

Santam Structured Reinsurance dac

(formerly RMB Financial Services dac/Ltd)

Solvency and Financial Condition Report

Six Month Period Ending

December 2017

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Executive Summary

This Solvency and Financial Condition Report (SFCR) has been prepared in order to assist stakeholders to understand the capital position (under pillar 1 of Solvency II) of Santam Structured Reinsurance dac (SSRdac) following the implementation of Solvency II in January 2016.

This document is the third Solvency and Financial Condition Report (SFCR) that is required to be published by the company since the introduction of the Solvency II regime. It should be noted that due to the recent change on ownership the company was required to change its June financial year end to a December year (to fall into line with the new Groups financial reporting period) and this report covers the six months 1 July 2017 to 31 December 2017. The report has been reviewed and approved by its Board of Directors. This report covers the Business and Performance of the company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate body that has the responsibility for all of these matters is SSRdac's Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

Due to its low Solvency Capital Requirement (SCR), SSRdac has to and does meet the Minimum Capital Requirement (MCR), as set down under the Solvency II regime, as at the 31 December 2017 reporting date and at all times during the financial period then ending.

In this document, "Group" refers to the Santam SI Investments Proprietary Limited group of companies (SSI Group).

SSI Group was majority owned by Rand Merchant Investment Holdings (RMI), a South African financial services investment group, but was 100% acquired, with regulatory approvals, by Santam Limited (Santam) on 16 Match 2017. Santam is South Africa's largest non-life insurer and is listed on the Johannesburg Stock Exchange.

SSRdac currently holds a Composite (Life & Non-life) Reinsurance Licence and its principal activity continues to be the transaction of specialised reinsurance and transacting the run-off portfolio of Flagstone Re (Africa) Limited which was transferred to the company, with regulatory approvals, at the end of May 2013.

Particularly given the change in ownership, the directors remain confident that new opportunities will present themselves to ensure the company's long-term viability. The immediate Group continues to support the company and remains committed to its continuation. The directors will continue to seek every opportunity, but will only do so within the company's risk appetite thresholds and underwriting guidelines.

Operating within the SSI Group, SSRdac has, due to low transaction volumes, a small number of employees or contract workers and outsources some functions to or through other Group entities. SSRdac's cost base is low and therefore stable, providing a significant degree of resilience to stress scenarios.

SSRdac's internal capital target is to hold a minimum of 120% of its SCR **or** 120% of the MCR, whichever produces the higher absolute value.

At least once per financial year the Board considers whether a dividend should be paid to remit any surplus capital to its immediate parent entity.

As at 31 December 2017, the company has a solvency coverage ratio of **341%** of the capital requirements calculated in line with Solvency II standard formula regulations. This is the equivalent to ZAR 61.6m of excess assets over the Solvency Capital Requirement. The Minimum Capital Requirement for the company is ZAR 53.2m (€3.6m) and the company currently holds ZAR 33.9m of excess assets over this minimum capital requirement, calculated in line with Solvency II regulations., a **164%** cover ratio.

Key Figures: Solvency II Balance Sheet

ZAR (millions)	31-Dec-17	30-Jun-17
Assets	118.7	122.1
Technical Provisions (including a Risk Margin)	25.1	32.8
Other liabilities	6.4	8.3
Excess of Assets over Liabilities	87.2	81.0
Eligible Own Funds	87.2	81.0
Cover Ratios:		
Ratio of Eligible Own Funds to MCR	164%	151%
Ratio of Eligible Own Funds to SCR	341%	172%

Business and Performance Summary

The company acquired the run-off book of Flagstone Re (South Africa), with regulatory approvals, in May 2013 and this business again constitutes the only underwriting result reported during the period under review. We continued to report very small premiums volumes on this book but the company are actively pursuing opportunities to find premium income. Given the recent change in ownership the company is confident that Santam will bring extra opportunities to consolidate and grow its income base.

Given the nature of the underwriting account and attendant underwriting exposures the Board has determined that there is no justification in putting any outward reinsurance protections in place.

The underwriting result reported (before operating expense and investment income allocated to the underwriting account) was ZAR 7.1m, and this was after holding ZAR 7.0m in reserves above total best estimate reserve amounts of ZAR 29.5m (excluding Risk Margin). Additionally, the underwriting book delivered ZAR 271k of interest on reinsurance deposits withheld and miscellaneous other income for the period, a ZAR 7.4m profit attributable to underwriting activities for the period.

Investment income continues to be healthy, generating ZAR 3.9m in interest income for the six month period. There was, however, ZAR 0.1m of FX losses reported during the period.

Operating expenses ran below budget and amounted to ZAR 3.4m resulting in a pre-tax profit of ZAR 7.8m.

System of Governance Summary

SSRdac has an effective system of governance, which provides for sound and prudent management. In preparation for the Solvency II regime, the Board has taken significant measures to strengthen the corporate governance framework, including the Risk Management function.

The governance structure comprises the Board of Directors who are responsible for organising and directing the affairs of the company, the Chief Executive, Board Risk Committee and Board Audit Committee. Each of these Committees operates within well-defined Terms of Reference.

As required by Solvency II, Risk Management, Compliance, Actuarial and Internal Audit are considered key functions within SSRdac with governance responsibilities to ensure the sound and prudent management of the business.

The Risk Management Function is responsible for managing the company's risks. The Risk Management Function oversees the Own Risk and Solvency Assessment (ORSA) which analyses the risks faced by SSRdac and looks for ways to limit the impact of these risks. The Compliance Function is responsible for ensuring that SSRdac complies with all relevant regulatory requirements for composite reinsurers. The Actuarial Function is responsible for ensuring that SSRdac sets aside enough funds to cover claims and expenses of the business. The Internal Audit Function's role is to support the Board and the management of SSRdac in discharging its operation of internal controls, and corporate governance responsibilities by

reviewing the work undertaken by various departments and recommending possible improvements. SSRdac has a comprehensive set of internal controls in place, including operating a three lines of defence model where the first line represents the various departments performing their regular duties, the second line represents the work of the risk and compliance functions and the third line represents independent review i.e. internal and external audit. More information on the system of governance can be found in section B below.

Risk Profile Summary

In the context of its business operations SSRdac enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored. They specifically concern underwriting risk, capital market risks, operational and counterparty default risks. We describe the cause of these risks and how we deal with them in Section C. The company uses the Standard Formula (without simplifications) for its SCR calculation.

The following is a breakdown of the solvency capital requirements i.e. funds set aside at this date to be able to withstand certain adverse events:

SCR - ZAR millions	31-Dec-17	30-Jun-17
Underwriting Risk	12.5	15.2
Market Risk	18.2	39.3
Counterparty Risk	0.8	1.4
Operational Risk	0.7	0.9
Solvency Capital Requirement (before diversification)	32.2	56.8
Diversification Credit	6.6	9.8
Final Solvency Capital Requirement	25.6	47.0

Underwriting risk is one of the main risks to which SSRdac is exposed; it relates to the risk of an increase in claims, expenses or lapses which reduce future profits.

Market risk arises from the risk of falls in the value of the SSRdac's investments or falls in the value of policyholders' funds which lead to a reduction in SSRdac's income. SSRdac manages its investments through the use of limits in terms of the types and amounts of assets in which it can invest.

During the period the company diversified away a large element of its Market Risk by moving funds held by a South African banking group, whose rating was impeded by the South African sovereign rating cap, to a much higher rated Irish banking entity.

Counterparty risk is the risk that some of the company counterparties, e.g. the bank in which overnight deposits are held, default. This risk is managed by SSRdac through the use of limits in terms of the amount of exposure to a single counterparty and limits on the creditworthiness of counterparties that the company will deal with.

Operational risk is defined as the risk of direct or indirect losses or of reputational damage arising from inadequate or failed internal process, people and systems or from external events. The company has a number of controls in place to manage this risk.

Valuation for Solvency Purposes Summary

Assets in SSRdac comprising investments and amounts due from debtors are valued in accordance with Solvency II valuation requirements.

The SSRdac liabilities consist of technical provisions which represent the value of future claims and expenses less the value of future income. This is the amount of money that SSRdac sets aside to ensure it is able to cover its liabilities to policyholders. SSRdac also has other liabilities representing payments due to creditors.

Capital Management Summary

In SSRdac's case the MCR (ZAR 53.3m) produces a higher solvency requirement than the SCR (ZAR 25.6m).

As at 31 December 2017, the solvency coverage ratio of 341% means that the company holds own funds over 3.4 times the capital requirements calculated in line with Solvency II regulations. This is the equivalent to ZAR 34 million of excess assets over the Solvency Capital Requirement.

The MCR for the company is ZAR 53.5m (€3.6m) and the company currently holds ZAR 33.9m of excess own funds over this minimum capital requirements, equating to a coverage ratio of 164%.

A primary responsibility of the Board of SSRdac is to ensure that the company's capital is adequate to cover the required solvency capital requirements for the nature and scale of the business, and the expected operational requirements of the business. A number of mechanisms are in place to evaluate capital adequacy and those evaluations indicate that the company's capital is adequate at this time.

The company uses the Solvency II "standard formula" (without simplifications) for the purposes of calculating the SCR. The Solvency Ratio is continuously monitored and also assessed as part of planning activities and in the event of large transactions. The future development of the Solvency and Minimum Capital Requirements are forecast at regular intervals as part of the planning process.

Own funds in the Solvency II balance sheet comprise the excess of assets over liabilities and amounts to ZAR 81 million. One hundred percent (100%) of all own funds are available to cover our capital requirements are assigned to the highest quality level (tier 1).

A. BUSINESS AND PERFORMANCE

A.1 Business

SSRdac is a regulated composite reinsurance company limited by shares, based in Ireland and authorised by the Central Bank of Ireland (CBI). The 100% ultimate parent undertaking of SSRdac is the Santam Group, a South African domiciled company listed on the Johannesburg stock exchange.

The Registered address is:

Jutland Hall, Steamboat Quay, Limerick, V94 CPY8

The CBI is responsible for the financial supervision of SSRdac:

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

SSRdac's external auditor is:

KPMG, Chartered Accountants, 1 Harbourmaster Place, Dublin 1

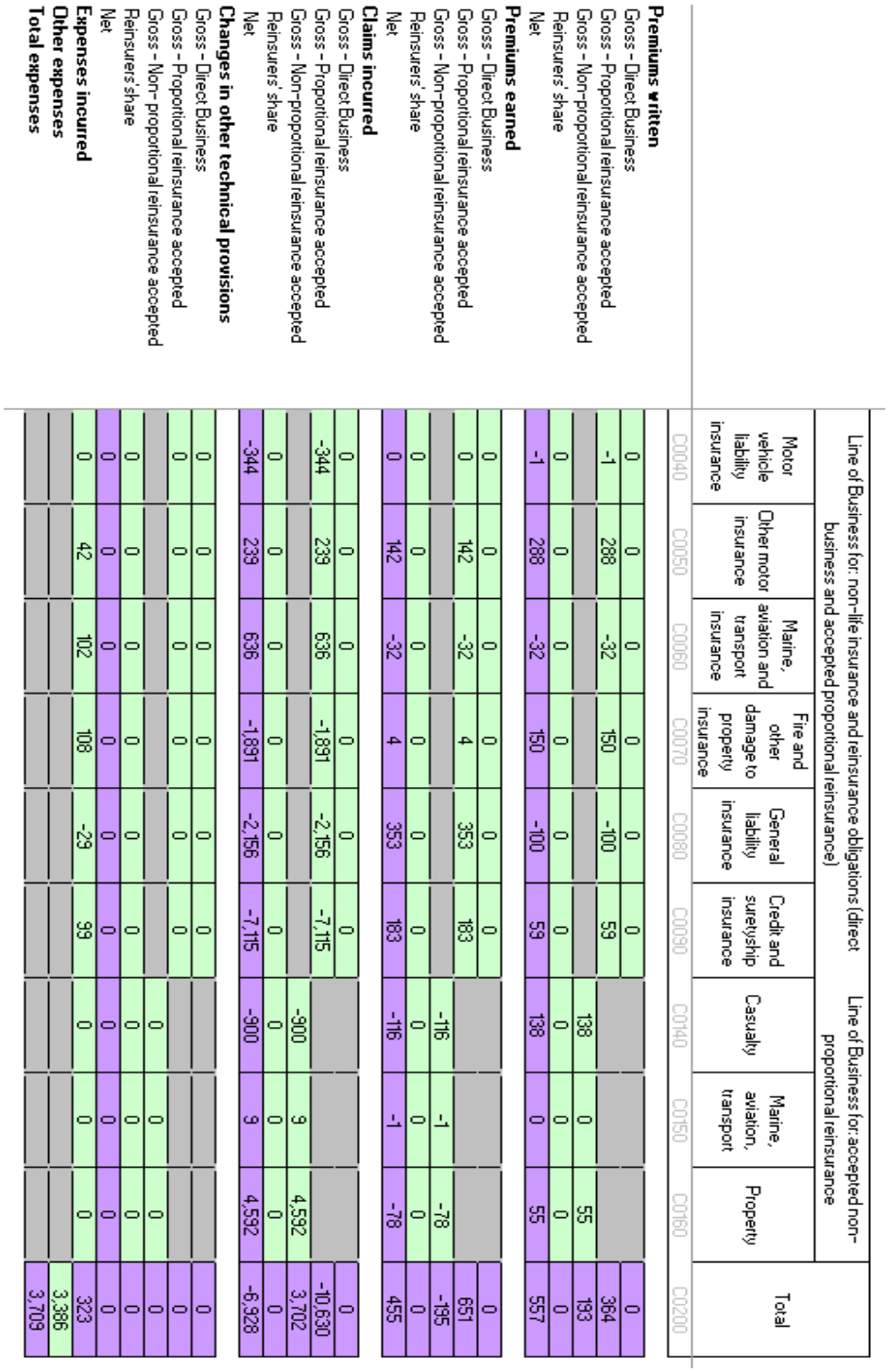
A.2 Underwriting Performance

The underwriting performance (premium income, claims payments and expenses) provided in this section is on an Irish GAAP basis as SSRdac prepares its Financial Statements in accordance with Irish GAAP accounting rules. SSRdac does not currently enter into any outward reinsurance and retains all underwriting risks for its own account. The schedule below is extracted from the company's Statutory Financial Statements.

PROFIT AND LOSS: TECHNICAL ACCOUNT FOR REINSURANCE BUSINESS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

Non-life reinsurance buisiness	Note	Six Months Ended December 2017		Year Ended June 2017	
		ZAR	ZAR	ZAR	ZAR
Earned premiums					
Premiums written	1		556,787		2,388,798
Change in provision for unearned premiums	10	286,469		(104,979)	
Change in provision for reinstatement premiums receivable	10	(387,771)		(59,015)	
			(101,302)	(163,994)	(163,994)
Earned premium			455,485		2,224,804
Allocated investment return transferred from the non- technical account	3		1,421,675		3,497,657
Claims incurred					
Claims paid		(1,477,322)		(3,242,095)	
Change in the provision for claims	10	8,405,574		7,054,437	
Claims incurred			6,928,252		3,812,342
Operating expenses	2		(3,701,929)		(5,076,413)
Balance on the technical account for non-life reinsurance business			5,103,483		4,458,390

The table below sets out the premiums, claims and expenses split by Solvency II lines of business for the six month period ended 31 December 2017 as reported in the company's Solvency II returns. All business relates to business written in South Africa. (This analysis excludes lines of business that we do not currently participate in or hold reserves for.)



	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
	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	Casualty	Marine, aviation, transport	Property		
	C0040	C0050	C0060	C0070	C0080	C0090	C0140	C0150	C0160		C0200
Premiums written											
Gross - Direct Business	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	-1	288	-32	150	-100	59	138	0	55		364
Gross - Non-proportional reinsurance accepted							0	0	0		193
Reinsurers' share	0	0	0	0	0	0	0	0	0		0
Net	-1	288	-32	150	-100	59	138	0	55		557
Premiums earned											
Gross - Direct Business	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	0	142	-32	4	353	183	-116	-1	-78		651
Gross - Non-proportional reinsurance accepted							0	0	0		-195
Reinsurers' share	0	0	0	0	0	0	0	0	0		0
Net	0	142	-32	4	353	183	-116	-1	-78		455
Claims incurred											
Gross - Direct Business	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	-344	239	636	-1,891	-2,156	-7,115					-10,630
Gross - Non-proportional reinsurance accepted							-900	9	4,592		3,702
Reinsurers' share	0	0	0	0	0	0	0	0	0		0
Net	-344	239	636	-1,891	-2,156	-7,115	-900	9	4,592		-6,928
Changes in other technical provisions											
Gross - Direct Business	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0					0
Gross - Non- proportional reinsurance accepted							0	0	0		0
Reinsurer's share	0	0	0	0	0	0	0	0	0		0
Net	0	0	0	0	0	0	0	0	0		0
Expenses incurred	0	42	102	108	-29	99	0	0	0		323
Other expenses											3,386
Total expenses											3,709

(This table excludes lines of business that we do not currently participate in or hold reserves for.)

A.3 Investment Performance

By policy, the company only holds its investment assets in Cash, Call & Short-Term Fixed Deposits (usually for periods not exceeding three months).

Investment income as reported in the Financial Statements can be seen in the table below:

PROFIT AND LOSS: NON-TECHNICAL ACCOUNT FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017

	Note	Six Months Ended December 2017		Year Ended June 2017	
		ZAR	ZAR	ZAR	ZAR
Balance on the technical account for non-life reinsurance business			**5,103,483**		4,458,390
Investment income	4	**4,136,006**		9,123,613	
Investment charges	5	**(6,952)**		(16,205)	
		4,129,054		9,107,408	
Allocated investment return transferred to the technical account	3	**(1,421,675)**		(3,497,657)	
			2,707,379		5,609,751
Profit on ordinary activities before tax	6		**7,810,862**		10,068,141
Tax on profit on ordinary activities	7		**(928,106)**		(1,277,286)
Profit after tax for the financial period/year	13		**6,882,756**		8,790,855

A.4 Performance of other activities

The company does not have other income or expenses, nor does it have any material leasing arrangements.

A.5 Any other information

The company is satisfied that there is no other material information that needs to be disclosed.

SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

B.1.1 Overview

SSRdac is an Irish reinsurance company authorised and regulated by the Central Bank of Ireland (CBI). It provides reinsurance capacity to group entities and manages and benefits from profits on a reinsurance run-off book of business acquired from Flagstone Re (Africa), with the approval of the CBI, in 2013.

SSRdac is classified as a Low impact under the CBI's risk-based framework of supervision (PRISM). A system of proportionate controls and procedures are in place within SSRdac which are deemed appropriate for the nature, scale and complexity of the business

SSRdac has low volumes of transactions and the majority of its operations are performed internally or with onsite operational third parties. SSRdac utilises group actuarial and internal audit functions and outsources the Head of Actuarial Function role externally.

The governance structure in place in the company includes clear allocation and appropriate segregation of duties. The Board retains primary responsibility for corporate governance within the company at all times. The Senior Management team plays an important part in ensuring effective governance and is therefore responsible for operating effective oversight consistent with Board policies. The company is governed through a structure of Committees. The responsibilities and authorities of the Board, Chairman, Board Committees, Chief Executive and Management Committees of company are outlined below.

Effective governance is achieved through the integration of the Corporate Governance Framework, the Risk Management Framework, and key functions.

B.1.2 Governance Structure

SSRdac governance structure comprises a Board, an Audit Committee and a Risk Committee.

Given the size and scope of its activities the company has a requirement to appoint a minimum of five directors.

The company has availed of the relief under the Corporate Code that allows the full Board to act in the capacity of both Audit Committee and Risk Committee.

The CEO, together with the Board oversees all activities undertaken on behalf of SSRdac. All transactions entered into by the company must be approved by the Board. In addition, all underwriting transactions entered into requires prior approval by an appropriate Group Committee.

The Board adopts Group frameworks and processes where it is satisfied that these meet their requirements.

The Board of Directors as at year end is comprised of:

1. Gustavo Arroyo, Chairman (Non-Executive), South Africa
2. Rouxann Le Roux, (Non-Executive), South Africa
3. Patrick Liston, CEO
4. Richard Power (Independent Non-Executive)
5. Patrick Smith (Independent Non-Executive), UK

The Company Secretary is (body corporate) Atlantic Risk Management Ltd

Board meetings are held at least quarterly in Ireland. The Board is collectively responsible for determining the overall strategic objectives of SSRdac (in line with the company's constitution) and ensuring that it has the appropriate human and financial resources in place to meet those objectives.

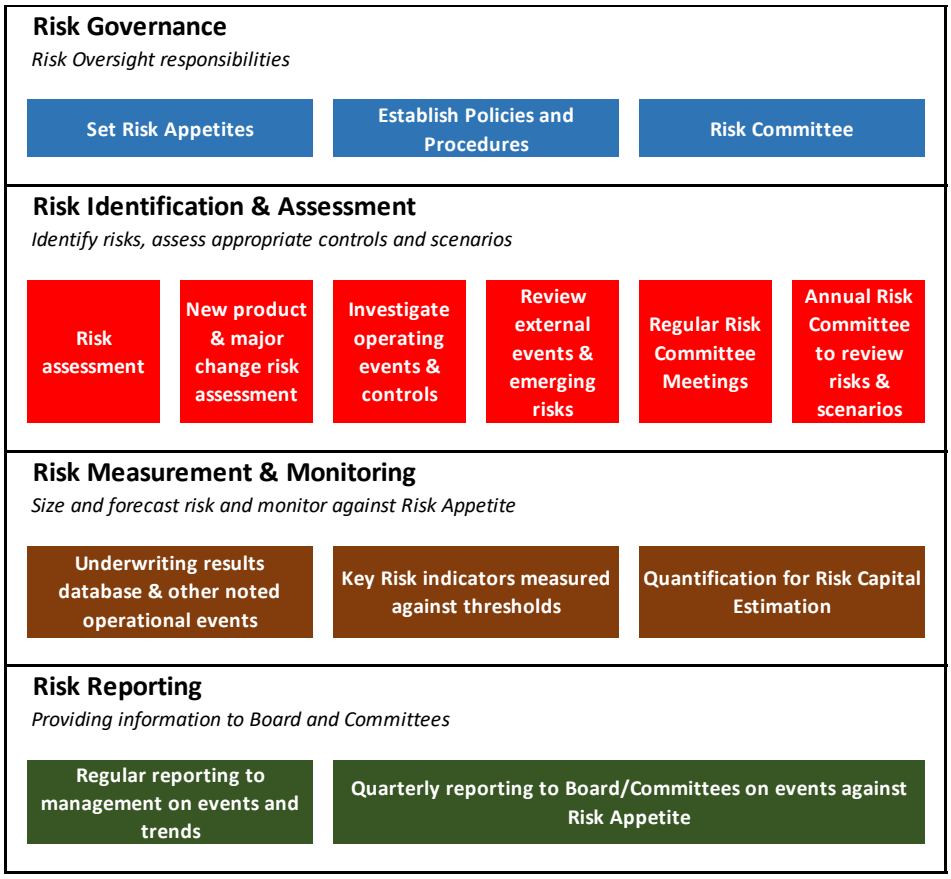
As required by Solvency II, the Board has established robust key functions across Risk Management, Compliance, Actuarial and Internal Audit and is satisfied that all such key functions are appropriately independent of business units, have adequate resources and authority to operate effectively.

The Chairman leads the Board, encourages open and challenging discussions and promotes effective communication between executive and non-executive directors.

The Board has established a Board Risk Committee and a Board Audit Committee, in line with the CBI's governance requirements for insurance companies, each chaired by an Independent Non-Executive Director.

Board Risk Committee (Chaired by Patrick Smith)

The purpose of the Committee is to ensure that all potential business risks are identified, evaluated, mitigated and controlled. The Committee provides oversight and advice to the Board on the current risk exposures, risk appetite, risk policies and future risk strategy of the Company. The committee oversees the risk management function of the company. The Committee oversees the implementation of the ORSA policy, reviews and approves the methodology for the ORSA process, and reviews and provides initial challenge to the results of the ORSA, reviews ORSA related reports and recommends them to the Board for approval. It also considers Risk Appetite levels.



Board Audit Committee (Chaired by Mr Patrick Smith)

The purpose of the Board Audit Committee is to ensure that the inherent risks within the business are subject to an appropriate level of independent review and to give comfort to the Board that the assets of the company are being safeguarded and that integrity of data is not being compromised. It reviews with external auditors, the scope and subsequently the result of the annual external audit, assesses auditor independence and the effectiveness of the audit process, reviews the draft Financial Statements and annual accounts of the company before recommending to the Board for approval.

B.1.3 Key Functions

B.1.3.1 Risk Management

SSRdac has a Risk Function, responsible for the oversight and management of risk within the organisation. The Chief Risk Officer (CRO) leads the Risk Management Function. The CRO has a direct line of responsibility to the Board Risk Committee and to the Board. The Risk Management Function is responsible for providing direction, guidance and support to the business with regard to the company's risk management systems, and for ensuring that a consistent process is applied. It has the primary responsibility for designing the framework that is applied by SSRdac in identifying, assessing, measuring, mitigating and monitoring risks. The Risk Management Function also undertakes independent monitoring of risk management systems and processes to assist the Company, and the Board of Directors, in assessing the robustness of the Company's risk management processes.

B.1.3.2 Compliance

SSRdac has a Compliance Function with responsibility for the oversight of compliance within the business. The Compliance Function reports to the Board.

B.1.3.3 Internal Audit

The Internal Audit Function's role is to support the Board and the management of the company in achieving its strategic and operational objectives and in discharging its control and corporate governance responsibilities.

It satisfies this purpose by providing the Audit Committee and the Chief Executive Officer with independent assurance as to whether adequate and effective risk management, governance and internal control procedures are in place and are functioning effectively. The Head of Internal Audit reports to the Board through the Audit Committee Chairman.

The Internal Audit Function is outsourced to Group and The Head of Internal Audit prepares an annual Audit Plan and individual Terms of Reference for each audit.

B.1.3.4 Actuarial

SSRdac utilised Group actuarial resources and has outsourced the Head of Actuarial Function (HoAF) role to Jaco van der Merwe of Deloitte South Africa.

B.2 Fit and proper requirements

B.2.1 Fitness & Probity Policy

The Central Bank Reform Act 2010 provides that any person performing a pre-approval controlled function (a "PCF") or a controlled function (a "CF") must have a level of fitness and probity appropriate to the performance of that particular function. These Fitness and Probity standards require that such individuals must be:

- Competent and capable
- Honest, Ethical and act with Integrity
- Financially sound.

SSRdac operates a Fitness and Probity Policy which documents the due diligence checks that must be performed for those operating in key roles, including Board directors. Key roles are referred to within the policy as PCFs and approval from the CBI is required to be received prior to the appointment of any person to any such role.

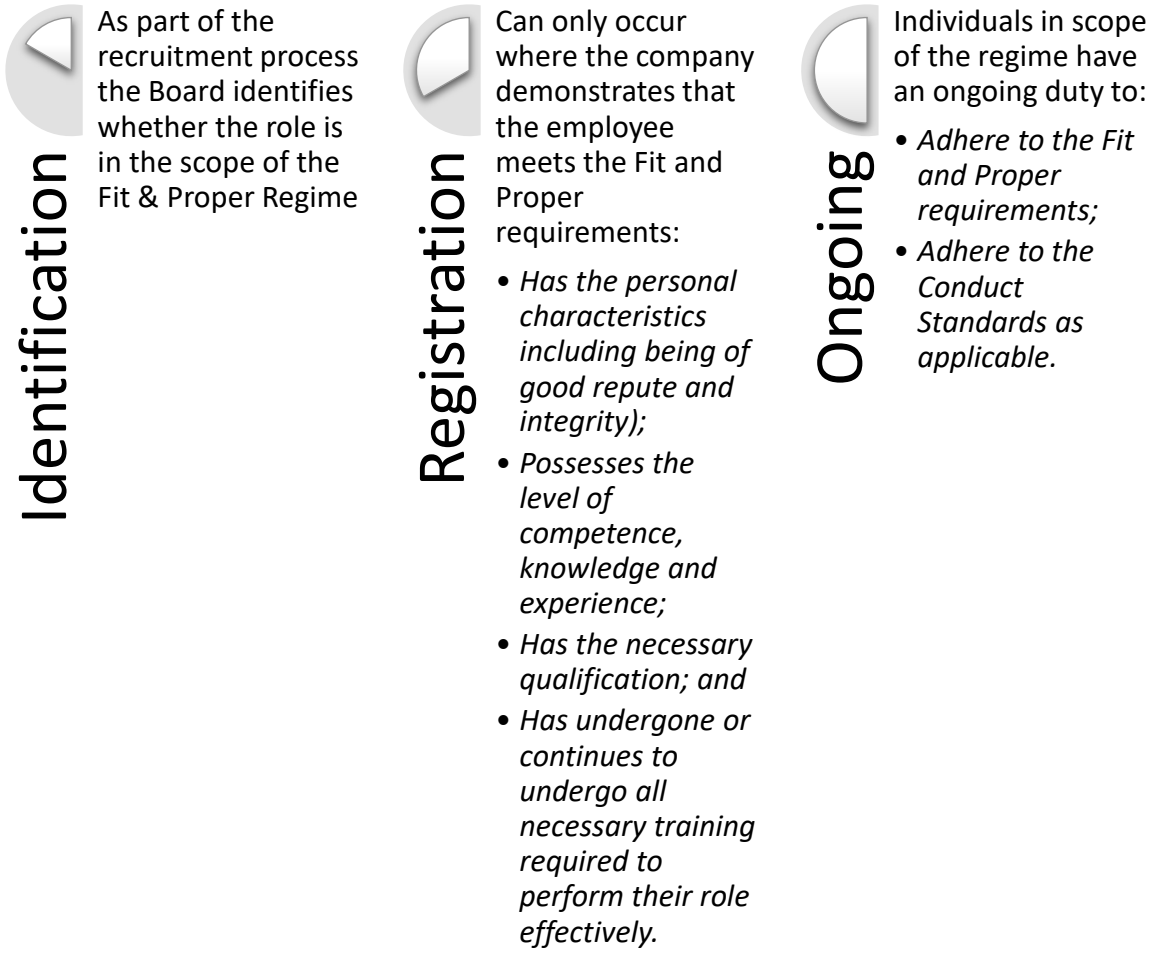
For PCF roles, SSRdac carries out an assessment of competency that includes the following, where relevant to the role in question:

- Professional qualifications and proof of same
- Experience and personal competency of the individual to carry out the role
- Individual's skill set, including educational and professional background

- Records of previous employments
- References as appropriate
- Concurrent responsibilities
- Individual Questionnaire
- CPD
- Proof of compliance with the Minimum Competency Code where relevant

The Compliance Function of both SSRdac is responsible for carrying out the assessment in line with the policy, which is then considered by the Board prior to approval.

SSRdac Fit and Proper Requirements – process



B.3 Risk management system including own risk and solvency assessment (ORSA)

B.3.1 Risk Management

Risk Universe

The Risk Universe is SSRdac's categorisation and definition of the risks facing the business. It provides a common risk language, which is used across the company. The company's material risk categories are outlined within the Risk Management Policy.

Risk Appetite

Risk appetite is the aggregate level and types of risk SSRdac is willing to assume within its risk capacity to achieve its strategic objectives and business plan. It reflects the company's risk objectives and influences its culture and operating style. The company's appetite is determined by its business strategy, risk management competencies and core values. SSRdac risk appetite is proposed by the Risk Management Function and is reviewed, challenged and approved by the Risk Committee and the Board of Directors

on, at least, an annual basis. The risk management process is designed to manage risk within the appetite. Risk Appetite, limits and trigger levels are integral to the company's strategic decision-making process, its day-to-day business and risk management. SSRdac's Risk Appetite consists of a focused number of key measures which are used by the Board and Senior Management to steer the business from a risk perspective. The parameters used to describe the Risk Appetite are not expected to change significantly year-to-year. However, some parameters may change occasionally to reflect changes in strategy, business volumes and external environment. SSRdac uses trigger levels to anticipate breaches of appetite and to initiate management action in advance of the breach occurring. These actions may include avoiding, controlling, transferring or accepting the risk. A well-articulated Risk Appetite provides SSRdac with:

- A firm basis for risk input to strategic decisions
- Clear guidance to Senior Management
- Strengthened confidence of external stakeholders
- More efficient use of scarce risk-related resources (e.g. capital and liquidity)
- A basis to apply a holistic enterprise approach to risk management.

Risk Policies

Risk management processes and requirements of the risk management system are set out for SSRdac in the Risk Management Policy and other polices which govern the material risks facing the business. Each material risk in the Risk Universe is covered by one of the Company's risk policies. These have been written to provide clear guidance to all levels of staff in SSRdac on the way it manages material risks.

Policies are ultimately owned at Board level but are owned executively at Senior Management level and there is no appetite for discretion to diverge from policy. Risk Policies set out the principles to be followed to manage the risk within acceptable limits, or bring those risk exposures that are outside limit back within limit. They establish monitoring and reporting requirements and describe consequences and escalation requirements of breaches. They drive risk management actions and address how SSRdac manages its business and the impact its actions may have on the business. The policies also link directly to the governance requirements of SSRdac.

Certain policies may be supported by more detailed procedures and documented methodologies, where required. These provide operational guidance at a process level and their application is reviewed by the Internal Audit Function of SSRdac.

Risk Identification

The risks that SSRdac faces are identified at company level and logged on the Risk Register. The risk identification process is carried out by individual risk owners within the business, facilitated by the Risk Management Function. The Risk Management Function ensures that the risk identification process is refreshed by the business on a regular basis. The business is also required to report all risk incidents, and any emerging risk identified, to the Risk Management Function.

SSRdac appreciates that planned changes to products and business processes may affect the risk profile of the company. Consequently, the business is required to analyse the risk of all proposed changes to products and business processes to ensure that any new risks are identified in a timely manner.

There are a number of processes by which risks are identified and brought to the attention of the Risk Management Function:

- Quarterly Risk Reporting
- Annual Risk Appetite Review
- Clear Risk Reporting Lines
- The Annual ORSA Process
- Risk Event Reporting

Risk Monitoring and Reporting

In SSRdac management has the responsibility for operating the risk management system and reporting information on adherence to the prescribed system to the Risk Management Function. The Risk Management Function reviews and challenges the information provided and reports to the Board (via the Board Risk Committee) on the level of risk, the risks to new initiatives, the status of the control

framework and the effectiveness of the risk management system. The Internal Audit Function tests key controls and provides assurance over the control environment within the business, including its risk management processes, as relevant.

SSRdac has developed a suite of risk metrics and management information to facilitate and support effective risk management and decision-making at all levels of the company. The management information contains a mix of financial, risk and operational indicators to ensure that reporting is clear, consistent and efficient. Reports aim to provide information that is appropriately balanced between predictive and historic data and includes commentary and explanations where relevant. Overall, there is an emphasis on analysis of forward-looking information as opposed to mere production of risk data. SSRdac monitors and reports a comprehensive range of KRIs which are outlined in the Risk Management Policy.

Risk Management Function

The Chief Risk Officer (CRO) leads the Risk Management Function which maintains and monitors the effectiveness of the risk management policy and framework in SSRdac. The CRO has a direct line of responsibility to the Board Risk Committee and to the Board. The CRO also provides input into ongoing business decisions, ensuring consistency with risk policies and any Board escalation protocols.

The Risk Management Function:

- Assists the Board, and its Risk Committee, in the effective operation of the company's risk management system.
- Facilitates, and provides inputs into, the process of setting the risk strategy and appetite of the company.
- Facilitates the process by which the business identifies and assesses the risks it faces (including emerging risks) and maintains a central repository of all risks facing the business along with the corresponding controls and mitigation measures in place.
- Supports the business in developing and implementing risk policies, risk identification, monitoring and reporting.
- Ensures that risk policies and procedures are communicated throughout the business in order to foster the risk culture set out by the Board.

B.4 Internal Control System

B.4.1 Internal Control Framework

SSRdac's internal control framework consists of a combination of elements as described below.

B.4.1.1 Governance and Internal Control structures

i. The Board of SSRdac is ultimately responsible for setting and overseeing the Internal Control Framework
ii. The Board has delegated the responsibility for the establishment, review and maintenance of the system of internal control to its Risk and Audit Committees
iii. A number of key control functions within SSRdac (Risk, Compliance and Internal Audit), provide guidance, set relevant policies and provide assurance on the internal control environment.

B.4.1.2 Three Lines of defence

SSRdac has adopted the 3 lines of defence approach to internal control as follows:

1. The first line of defence encompasses the business functions which carry out the day-to-day operations of the organisation.
2. The second line of defence sets control policies and undertakes monitoring and surveillance of business operations.
3. The third line of defence undertakes independent monitoring and assurance activities. Internal Audit provides independent assurance in relation to the various frameworks and controls in the1st and 2nd lines of defence.

B.4.1.3 Policies

A suite of supporting policies is in place, approved by the Board, implemented and maintained by the business functions. The policies set out the minimum standards with which SSRdac must comply. The policies are implemented throughout the company via processes, procedures and controls. Policies are reviewed continuously by the Board.

B.4.1.4 Training

SSRdac provides relevant internal control training, as appropriate, to staff, the content of this training will include but is not limited to:

- The importance of an adequate system of internal control for SSRdac
- The roles and responsibility toward internal control, tailored for the level of staff being trained
- Reporting lines for potential control deficiencies/failures.

B.4.1.5 General Accounting Controls

SSRdac developed and maintain an appropriate internal accounting control system including internal controls at different levels and operational structures, for different time periods and with different levels of detail, as needed. SSRdac also make use of appropriate manual and IT controls.

General Accounting Control activities include but are not limited to:

- Approvals, authorisations, verifications, reconciliations, management reviews, and other appropriate measures;
- Development of accounting policies and procedures to ensure accounting records provide a true and accurate view of the financial position (this is reviewed by external audit on an annual basis and by internal audit as and when required) of SSRdac;
- Physical controls to the premises and assets;
- Access control to key financial data;
- Checks on agreed exposure limits (e.g. deposit limits) and operating principles;
- Where achievable, appropriate segregation of duties.

B.4.1.6 Communication

A formal line of communication has been developed to ensure all staff can report on:

- Control breaches
- Control deficiencies
- Fraudulent activities

SSRdac ensure quality, timely, accurate and complete reporting and will encourage suggestions for improvements.

SSRdac reporting lines are designed to enable functional managers to inform the risk management function, internal audit, compliance and actuarial functions of facts relevant to the performance of their duties.

B.4.1.7 Monitoring and Reporting

Monitoring and reporting mechanisms are implemented and take place on an on-going basis in order to:

- Provide timely and relevant information relating to the internal control framework to assist management in decision-making processes, this includes financial and non-financial data
- Report annually on the overall state on SSRdac internal control (Risk Management Committee);
- Identify deficiencies in the system of internal control and to rectify them in a timely manner.
- Regular internal audits are conducted over the process of internal control by the Internal Audit department. In addition to the internal audits, reviews will be performed by the Compliance Function to ensure compliance with all relevant codes, policies and regulatory requirements.

In addition to the above, SSRdac shall ensure that the mechanisms within internal control provide information for decision making processes in a timely manner for reporting to the Board.

B.4.1.8 Compliance Function:

The Compliance Function of SSRdac undertakes the following key roles and responsibilities:

- Ensures compliance with all relevant legislation
- Establishes a Compliance Plan – a Compliance Plan will be approved by Senior Management, Risk Committee and the Board of Directors
- Promotes a Culture of Compliance
- Identifies External Requirements and Trends
- Advises the Board and management of new and upcoming regulations and assists in making submissions on behalf of SSRdac to both the CBI and industry bodies
- Issues Policies and provides Guidance
- Acts as a business partner by providing strategic, transactional and day to day compliance advice and direction. This includes providing interpretation and judgement in respect of business practices and applicable rules
- Establishes a compliance universe of applicable legislation, regulation, codes and guidance and identifies areas within the business responsible for the operation of compliant processes and controls relevant to each requirement
- Maintains a log of breaches and errors and will identify compliance risks and issues ongoing remediation recommendations to the respective departments and management
- Ensures that all directors, staff are trained on their obligations under relevant codes and regulations and ensures AML monitoring is reported to the Board.

This is a non-exhaustive list of items that are conducted by the Compliance Function. From time to time the Compliance Function may also be involved in certain first line of defence projects. During the tenure of these projects, the Compliance Function will always ensure that its independence will never be undermined. Furthermore, the Compliance Function will not be involved in any activities where the performance of tasks gives rise to potential conflicts of interest.

B.5 Internal Audit

SSRdac's third line of defence against risk is comprised of the Internal Audit Function and the Audit Committee.

The role of Head of Internal Audit is outsourced to Group, thus ensuring the role is independent from other operational functions within the company. The outsourcing allows SSRdac to have access to areas of technical expertise in Finance, Actuarial, Systems, Compliance and Risk which given the size of the organisation would otherwise prove very difficult to afford.

The responsibilities of Internal Audit are defined by the Board in its term of reference which are approved by the Board. Internal Audit examines and evaluates the functioning of the company's internal controls and other elements of the company's system of governance, as well as the adequacy of and compliance with regulatory obligations, internal strategies, policies, processes and reporting procedures. Internal Audit exists to provide SSRdac with independent assessments of the quality of internal controls and administrative process and provide recommendations and suggestions for continuous improvement.

The Internal Audit Function reports on the relevant audit items to the Audit Committee, including audit findings from completed reviews, audits in progress and any notable issues including overdue actions.

A standing item on Board meetings in SSRdac is an update from the Chairman of the Audit Committee of issues raised at Audit Committee and recommendations arising from the Audit Committee.

SSRdac may require Internal Audit to carry specific audits if and when deemed necessary. These reports are reported directly to the board of the company

B.6 Actuarial Function

SSRdac has an Actuarial Function headed by the Head of Actuarial Function (HoAF). A brief summary of responsibilities of the Actuarial Function are:

- Coordinating the calculation of Technical Provisions, Reinsurance Recoverables (if any) and Solvency Capital Requirement, at least, on a quarterly basis
- Reporting to the Board and the CBI in line with requirements under both Solvency II and the CBI's "Domestic Actuarial Regime and Related Governance Requirements" (e.g. the Actuarial Function Report, Actuarial Opinion on Technical Provisions (AOTPs), Actuarial Report on Technical Provisions (ARTPs)
- Ensuring that the calculation of Technical Provisions is appropriately controlled and reporting any deficiencies in the control environment to the Board
- Providing an annual opinion on the ORSA, Underwriting and Reinsurance arrangements of the organisation
- Completing cash-flow and capital modelling, stress and scenario modelling for input to the ORSA process.
- Assisting with production of SFCR and RSR reports annually

In addition, where requested:

- Embedded value calculations
- Experience analyses
- Pricing

B.7 Outsourcing

SSRdac has a Board approved outsourcing policy which documents the requirements for the management of outsourcing contracts and service providers. It sets out requirements to identify and justify outsourcing risks and costs, and to implement outsourcing arrangements for the company. Outsourcing involves transferring responsibility for carrying out an activity to an outsourcing provider for an agreed charge. The outsourcer provides services to SSRdac based on an agreed contract.

The policy specifies the contractual controls SSRdac is to have in place with the outsourcing providers to address day to day operations and potential risks involved.

The benefits of outsourcing must be balanced against the risks. This policy assists in choosing the right outsourcing provider ensuring that the Solvency II requirements on outsourcing are complied with, including prior notification to the CBI (where applicable), assessing the risks and ensuring risk appetite alignment, identifying the benefits, carrying out appropriate due diligence, setting service level agreements and forming a contract so that a successful partnership will prevail.

C. RISK PROFILE

The company is exposed to risks from several areas. This section summarises these risks and the way the company manages them.

The Board gives high priority to risk management and risk control. Procedures are in place within the company to ensure that risks are being measured, monitored and reported adequately and effectively.

The company monitors the risks to which the business is exposed and identifies its impact on capital.

The company is regulated by the Central Bank of Ireland under Irish Insurance Legislation. Appropriate personnel have been appointed to ensure compliance with the relevant requirements.

The most important risk exposures for the company are: Underwriting Risk, Credit Risk, Market Risk and Liquidity Risk.

C.1 Underwriting risk

The company underwrites contracts that transfer reinsurance risk. The risk under any reinsurance contract is the possibility that an insured event occurs and the uncertainty that the company will have sufficient assets to satisfy any amounts payable under the contract. This risk is mitigated by collecting a premium sufficient to meet estimated losses and expenses.

C.1.1 Concentration of reinsurance risk - Claims Reserve (including IBNR)

The table below sets out the concentration of reinsurance risk by major Business line. All of the business is currently held 100% for own account.

ZAR '000	Statutory		Solvency II	
	December 2017	June 2017	**December 2017**	June 2017
Property	**9,718**	8,938	**7,100**	3,850
MAT	**5,013**	4,382	**3,062**	3,237
Motor Vehicle	**2,003**	2,797	**890**	1,540
Liability, Credit & Suretyship	**12,555**	21,796	**11,239**	19,897
	29,506	37,913	**22,291**	28,544

Due to uncertainty factors, the company holds a reserve margin in excess of Solvency II best estimate requirements.

C.1.2 Risk management objectives and policies

The principal assumptions underlying the company's estimation of liabilities is that the company's future claims development will follow a similar pattern to past claims development experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated large claim occurrences and events, economic conditions, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The claims reserves are as notified by our cedents and the IBNR reserves have been calculated by the Group's actuarial team.

The sensitivity analysis below shows the impact on Gross (and Net) loss reserves of a conservative movement in ULR for the Engineering, Surety and Other lines of business. Development is only expected on these lines of business with material exposures. Reserves are currently estimated using a 75th percentile plus a margin. The impact of using differing percentiles, while the margin is held constant, is as follows:

ZAR	December 2017	June 2017
20th Percentile	2,458	4,613
80th Percentile	(2,819)	(3,950)

C.2 Credit Risk

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

The company assets exposed to credit risk are:

- Cash in hand and at bank
- Deposits with credit institutions
- Reinsurance deposits with ceding undertakings
- Reinsurance debtors with ceding undertakings

The company utilises banks deemed to be of high credit quality (within the underlying currencies country of issue) to hold its deposits and cash, and additionally the Board makes decisions on limits in place in relation to the maximum amount of cash which can be held by any one financial institution.

The credit quality of the company's investments, based on Moody's rating, is broken down as follows:

ZAR '000	**P-1**	**P-2**	**P-3**	**Total**
Dec 2017				
Cash in hand and at bank				
AIB	**-**	**3,077**	**-**	**3,077**
Bank of Ireland	**-**	**1**	**-**	**1**
	-	**3,078**	**-**	**3,078**
Deposits with credit institutions				
AIB	**-**	**53,750**	**-**	**53,750**
Bank of Ireland	**-**	**56,270**	**-**	**56,270**
	-	**110,020**	**-**	**110,020**
Total Investments	**-**	**113,098**	**-**	**113,098**

ZAR '000	**P-1**	**P-2**	**P-3**	**Total**
Jun 2017				
Cash in hand and at bank				
AIB	-	4,014	-	4,014
Deposits with credit institutions				
AIB	-	56,292	-	56,292
FirstRand Bank	-	-	52,889	52,889
	-	56,292	52,889	109,181
Total Investments	-	60,306	52,889	113,195

Given the off-set rights of reinsurance assets against reinsurance liabilities the maximum exposure to credit risk at the end of the reporting is equal to the value of the financial assets, ZAR 113.1m (June 2017 ZAR 113.2m).

C.3 Market Risk

Market Risk in SSRdac can arise from the level or 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, immovable property prices and exchange rates.

The company holds its investments in cash and very short term fixed deposits. However, the standard formula appears to require that short term fixed deposits be included in the Market Risk module which produces a capital requirement that, in the company's opinion, significantly exceeds the economic exposure attaching to these short term fixed deposits.

The overall Market Risk SCR at 31 December 2017, made up of Spread, Currency, and Concentration Risk elements and after applicable diversification credits, was ZAR 18.2 m.

During the period the company diversified away a large element of its Market Risk by moving funds held by a South African banking group, whose rating was impeded by the South African sovereign rating cap, to a much higher rated Irish banking entity.

Interest rate risk exposure is not material for SSRdac.

The company's principal transactions are carried out in South African Rand (ZAR) and it has minimal financial foreign exchange exposure. Due to the limited financial exposure to currency risk, management considers that it is unnecessary to attempt to mitigate foreign exchange fluctuations. In general, other than due to the requirements of the Standard Formula, market risk is not economically material for the company.

C.4 Liquidity Risk

The company is exposed, if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts. The company can be exposed to daily calls on its available investment assets, principally from insurance claims. Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost.

Liquidity risk is managed by investing primarily in highly rated cash and short-term deposits which the company deems to be extremely liquid.

Investment Assets: ZAR '000	**December 2017**	**June 2017**
Maturity Dates		
Less than three months	110,020	109,181
Between three months and one year	-	-
Between one and five years	-	-
Over five years	-	-
Total	110,020	109,181

Given the short-term nature of the investment assets the impact of liquidity rate risk is limited, but the exposure is kept under review.

The company may also be exposed to disparities between investment maturities and claims payment patterns and the company's requirement to hold sufficient liquid funds to cover claims if and when they become payable. However, given the short-term nature of the investment assets held there is no material exposure to investment maturities and the company's ability to fund claims payments as and when they occur. This exposure is also kept under review.

Expected maturities of reinsurance liabilities analysed by duration is shown below:

Technical Liabilities: ZAR '000	**December 2017**	**June 2017**
Within 1 year	11,344	20,429
Within 2-5 years	17,613	17,731
After 5 years	896	385
Total	38,545	45,495

The above technical liabilities reflect all booked reserves and not just Solvency II best estimate reserves.

C.5 Operational Risk

Operational risk is the risk associated with a loss resulting from failed internal processes, human and system errors, fraud or from external events as well as through the direct and indirect consequences of natural or man-made disasters such as terrorist attacks, fire, flood, earthquake and pandemics. Operational risk includes legal risk but excludes strategic and reputational risk.

Security Risk, Outsourcing Risk and Business Continuity Risk can be other key operational risks.

The overall Operational Risk SCR calculated at 31 December 2017 was ZAR 0.7 m.

Operational risks are mitigated to a large extent via the use of internal controls and detailed processes and procedures. SSRdac considers additional risks in its analysis that it feels are necessary for the nature of its business. SSRdac does not hold additional own solvency above that calculated in the SCR for Operational Risks.

C.6 Other material risks

Upstream Regulatory Change

Over the coming business planning horizon there are also various other keys areas on which management will focus in the coming years:

- Financial Reporting: A revised international financial reporting standard (IFRS) for insurance contracts was issued in May 2017. The changes involved are broad and complex and will include changes to the way insurance liabilities are measured. The date by which it will become effective is likely to be 1st January 2020, and while the company currently produces its financial statements under Irish GAAP, the change on ownership might require the company to change to IFRS at some stage in the near future.
- Data Protection: The General Data Protection Regulation will come into effect in 2018 and which may impact the company.
- 4th EU AML Directive.

Regulatory change is constant and SSRdac monitors upstream regulatory developments through its risk management framework and Compliance Function to ensure that it is prepared for all legislative developments to be assessed and implemented as required within its business.

C.7 Any Other Disclosure

The company does not believe that there is any other information that needs to be disclosed.

D. VALUATION FOR SOLVENCY PURPOSES

The Solvency II Balance for Assets/Liabilities is as follows:

	Solvency II value
Assets	C0010
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	1
Investments (other than assets held for index-linked and unit-linked contracts)	110,948
Deposits other than cash equivalents	110,948
Other investments	0
Deposits to cedants	3,675
Insurance and intermediaries receivables	703
Cash and cash equivalents	3,135
Any other assets, not elsewhere shown	272
Total assets	118,734

	Solvency II value
Liabilities	C0010
Technical provisions – non-life	25,136
Technical provisions – non-life (excluding health)	25,136
TP calculated as a whole	0
Best Estimate	22,291
Risk margin	2,845
Insurance & intermediaries payables	2,130
Reinsurance payables	0
Payables (trade, not insurance)	4,267
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	0
Total liabilities	31,533
Excess of assets over liabilities	87,201

D.1 Assets

The company recognised and valued its assets for solvency purposes based on the valuation methods it used to prepare its Financial Statements, as provided for by Article 9 of Delegated Regulation (EU) 2015/35. Those methods are consistent with the Solvency II valuation rules which require that assets are valued at the amount for which they could be exchanged between knowledgeable and willing parties at an arm's length transaction.

The differences in valuation between GAAP accounting and Solvency II accounting primarily relate to the holding of Technical Provisions in excess of the Solvency II calculated Best Estimate of the Liabilities ("BEL") technical provision amounts.

D.2 Technical Provisions

The technical provisions comprise the BEL, the Risk Margin and other technical provisions relating to assumed reinsurance policies. Technical Provisions are valued for solvency purposes in accordance with the Solvency II valuation rules which require liabilities to be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

Solvency II rules regarding contract boundaries. Future claims, investment growth, expenses and lapses are projected consistently with contract boundaries. Negative reserves are permitted.

The BEL is calculated gross (as we have not outward reinsurance). The BEL calculation allows for future management actions as approved by the Board of SSRdac.

D.2.1 Main assumptions

- The estimate of net written premium over the next 12 months and 12 months thereafter were assumed to be the same as over the 12 months preceding the calculation. All business on the license is in run off and it is therefore deemed prudent to make this assumption.
- All premium and reserve inputs have been tied to the accounts as at the calculation date.
- Given that the book was acquired in run-off, we do not have information on exposures underlying RI policies that may still be live. In light of this the following assumptions were made:
- The largest sum insured on policies transferred is ZAR 7.5m for aviation. It was assumed that this exposure is still live and may therefore drive an aviation catastrophe event
- The largest sum insured on policies transferred is ZAR 6.5m for surety. It was assumed that the two largest exposures are ZAR 6.5m in calculation of the surety catastrophe event
- For the counterparty credit risk, it was assumed that all reinsurance deposits held by insureds were with one counterparty rated 'Solvency less than 95%'
- For operational risk, the premium inputs are deemed irrelevant as the reserves operational risk requirement holds.

D.2.2 Risk Margin

The Risk Margin is an addition to the Best Estimate Liabilities to ensure that the technical provisions as a whole are equivalent to the amount that the company would be expected to require in order to take over and meet the reinsurance obligations. The risk margin is calculated as the amount of capital needed to support the Solvency Capital Requirement over the lifetime of the business.

D.3 Other liabilities

The methods used to recognise and value the company's other liabilities are consistent with the Solvency II valuation rules.

The company does not carry Deferred Tax liabilities and there is no impairment in the amounts of other liabilities.

D.4 Alternative methods for valuation

SSRdac does not use any alternative valuation methods.

D.5 Any other information

The company does not believe that there is any other information that needs to be disclosed.

E. CAPITAL MANAGEMENT

E.1 Own funds

SSRdac fulfils the minimum and solvency capital requirements stipulated by Solvency II as at the reporting date 31 December 2017 and in the financial period then ended.

The objective of own funds management is to maintain sufficient own funds to cover the MCR, SCR and Own Solvency Needs requirement at all times. The own funds are required to be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. Responsibility for own funds management ultimately rests with SSRdac's Board. As part of own funds management, SSRdac prepares ongoing solvency projections and reviews the structure of own funds and future requirements. The annual ORSA will contain a multi-year projections of funding requirements for the company under a range of scenarios.

An analysis of own funds is:

	ZAR '000	
	December 2017	June 2017
Ordinary Share Capital	15,038	15,038
Reconciliation Reserve (Retained Earnings)	72,162	65,911
	87,200	80,949

The ordinary share capital and reconciliation reserve are all available as unrestricted Tier 1 items. The ordinary share capital is immediately available to absorb losses and are fully subordinated to all other claims in the event of winding-up.

The company did not declare nor pay a dividend during the period.

All of the company's own funds are Tier 1 unrestricted and available to cover the SCR and MCR.

As previously set-out the difference between equity as shown in the Financial Statements and the Solvency II excess of assets over liabilities comprises differences in the valuation of assets and liabilities.

In particular, the Solvency II technical provisions are much lower than in the Financial Statements due to the use of best estimate rather than prudent assumptions.

The company does not make use of ancillary own funds or transitional arrangements.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

	ZAR '000	
	December 2017	June 2017
SCR	25,606	46,998
MCR	53,299	53,454

The main driver for the reduction in the SCR was from Spread Risk mitigation benefits derived from the transfer of Fixed Deposits from a low rated South African bank to much higher rated Irish Bank.

The SCR broken down by component can be seen from the following:

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
Market risk	18,416		
Counterparty default risk	826		
Life underwriting risk	0		
Health underwriting risk	0		
Non-life underwriting risk	12,539		
Diversification	-6,672		
Intangible asset risk	0		
Basic Solvency Capital Requirement	25,109		

Calculation of Solvency Capital Requirement	C0100
Operational risk	669
Loss-absorbing capacity of technical provisions	-172
Loss-absorbing capacity of deferred taxes	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	25,606
Capital add-on already set	0
Solvency capital requirement	25,606
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirement for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

E.3 Use of the duration-based equity risk submodule in the calculation of the SCR

The company does not use the duration-based equity risk submodule in the calculation of the SCR so this section is not relevant.

The required capital has been calculated based on the standard formula for Solvency II. The model is subject to close internal quality control and extensive validation. Both solvency and minimum capital requirements were complied with at all times during the reporting under consideration.

The table below describes SSRdac's Minimum Capital Requirement (MCR):

	ZAR '000	
	December 2017	June 2017
Linear MCR	3,483	4,904
SCR	25,606	46,998
MCR cap	11,523	21,149
MCR floor	6,402	11,750
Combined MCR	6,402	11,750
MCR	53,299	53,454

The company did not use approximations in any of the above calculations.

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

The company does not use an internal model, partial internal model or undertaking specific parameters so this section is not relevant.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The company was compliant with the MCR and SCR requirements at all times over financial period under review.

E.6 Any other information

The company does not believe that there is any other information that needs to be disclosed.

Appendix A: Public QRT's

Applicable Public QRT's can be found below as follows:

All figures in the appended QRT's are denominated in ZAR

1	**P.02.01.02:**	**Balance Sheet**	**(Audited)**
2	**P.05.01.02.01:**	**Premiums, claims and expenses by line of business**	**(Unaudited)**
3	**P. 05.02.01:**	**Premiums, claims and expenses by country**	**(Unaudited)**
4	**P.17.01.02:**	**Non-Life Technical Provisions**	**(Audited)**
5	**P19.01.21.UY:**	**Non-life Insurance Claims Information**	**(Audited)**
6	**P.23.01.01:**	**Own Funds**	**(Audited)**
7	**P.25.01.21:**	**Solvency Capital Requirement - for undertakings on Standard Formula**	**(Audited)**
8	**P.28.01.01:**	**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**	**(Audited)**

P.02.01.02 - Balance sheet

Contents

Tabular
Microsoft Excel -based
Solvency II reporting solution

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	1
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	110,948
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0200	Deposits other than cash equivalents	110,948
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	0
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	0
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	3,675
R0360	Insurance and intermediaries receivables	703
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	3,135
R0420	Any other assets, not elsewhere shown	272
R0500	**Total assets**	118,734

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	25,136
R0520	Technical provisions – non-life (excluding health)	25,136
R0530	TP calculated as a whole	0
R0540	Best Estimate	22,291
R0550	Risk margin	2,845
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	2,130
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	4,267
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	31,533
R1000	**Excess of assets over liabilities**	87,201

For visual presentation and where felt appropriate
some ZERO value Asset and Liability categories has been excluded from this schedule
i.e. the company does not hold equities or bonds and therefore these asset categories have been excluded

P.05.01.02.01 - Premiums, claims and expenses by line of business - Table 1

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		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
		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	Health	Casualty	Marine, aviation, transport	Property	
		C0040	C0050	C0060	C0070	C0080	C0090	C0130	C0140	C0150	C0160	C0200
	Premiums written											
R0110	Gross - Direct Business	0	0	0	0	0	0					0
R0120	Gross - Proportional reinsurance accepted	-1	288	-32	150	-100	59					364
R0130	Gross - Non-proportional reinsurance accepted							0	138	0	55	193
R0140	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0
R0200	Net	-1	288	-32	150	-100	59	0	138	0	55	557
	Premiums earned											
R0210	Gross - Direct Business	0	0	0	0	0	0					0
R0220	Gross - Proportional reinsurance accepted	0	142	-32	4	353	183					651
R0230	Gross - Non-proportional reinsurance accepted							0	-116	-1	-78	-195
R0240	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0
R0300	Net	0	142	-32	4	353	183	0	-116	-1	-78	455
	Claims incurred											
R0310	Gross - Direct Business	0	0	0	0	0	0					0
R0320	Gross - Proportional reinsurance accepted	-344	239	636	-1,891	-2,156	-7,115					-10,630
R0330	Gross - Non-proportional reinsurance accepted							0	-900	9	4,592	3,702
R0340	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0
R0400	Net	-344	239	636	-1,891	-2,156	-7,115	0	-900	9	4,592	-6,928
	Changes in other technical provisions											
R0410	Gross - Direct Business	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted							0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	42	102	108	-29	99	0	0	0	0	323
R1200	**Other expenses**											3,386
R1300	**Total expenses**											3,709

P.05.02.01 - Premiums, claims and expenses by country

Contents

Tabular
Microsoft Excel -based
Solvency II reporting solution

		Home	Top 5 countries (by amount of gross premiums					Total Top
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			ZA	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	0	0	0	0	0	0
R0120	Gross - Proportional reinsurance accepted	0	364	0	0	0	0	364
R0130	Gross - Non-proportional reinsurance accepted	0	193	0	0	0	0	193
R0140	Reinsurers' share	0	0	0	0	0	0	0
R0200	Net	0	557	0	0	0	0	557
	Premiums earned							
R0210	Gross - Direct Business	0	0	0	0	0	0	0
R0220	Gross - Proportional reinsurance accepted	0	651	0	0	0	0	651
R0230	Gross - Non-proportional reinsurance accepted	0	-195	0	0	0	0	-195
R0240	Reinsurers' share	0	0	0	0	0	0	0
R0300	Net	0	455	0	0	0	0	455
	Claims incurred							
R0310	Gross - Direct Business	0	0	0	0	0	0	0
R0320	Gross - Proportional reinsurance accepted	0	-10,630	0	0	0	0	-10,630
R0330	Gross - Non-proportional reinsurance accepted	0	3,702	0	0	0	0	3,702
R0340	Reinsurers' share	0	0	0	0	0	0	0
R0400	Net	0	-6,928	0	0	0	0	-6,928
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	323	0	0	0	0	323
R1200	**Other expenses**							3,386
R1300	**Total expenses**							3,709

		Home	Top 5 countries (by amount of gross premiums					Total Top
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			0	0	0	0	0	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0

	Premiums earned							
R1510	Gross	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0
	Claims incurred							
R1610	Gross	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0
R2500	**Other expenses**							0
R2600	**Total expenses**							0

P.17.01.02 - Non-Life Technical Provisions

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance			
		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	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM										
	Best estimate										
	Premium provisions										
R0060	Gross	0	146	0	199	0	0	0	0	0	346
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	0	0	0	0
R0150	Net Best Estimate of Premium Provisions	0	146	0	199	0	0	0	0	0	346
	Claims provisions										
R0160	Gross	875	20	3,025	1,165	2,152	7,640	1,309	34	5,725	21,945
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	0	0	0	0
R0250	Net Best Estimate of Claims Provisions	875	20	3,025	1,165	2,152	7,640	1,309	34	5,725	21,945
R0260	**Total Best estimate - gross**	875	166	3,025	1,365	2,152	7,640	1,309	34	5,725	22,291
R0270	**Total Best estimate - net**	875	166	3,025	1,365	2,152	7,640	1,309	34	5,725	22,291
R0280	**Risk margin**	112	21	386	174	275	975	167	4	731	2,845
	Amount of the transitional on Technical Provisions										
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total										
R0320	Technical provisions - total	986	188	3,411	1,539	2,427	8,615	1,477	38	6,455	25,136
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	0	0	0	0	0	0	0
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	986	188	3,411	1,539	2,427	8,615	1,477	38	6,455	25,136

P.19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure)

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

Total Non-Life Business

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

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

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**											16	16	16
R0160	**N-9**						7,611	817	879	45	409		409	9,761
R0170	**N-8**					2,519	3,452	695	955	-1,149			-1,149	6,472
R0180	**N-7**				27,430	8,794	6,100	315	2,202				2,202	44,841
R0190	**N-6**							0					0	0
R0200	**N-5**						0						0	0
R0210	**N-4**	5,384				0							0	5,384
R0220	**N-3**	2,690			0								0	2,690
R0230	**N-2**	2,586		0									0	2,586
R0240	**N-1**	0	0										0	0
R0250	**N**	0											0	0
R0260												**Total**	1,478	71,750

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	**Prior**											922	922
R0160	**N-9**								4,444	4,228	900		900
R0170	**N-8**							10,526	4,445	5,859			5,859
R0180	**N-7**						18,638	18,329	14,264				14,264
R0190	**N-6**							0					0
R0200	**N-5**						0						0
R0210	**N-4**					0							0
R0220	**N-3**				0								0
R0230	**N-2**			0									0
R0240	**N-1**		0										0
R0250	**N**	0											0
R0260												**Total**	21,945

P.23.01.01 - Own funds

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	15,038	15,038		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	72,162	72,162			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	**Total basic own funds after deductions**	87,201	87,201	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	87,201	87,201	0	0	0
R0510	Total available own funds to meet the MCR	87,201	87,201	0	0	
R0540	Total eligible own funds to meet the SCR	87,201	87,201	0	0	0
R0550	Total eligible own funds to meet the MCR	87,201	87,201	0	0	
R0580	**SCR**	25,606				
R0600	**MCR**	53,299				
R0620	**Ratio of Eligible own funds to SCR**	3.4055				
R0640	**Ratio of Eligible own funds to MCR**	1.6361				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	87,201
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	15,038
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	72,162
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

P.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

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Tabular
Microsoft Excel -based
Solvency II reporting solution

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	18,416		
R0020	Counterparty default risk	826		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	12,539		
R0060	Diversification	-6,672		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	25,109		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	669
R0140	Loss-absorbing capacity of technical provisions	-172
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	25,606
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	25,606
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

P.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

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Tabular
Microsoft Excel -based Solvency II reporting solution

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	3,483

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	875	0
R0060	Other motor insurance and proportional reinsurance	166	267
R0070	Marine, aviation and transport insurance and proportional reinsurance	3,025	0
R0080	Fire and other damage to property insurance and proportional reinsurance	1,365	399
R0090	General liability insurance and proportional reinsurance	2,152	0
R0100	Credit and suretyship insurance and proportional reinsurance	7,640	158
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	1,309	0
R0160	Non-proportional marine, aviation and transport reinsurance	34	0
R0170	Non-proportional property reinsurance	5,725	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

Overall MCR calculation

		C0070
R0300	Linear MCR	3,483
R0310	SCR	25,606
R0320	MCR cap	11,523
R0330	MCR floor	6,402
R0340	Combined MCR	6,402
R0350	Absolute floor of the MCR	53,299

		C0070
R0400	**Minimum Capital Requirement**	53,299