

Becare DAC

**Solvency and Financial Condition Report (“SFCR”) for the financial
year ended 31 December 2018**

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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 third version of the Solvency and Financial Condition Report ("SFCR") that is required to be prepared by Becare 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

Becare DAC is a company incorporated in Ireland and authorised by the Central Bank of Ireland to carry out non-life reinsurance business, historically accepting the following lines of business:

- General Liability;
- Credit.
- Workers Compensation

The Company's principal activity as a non-life reinsurance captive is the transaction of reinsurance business assumed from insurance business written for the NV Bekaert Group.

Business and Performance

The Company's performance is primarily driven by its Underwriting performance.

Following a strategic decision taken during 2017 the company did not accept any new business during 2018. As a result the premium levels for 2018 are significantly lower than prior years with premiums earned consisting only of the remaining earned part of the General Liability policy running April 2017 to March 2018 and some premium adjustments for the credit policy.

Claims incurred for 2018 were however significantly favourable in comparison with the most recent years, driven primarily by the release of IBNR on the Credit programme as provisions held in line with historical claims experience have not materialised and are lower than previously estimated.

It should also be noted that the final agreements to settle the outstanding liabilities in respect of the Pollution (General Liability) programme and Workers Compensation programmes were reached and settled during the year by way of portfolio transfer leading to the settlement of all outstanding liabilities in that respect. The settlement of the Workers Compensation programmes has been anticipated in the prior year reporting but final settlement was also favourable to the Company in respect the cost.

The remaining insurance liabilities of the Company consist of outstanding liabilities for Credit programme. At the time of approving this report in April 2019 there is an agreement with Euler Hermes, the fronting company for this programme, to fully commute all outstanding risks and release the Company. This will lead to a full release of all outstanding liabilities with no additional cost to the Company.

System of Governance

The Company is subject to the the Central Bank of Ireland's Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015. The corporate governance principles of the Company are implemented via the following Corporate Governance Framework:

- Board of Directors
- Outsourced Service Providers
- Internal Control Framework
- Risk Management Framework
- Compliance Function
- Internal Audit Function

Outsourced Activities

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Manager
Marsh Management Services (Dublin) Limited	Captive Administrator	External	European Union	Chairman (PCF-3)
	Compliance Function			
	Internal Audit (Coordinator)			
Oliver Wyman	Head of Actuarial Function	External	U.S.	

Risk Profile

The Company uses the Standard Formula to assess its solvency and capital requirements. The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with the risks.

	2018 €	2017 €
Market risk	2,019,401	1,989,461
Counterparty default risk	248,252	382,283
Life underwriting risk	0	0
Health underwriting risk	0	0
Non-life underwriting risk	502,937	2,906,381
Diversification	-473,661	-1,163,087
Basic Solvency Capital Requirement	2,296,929	4,115,038
Operational risk	24,124	133,191
Solvency Capital Requirement	2,321,053	4,248,229

Valuation for Solvency Purposes

The valuation of assets and liabilities for Solvency II purposes is the same as Irish GAAP except for:

- The Solvency II Technical provisions are calculated using the best estimate figures with adjustments made for and the inclusion of the risk margin and the impact of discounting.
- A differed tax liability in respect of the above mentioned adjustment is considered under Solvency II.

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.

The Company also received a capital contribution of €2.5 million during 2016. 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. This capital contribution has been approved by the CBI as Tier 1 Own Funds as per the Solvency II Directive.

The company solvency position including the individual risks is as follows:

Solvency	Capital requirement	Eligible capital	Solvency ratio
SCR	2,321,053	7,414,010	319.4%
MCR	1,200,000	7,388,301	615.7%

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

Becare 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 Ireland LLP, Chartered Accountants and Statutory Audit Firm, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned by N.V. Bekaert S.A. a company incorporated in Belgium.

A.1.5 Legal Structure of the Group

N.V. Bekaert S.A. is also the ultimate parent company.

A.1.6 Material lines of business and geographical areas

The Company is a non-life reinsurance captive whose principal activity is the transaction of reinsurance business assumed from insurance business written for the NV Bekaert Group. The Company previously wrote the following lines of business: (Pollution, Credit and Workers' Compensation. All programmes have been or are in the process of being commutated to the respective fronting insurers since the end of 2017.

The material geographical areas in which the parent Company operates are Asia, North America and Central Europe. The reinsurance accepted business of the Company is accepted from fronting insurers located in Belgium.

A.1.7 Significant Business events during the reporting period

During the year the agreements for the final settlement and commutation of the Workers Compensation and General Liability (Pollution) liabilities were complete and in early 2019 an agreement was reached for the commutation and settlement of the Credit policies.

Following this the Company will have no remaining active insurance business

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life insurance risks of the NV Bekaert Group. The Company has previously written the following lines of business: (Pollution, Workers Compensation and Credit). The Workers' Compensation programme has been in run-off since 1 April 2015. The Credit and Pollution lines ceased writing following the end of the 2017 policies.

For the purposes of capital reporting these are categorised as:

Class of Business as per Irish GAAP	Solvency II Class of Business
Pollution	General Liability
Credit	Miscellaneous Financial Loss
Workers' Compensation	Health (Similar to Non-Life)

The Company has determined that the Euro ("€") is the functional currency.

The tables below show a summary of the technical (underwriting) account for the year ended 31 December 2018 by material Line of Business (based on Irish GAAP):

Underwriting performance for the main Solvency II Lines of Business.

General Liability	31/12/2018	31/12/2017
	€'000	€'000
Reinsurance Inwards Earned	56	229
Claims incurred	(94)	(185)
Investment Income	0	0
Underwriting and Admin expenses	(9)	(66)
Net underwriting income	(47)	(22)

Miscellaneous Financial Loss	31/12/2018	31/12/2017
	€'000	€'000
Reinsurance Inwards Earned	36	1,469
Claims incurred	1,718	(508)
Investment Income	5	13
Underwriting and Admin expenses	(186)	(351)
Net underwriting income	1,573	623

Health (Similar to Non-Life)	31/12/2018	31/12/2017
	€'000	€'000
Reinsurance Inwards Earned	-	-
Claims incurred	315	618
Investment Income	-	-
Underwriting and Admin expenses	-	-
Net underwriting income	315	618

The Company's performance is primarily driven by its Underwriting performance.

Following a strategic decision taken during 2017 the company did not accept any new business during 2018. As a result the premium levels for 2018 are significantly lower than prior years with premiums earned consisting only of the remaining earned part of the General Liability policy running April 2017 to March 2018 and some premium adjustments for the credit policy.

Claims incurred for 2018 were however significantly favourable in comparison with the most recent years, driven primarily by the release of IBNR on the Credit programme as provisions held in line with historical claims experience have not materialised and are lower than previously estimated.

It should also be noted that the final agreements to settle the outstanding liabilities in respect of the Pollution (General Liability) programme and Workers Compensation programmes were reached and settled during the year by way of portfolio transfer leading to the settlement of all outstanding liabilities in that respect. The settlement of the Workers Compensation programmes has been anticipated in the prior year reporting but final settlement has also been favourable to the Company in respect the cost in 2018.

The remaining insurance liabilities of the Company consist of outstanding liabilities for Credit programme. At the time of approving this report in April 2019 there is an agreement with Euler Hermes, the fronting company for this programme, to fully commute all outstanding risks and release the Company. This will lead to a full release of all outstanding liabilities with no additional cost to the Company.

As noted in Section A.1.6 above the reinsurance accepted business of the Company is accepted from fronting insurers located in Belgium. The material geographical areas in which the parent Company operates are Asia, North America and Central Europe.

The run off Workers Compensation programme was located in the United States.

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 2018 the Company's investment portfolio comprised the following material asset classes:

Asset Class	31/12/2018		31/12/2017	
	Amount €'000	% of portfolio	Amount €'000	% of portfolio
Cash at bank and in hand	2,952	26%	5,199	39%
Fixed Deposits	7,430	74%	8,232	61%
Total	10,022	100%	13,431	100%

The table below sets out the investment returns by asset class:

Asset Class	31/12/2018	31/12/2017
	Total €'000	Total €'000
Cash and fixed deposits	5	14
Total	5	7

There is no material variance in the investment income, the slight decrease in return is driven by an reduction in USD assets due to the settlement of the Workers Compensation liabilities.

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 Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015.

Board of Directors:

The Company's Board of Directors carries responsibility for the effective, prudent and ethical oversight of the business and set its 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:

G. De Saegher (Chairman)

D. Vergote

J. Magee

M. Kenny

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 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 RMF can be carried out by the Captive Manager, Marsh Management Services (Dublin) Limited ("the Manager") under the supervision of the Board.

The roles and responsibilities of the risk management function are set out within the 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 outsourced the compliance function to the Manager and an employee of the Manager has been appointed 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 a third party provider. The HoAF reports to the Board.

Internal Audit Function

The internal audit function is outsourced to the Manager. 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.1.2 Material changes in the system of governance that have taken place over the reporting period.

No material changes took place over the reporting period.

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

The Company does not have any employees. Day to day running of the Company is handled by the Manager under a third party administrative agreement.

Hence 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.

The Board of Directors of the Company includes Group Directors who are remunerated via their service agreements with Bekaert group companies.

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 is a non-life reinsurance captive whose principal activity has been the transaction of insurance business assumed from insurance business written for the NV Bekaert Group.

The Company did not enter into any transactions with key management personnel in the NV Bekaert Group during the year ended 31 December 2018.

Mr. J. Magee, a director of the Company, is also a director of the Captive Administration Manager, Marsh Management Services (Dublin) Limited.

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 its 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 NV Bekaert 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 third party provider via the terms of a written SLA.

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.

During the previous year (2016), the Company faced a Capital Shortage driven by the poor claims experience impacting the retained earnings and increasing the capital charge due to claims provision volatility. Following this Capital Shortage the Company undertook an adhoc ORSA analysis combined with the planned Annual process in order to set an action plan to rectify the Capital Shortage.

A Capital Contribution of €2.5m of unrestricted Tier 1 Capital was made in December 2016 bringing the SCR cover of the Company back in excess of its internal target.

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.

It should be noted that the Company has in effect decided to not renew its credit or pollution policies during 2018 and this has been included in the ORSA projections for the planning horizon.

The Company, following the capital contribution received in December 2016, 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:

First line of defence: “Day to day” operations and associated controls/

Second line of defence: oversight from Compliance, Risk Management functions

Third 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 at each board meeting 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 Manager. 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 the audit plan 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 the terms of a written SLA with the Manager.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, Oliver Wyman Actuarial Consulting, INC, 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.

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Manager
Marsh Management Services (Dublin) Limited	Captive Administrator	External	European Union	Chairman (PCF-3)
	Compliance Function			
	Internal Audit (Coordinator)			
Oliver Wyman	Head of Actuarial Function	External	U.S.	

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 risks

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 2018 comprises 18% 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 reinsurer, underwriting risk is the risk arising from non-life reinsurance 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.

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

The Board of Directors have approved a Loss Reserving and IBNR Policy that sets out the standards and requirements in relation to the establishment of technical provisions. The Company's has no appetite for the setting of technical provisions below the actuarial best estimate of technical provisions

Non-life catastrophe risk

The risk of a major natural or man-made catastrophe event occurring, while not listed in the Company's risk register, is considered as part of the overall underwriting strategy. Catastrophe risk is considered on the two lines of business which the Company currently underwrites on the basis of the Company's exposure going forward.

The Company does not currently have any Catastrophe risk as all risk periods have expired.

C.1.2 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting reinsurance of risks which are sourced across several countries worldwide and different 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;
- Diversifying reinsurance risk through ongoing review and management
- Assessing reinsurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk through retrocession with high credit quality entities;
- Monitoring changing environment and market conditions that effect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions and;
- 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 2018.

Market Risk sub-module	€'000
Concentration	1,976
Spread	186
Interest rate	33
FX	320

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

Concentration risk of €1.976m is the most significant market risk charge and arises from the one fixed deposit of €7.4m held with external credit institutions (A & BBB ratings).

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.

Interest and spread risk are not considered largely material given the nature and structure of the Company's investments. The Company has allocated an interest rate charge of €33k and a spread risk charge of €186k.

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 risk is not considered largely material given the nature and structure of the Company's investments. The Company has allocated an FX risk charge of €320k.

C.2.2 Material risk concentrations

Market concentration risk arises in respect of the Cash and Equivalent balance the Company holds with one financial institution, KBC (S&P rated BBB-). The relatively short term nature of these deposits mitigates the exposure to default.

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;
- Retaining risk within an approved risk appetite and solvency requirements;
- Monitoring changing environment and market conditions that affect risk;
- Hedging against its foreign exchange exposure;
- 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 2018 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 driven by cash at bank.

C.3.2 Material risk concentrations

There are no material credit risk concentrations.

C.3.2 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.3.3 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;
- Diversifying and limiting investment and reinsurance risk through ongoing review and management;
- 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.

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;
- 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, employment practices, system failures and disregard of company policies.

The Company has considered a number of operational risks arising out of its activities in its risk register. For example, the Company has considered the risk of fraud arising from the misappropriation of Company funds, the risk of being overly reliant on key personnel and the risk that there is an inadequate business plan in place.

For such non-quantifiable risks, the Company has set a strategic surplus (target) of 20% as a prudent buffer to the Standard Formula calculation.

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 2018 is USD24k.

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 20% 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;
- 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 was 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.

It was further considered whether ORSA should seek to model a failure of an outsourced provider. While 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)

There are no future or pipeline premiums in respect of the open policies as at 31st December 2018.

C.8 Stress and sensitivity tests

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

1. The KBC Bank credit rating is downgraded by one grade in 2019 and this is maintained through the projection period;
2. This scenario tested the assumption that the company was under reserved and thus the best estimate on the Credit business was increased by €1.5m in 2018.

The Board have considered additional scenarios in respect of poor Underwriting performance and note that due to the commutation of the other lines of business and the time passed since the open items on other UW years there remains limited exposures to additional claims. The Board agreed that Scenario 2 and Management Actions thereof provide an adequate profiling of all such claims or underwriting scenarios.

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

The results have highlighted the importance to the Company of retained earnings in terms of its ability to meet its SCR on an ongoing basis. A further year of poor loss results leading to a drop in retained earnings could significantly reduce the available capital of the Company were it to occur during the projection period. The Board have considered the level of available capital that is sufficient to support such losses and still meet the strategic target of 110% in its planning for future years.

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 VALUATION for SOLVENCY PURPOSES

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 2018:

	31/12/2018		31/12/2017	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	Total €'000	Total €'000	Total €'000	Total €'000
Cash at bank and in hand	2,592	2,592	5,199	5,199
Deposits other than cash equivalents and accrued interest	7,431	7,431	8,234	8,234
Reinsurance Receivables	-	-	1,497	1,497
Deposits to cedants	-	-	99	99
Deferred Acquisition Costs	-	-	9	-
Other Assets	33	33	-	-
Deferred Tax Assets	-	26		
Total assets	10,056	10,082	15,038	15,029

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

Cash at bank and in hand

Cash and cash equivalents are carried at market value per Solvency II principles, being the balance of cash on account at the valuation date inclusive of any accrued interest, i.e. "the dirty price".

Deposits other than cash equivalents

Short term deposits held with credit institutions with an original maturity date no later than 3 months. These investments are recorded at market value per Solvency II principles, again inclusive of any accrued interest. These deposits have been reclassified from Cash and Cash Equivalents as presented in the financial statements.

Reinsurance Receivables

Reinsurance Receivables in the prior year represent premium receivable on the 2017 Credit Programme Underwriting year. These receivables were not impaired as they are not over due at the balance sheet date and are valued in line with with Article 75 of Directive 2009/138/EC.

Deposits to Cedants

Deposits to cedants represent funds placed as collateral in respect of the fronted insurance arrangements for the Workers Compensation Programme in run off. The funds are split over the various fronting insurers to whom the Company has remaining liabilities in respect of the historical claims. They are valued at market value per Solvency II principles, again inclusive of any accrued interest. These deposits were to be settled in 2018 as a result of the settlement of Workers Compensation claims with one outstanding amount of €33k receivable under Other Assets.

Deferred acquisition costs

Commissions, which are related to the acquisition of new insurance contracts and the renewal of existing insurance contracts, are deferred in the balance sheet to the extent that they are attributable to premiums unearned at the balance sheet date.

Adjustment for solvency purposes relates to the removal these deferred acquisition costs as there is no concept of deferred acquisition costs in Solvency II; future acquisition cost cash flows are valued in Solvency II technical provisions.

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 75-86 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 2018:

Insurance Class	31/12/2018		31/12/2017	
	TPs per GAAP	TPs per Solvency II	TPs per GAAP	TPs per Solvency II
	€'000	€'000	€'000	€'000
Workers Compensation/Health (Similar to Non-Life)				
Best estimate of liabilities (BEL)	-	-	-	-
Risk margin	-	-	-	-
Pollution/General Liability				
Best estimate of liabilities (BEL)	-	-	435	484
Risk margin	-	-	-	13
Credit/Miscellaneous Financial Loss				
Best estimate of liabilities (BEL)	630	804	4,419	3,956
Risk margin	-	32	-	170
Total technical provisions	630	836	4,854	4,623

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 risk margin is then added.

A number of adjustments were made to the GAAP provisions in order to obtain the Solvency II technical provisions.

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 Irish GAAP	Solvency II Class of Business
Pollution	General Liability
Credit	Miscellaneous Financial Loss
Workers' Compensation	Health (Similar to Non-Life)

Cash-flows and discounting: Cash-flows have been discounted using the Euro risk free yield curve as at 31 December 2018 as published by the European Insurance and Occupational Pensions Authority ("EIOPA").

Expenses: No allowance has been made for claims handling expenses due to the activities of the Company being on a reinsurance assumed basis. An expense provision for future Administrative expenses has been included of €160,000.

An estimation of Events not in Data ("ENID's") has been included as 2% of reserved claims.

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. The risk margin has been calculated on the basis of a simplified approach, taking into account the nature, scale and complexity of the Company and its underlying risks.

The Company has used Method 2 from Guideline 61 of the Solvency II "Guidelines on the valuation of technical provisions" (EIOPA-BoS-14/166 EN). This involves approximating the whole Solvency Capital Requirement for each future year as referred in Article 58 (a) of Commission Delegated Regulation 2015/35, inter alia by using the ratio of the best estimate at that future year to the best estimate at the valuation date.

This method has been deemed appropriate based on the future cash flow pattern of the company and the stable nature of its risk profile.

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. The booked reserves are projections of the financial consequences of future contingent events and are subject to uncertainty. There may have been abnormal statistical fluctuations in the past, and there may be such fluctuations in the future. Due to the inherent uncertainties actual costs may vary significantly from our 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

Not applicable.

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

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

Other liabilities at 31 December 2018 were €1.9m (2017: €4.1m) and are composed of losses payable, corporation tax payable and accrued expenses.

There were no differences between the Local GAAP and Solvency II valuations.

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 received a capital contribution of €2.5 million during 2016. 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. The capital contribution has 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 110% 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 and fixed deposits agreement in line with the Board approved Investment and Asset Liability Policy.
- The Company continues to manage its capital with a view to settling outstanding claims and other liabilities in the short to medium term as it has ceased to write new business as and from 1st January 2018.

E.1.2 Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	Tier 1 €'000	Tier 3 €'000	Total €'000
1 January 2018	Opening balance comprising: Ordinary share capital Capital Contribution Reconciliation Reserve	2,655 2,500 966	0	2,655 2,500 966
	Movement in the Reconciliation reserve for the year ended 31 December 2018	1,267		1,267
	Deferred tax assets		26	26
31 December 2018	Closing balance	7,388	26	7,414
	Represented by:			
	Ordinary share capital	2,655		2,655
	Capital Contribution	2,500		2,500
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	2,233		2,233
	Deferred tax assets		26	26
	Total Basic own funds after deductions	7,388	26	7,414

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 other than a deferred tax asset €26k which is classified as Tier 3.

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 €7.414m. This is comprised of Tier 1 unrestricted Basic Own Funds of €7.388m and deferred tax asset €26k which is classified as Tier 3.

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 Solvency Capital Requirement is €7.388m. This is comprised of Tier 1 unrestricted Basic Own Funds of €7.388m.

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 2018	
	€'000
Solvency II - Basic Own Funds	7,414
Total Equity as per financial statements	7,594
Difference:	(180)
<u>Represented by:</u>	
Difference between Net Technical Provisions and BEL	174
Risk Margin - Non-Life	32
Deferred Tax Assets	(26)
Difference:	(180)

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 ancilliary 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 2018:

	2018	2017
	€'000	€'000
SCR	2,321	4,248
MCR	1,200	1,200

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 2018.

	2018	2017
	€'000	€'000
Market risk	2,019	1,989
Counterparty default risk	248	382
Life underwriting risk	0	0
Health underwriting risk	0	0
Non-life underwriting risk	503	2,906
Diversification	-473	-1,162
Basic Solvency Capital Requirement	2,297	4,115
Operational risk	24	133
Solvency Capital Requirement	2,321	4,248

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 2018:

Linear MCR	154
SCR	2,321
MCR cap	1,044
MCR floor	580
Combined MCR	580
Absolute floor of the MCR	1,200
Minimum Capital Requirement	1,200

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 management.

F Templates

The following QRTs are appended overleaf:

QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.17.01	Technical Provisions
S.19.01	Non-Life insurance claims
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

Annex I**S.02.01.02****Balance sheet**

	Solvency II value
	C0010
Assets	
Intangible assets	R0030
Deferred tax assets	R0040 26
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 7,431
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200 7,431
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
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 2,592
Any other assets, not elsewhere shown	R0420 33
Total assets	R0500 10,082

Annex I**S.02.01.02****Balance sheet****Liabilities**

Technical provisions – non-life

Technical provisions – non-life (excluding health)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

Technical provisions - health (similar to life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – life (excluding health and index-linked and unit-linked)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

TP calculated as a whole

Best Estimate

Risk margin

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in BOF

Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

Total liabilities**Excess of assets over liabilities**

	Solvency II value
	C0010
R0510	836
R0520	836
R0530	
R0540	804
R0550	32
R0560	-
R0570	
R0580	-
R0590	-
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	
R0790	
R0800	
R0810	
R0820	1,592
R0830	
R0840	189
R0850	
R0860	
R0870	
R0880	51
R0900	2,668
R1000	7,414

S.05.01.02

[illegible]

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written									
Gross - Direct Business	R0110								
Gross - Proportional reinsurance accepted	R0120			36					36
Gross - Non-proportional reinsurance accepted	R0130								-
Reinsurers' share	R0140								-
Net	R0200			36					36
Premiums earned									
Gross - Direct Business	R0210								
Gross - Proportional reinsurance accepted	R0220			36					92
Gross - Non-proportional reinsurance accepted	R0230								-
Reinsurers' share	R0240								-
Net	R0300			36					92
Claims incurred									
Gross - Direct Business	R0310								
Gross - Proportional reinsurance accepted	R0320			- 1,718					- 1,939
Gross - Non-proportional reinsurance accepted	R0330								-
Reinsurers' share	R0340								-
Net	R0400			- 1,718					- 1,939
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			325					334
Other expenses	R1200								- 16
Total expenses	R1300								318

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	BE	US				
Premiums written	Gross - Direct Business	R0110	0	0					0
	Gross - Proportional reinsurance accepted	R0120	0	36					36
	Gross - Non-proportional reinsurance accepted	R0130							
	Reinsurers' share	R0140	0	0					0
	Net	R0200	0	36					36
Premiums earned	Gross - Direct Business	R0210	0	0					0
	Gross - Proportional reinsurance accepted	R0220	0	92					92
	Gross - Non-proportional reinsurance accepted	R0230							
	Reinsurers' share	R0240	0	0					0
	Net	R0300	0	92					92
Claims incurred	Gross - Direct Business	R0310	0	0					0
	Gross - Proportional reinsurance accepted	R0320	0	(1,624)	(315)				(1,939)
	Gross - Non-proportional reinsurance accepted	R0330							
	Reinsurers' share	R0340	0	0					0
	Net	R0400	0	(1,624)	(315)				(1,939)
Changes in other technical provisions	Gross - Direct Business	R0410	0	0					0
	Gross - Proportional reinsurance accepted	R0420	0	0					0
	Gross - Non-proportional reinsurance accepted	R0430							
	Reinsurers' share	R0440	0	0					0
	Net	R0500	0	0					0
Expenses incurred		R0550		334					334
Other expenses		R1200							(16)
Total expenses		R1300							318

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate
Premium provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0010								
R0050								
R0060							-	
R0140								
R0150							-	
R0160								
R0240								
R0250								
R0260								
R0270								
R0280								
R0290								
R0300								
R0310								
Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0320								
R0330								
R0340								

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate
Premium provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010							
R0050							
R0060							-
R0140							
R0150							
R0160							
R0240							
R0250							
R0260							
R0270							
R0280							
R0290							
R0300							
R0310							
Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0320							
R0330							
R0340							

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Total Non-Life Business

Z0010	UW Year
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Development year

Total

Development year

Total

Annex I
S.23.01.01
Own funds

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)
- Share premium account related to ordinary share capital
- Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
- Subordinated mutual member accounts
- Surplus funds
- Preference shares
- Share premium account related to preference shares
- Reconciliation reserve
- Subordinated liabilities
- An amount equal to the value of net deferred tax assets
- Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

- Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

- Unpaid and uncalled ordinary share capital callable on demand
- Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- Unpaid and uncalled preference shares callable on demand
- A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

- Total available own funds to meet the SCR
- Total available own funds to meet the MCR
- Total eligible own funds to meet the SCR
- Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (held directly and indirectly)
- Foreseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

- Expected profits included in future premiums (EIPFP) - Life business
- Expected profits included in future premiums (EIPFP) - Non- life business

Total Expected profits included in future premiums (EIPFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	2,655	2,655			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	2,233	2,233			
R0140					
R0160	26				26
R0180	2,500	2,500			26
R0220					
R0230					
R0290	7,414	7,388			26
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	7,414	7,388			26
R0510	7,388	7,388			
R0540	7,414	7,388			26
R0550	7,388	7,388			
R0580	2,321				
R0600	1,200				
R0620	319%				
R0640	616%				

	C0060
R0700	7,414
R0710	-
R0720	-
R0730	5,181
R0740	-
R0760	2,233
R0770	
R0780	
R0790	

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

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement**Calculation of Solvency Capital Requirement**

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement**Other information on SCR**

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	2,019		
R0020	248		
R0030	-		
R0040	-		
R0050	503		
R0060	- 473		
R0070			
R0100	2,297		

	C0100
R0130	24
R0140	
R0150	-
R0160	
R0200	2,321
R0210	
R0220	2,321
R0400	
R0410	
R0420	
R0430	
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

MCR _{NL} Result		C0010	
	R0010	154	
		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		
Other motor insurance and proportional reinsurance	R0060		
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	-	36
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	804	-
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

MCR _L Result		C0040
	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

Linear MCR SCR MCR cap MCR floor Combined MCR Absolute floor of the MCR		C0070
	R0300	154
	R0310	2,321
	R0320	1,044
	R0330	580
	R0340	580
Minimum Capital Requirement	R0350	1,200
		C0070
	R0400	1,200