (trade, not insurance)	**R0840**	269
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	**R0860**	-
Subordinated liabilities in BOF	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	-
Total liabilities	**R0900**	28,315
Excess of assets over liabilities	**R1000**	16,733

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Motor vehicle liability insurance	Other motor insurance	General liability insurance	Total
		C0040	**C0050**	**C0080**	**C0200**
Premiums written					
Gross - Direct Business	**R0110**	3,541	5,339	6,583	15,463
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0130**				
Reinsurers' share	**R0140**	-	-	-	-
Net	**R0200**	3,541	5,339	6,583	15,463
Premiums earned					-
Gross - Direct Business	**R0210**	3,440	4,400	6,378	14,218
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0230**				
Reinsurers' share	**R0240**	-	-	-	-
Net	**R0300**	3,440	4,400	6,378	14,218
Claims incurred					-
Gross - Direct Business	**R0310**	3,130	1,915	5,197	10,242
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0330**				
Reinsurers' share	**R0340**		-	-	-
Net	**R0400**	3,130	1,915	5,197	10,242
Changes in other technical provisions					-
Gross - Direct Business	**R0410**		-	-	-
Gross - Proportional reinsurance accepted	**R0420**		-	-	-
Gross - Non- proportional reinsurance accepted	**R0430**				
Reinsurers'share	**R0440**		-	-	-
Net	**R0500**		-	-	-
Expenses incurred	**R0550**	364	296	196	856
Other expenses	**R1200**				(7)
Total expenses	**R1300**				849

Annex I
S.05.01.02
Non-life premiums, claims and expenses by country (Top 5 and home country)

			Home country	Top 5 countries (by amount of gross premium written) - non-life obligations		Total Top 5 and home country
			Home country	US	Canada	
Premiums written	Gross - Direct Business	R0110	-	13,132	2,331	15,463
	Gross - Proportional reinsurance accepted	R0120	-	-	-	-
	Gross - Non-proportional reinsurance accepted	R0130				
	Reinsurers' share	R0140	-	-	-	-
	Net	R0200	-	13,132	2,331	15,463
Premiums earned	Gross - Direct Business	R0210	-	12,782	1,436	14,218
	Gross - Proportional reinsurance accepted	R0220	-	-	-	-
	Gross - Non-proportional reinsurance accepted	R0230				
	Reinsurers' share	R0240	-			-
	Net	R0300	-	12,782	1,436	14,218
Claims incurred	Gross - Direct Business	R0310	-	10,242	-	10,242
	Gross - Proportional reinsurance accepted	R0320	-	-	-	-
	Gross - Non-proportional reinsurance accepted	R0330				
	Reinsurers' share	R0340	-	-	-	-
	Net	R0400	-	10,242	-	10,242
Changes in other technical provisions	Gross - Direct Business	R0410	-	-	-	-
	Gross - Proportional reinsurance accepted	R0420	-	-	-	-
	Gross - Non-proportional reinsurance accepted	R0430				
	Reinsurers' share	R0440	-	-	-	-
	Net	R0500	-	-		-
Expenses incurred		R0550	423	368	65	856
Other expenses		R1200				(7)
Total expenses		R1300				849

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	General liability insurance	
		C0050	**C0060**	**C0090**	**C0180**
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 as a whole	**R0050**	-	-	-	-
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	**R0060**	1,216	1,774	2,312	5,302
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	-
Net Best Estimate of Premium Provisions	**R0150**	1,216	1,774	2,312	5,302
Claims provisions					
Gross	**R0160**	3,514	2,637	13,026	19,177
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	-
Net Best Estimate of Claims Provisions	**R0250**	3,514	2,637	13,026	19,177
Total Best estimate - gross	**R0260**	4,729	4,411	15,337	24,477
Total Best estimate - net	**R0270**	4,729	4,411	15,337	24,477
Risk margin	**R0280**	297	239	874	1,410
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**	5,026	4,650	16,212	25,888
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	5,026	4,650	16,212	25,888

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

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
Prior	R0100											-	-	-
N-9	R0160	-	-	-	-	-	-	-	-	-	-		-	-
N-8	R0170	-	-	-	-	-	-	-	-	-			-	-
N-7	R0180	-	-	-	68	58	169	28	28				28	323
N-6	R0190	202	468	420	844	534	390	94					94	2,952
N-5	R0200	240	644	474	255	349	24						24	1,986
N-4	R0210	185	716	535	2,296	471							471	4,202
N-3	R0220	232	1,578	1,855	363								363	4,028
N-2	R0230	768	2,490	1,416									1,416	4,673
N-1	R0240	566	3,211										3,211	3,777
N	R0250	734											734	734
Total	R0260												6,341	22,675

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year											Year end (discounted
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											-	-
N-9	R0160	-	-	-	-	-	-	-	-	-	-		-
N-8	R0170	-	-	-	-	-	-	-	-	-			-
N-7	R0180	-	-	-	-	-		1,036	1,008				-
N-6	R0190	-	-	-	-	-	333	217					-
N-5	R0200	-	-	-	-	532	389						-
N-4	R0210	-	-	-	1,898	970							181
N-3	R0220	-	-	2,512	1,279								1,215
N-2	R0230	-	5,826	4,837									3,290
N-1	R0240	3,658	6,759										5,423
N	R0250	4,238											9,068
Total	R0260												19,177

Annex I

S.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 Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	879	879		0	
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	4,500	4,500		0	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-				
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	11,354	11,354			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	-	-	-	-	
Total basic own funds after deductions	R0290	16,733	16,733	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	16,733	16,733	-	-	-
Total available own funds to meet the MCR	R0510	16,733	16,733	-	-	
Total eligible own funds to meet the SCR	R0540	16,733	16,733	-	-	-
Total eligible own funds to meet the MCR	R0550	16,733	16,733	-	-	
SCR	R0580	11,660				
MCR	R0600	4,437				
Ratio of Eligible own funds to SCR	R0620	144%				
Ratio of Eligible own funds to MCR	R0640	379%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	16,733
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	5,379
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	11,354
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	-

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	4,436		
Counterparty default risk	R0020	72		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	
Non-life underwriting risk	R0050	10,687	-	
Diversification	R0060	(2,604)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	12,591		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	734
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(1,665)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	11,660
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	11,660
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	3,908

		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	4,729	3,541
Other motor insurance and proportional reinsurance	R0060	4,411	5,339
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-
General liability insurance and proportional reinsurance	R0090	15,337	6,583
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
MCR_{L} Result	R0200	-

		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	3,908
SCR	R0310	11,660
MCR cap	R0320	5,247
MCR floor	R0330	2,915
Combined MCR	R0340	3,908
Absolute floor of the MCR	R0350	4,437
		C0070
Minimum Capital Requirement	R0400	4,437