Princemark Holdings Designated Activity Company

Solvency and Financial Condition Report

Reporting period ended 31 December 2018

Contents

SUMMARY 3

A. BUSINESS & PERFORMANCE 4

A.1 Business 4

A.2 Underwriting Performance 5

A.3 Investment Performance 6

A.4 Performance of other activities 6

A.5 Any other information 6

B. SYSTEM OF GOVERNANCE 7

B.1 General information on the system of governance 7

B.2 Fit and proper requirements 8

B.3 Risk Management System including the own risk and solvency assessment 9

B.4 Internal Control System 12

B.5 Internal Audit Function 13

B.6 Actuarial Function 13

B.7 Outsourcing 14

B.8 Any other information 15

C. RISK PROFILE 16

C.1 Underwriting risk 16

C.2 Market risk 17

C.3 Credit risk 18

C.4 Liquidity risk 18

C.5 Operational risk 19

C.6 Other material Risks 19

C.7 Any other information 19

D. VALUATION FOR SOLVENCY PURPOSES 20

D.1 Assets 20

D.2 Technical Provisions 20

D.3 Other liabilities 22

D.4 Alternative methods for valuation 22

D.5 Any other information 22

E. CAPITAL MANAGEMENT 23

E.1 Own funds 23

E.2 Solvency capital requirement and minimum capital requirement 25

E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement 26

E.4 Differences between the standard formula and any internal model used 26

E.5 Non-Compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement 26

E.6 Any other information 26

ANNEX I – QUANTITATIVE REPORTING TEMPLATES 27

SUMMARY

This Report refers to the business of Princemark Holdings Designated Activity Company ('Princemark', 'the Company'), a captive reinsurer, authorised and supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for the reporting period ended 31 December 2018.

Princemark has prepared this report in accordance with the relevant articles of the Commission Delegated Regulation (EU) 2015/35, together with the Guidelines on reporting and public disclosure issued by EIOPA.

The Company's business strategy is to reinsure part of the property, liability and marine insurance risk of Kerry Group plc and its subsidiaries. The impact of insurance risk volatility on the Company's capital base is mitigated through the selection of appropriate limits. Investment of Company funds is in line with the documented investment strategy, reflecting a 'prudent person' approach to the management of counterparty, concentration, interest rate and currency risk.

The Board has identified the key risks to which Princemark is exposed and established appropriate corporate governance, risk management and reporting mechanisms to ensure that the identified risks remain relevant, and that they are managed and reported on with appropriate levels of detail and frequency. The Company has established a comprehensive suite of risk policies and implemented a series of internal controls to ensure that Princemark can be managed in accordance with its governance and risk management systems. Documented escalation mechanisms are in place to ensure that any breaches in risk limits and tolerances, internal controls and governance requirements can be reported promptly to the appropriate individuals. Risks to which the Company is exposed are well understood and are used to determine the level of solvency and capital required over the business planning period and to better inform decision making within the Company.

While Princemark experienced a higher level of claims costs in the reporting period, this is within the risk appetite established by the Board. There were no material changes to Princemark's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

As at 31 December 2018, the Company had eligible own funds of £29.2m available to meet its Solvency Capital Requirement (SCR) of £23m; resulting is a Solvency Ratio of 127% which is in compliance with the regulatory solvency requirements per the Solvency II regulations. The Board of Directors is satisfied that the Company has adequate and appropriate capital to support its business operations. The Minimum Capital Requirement (MCR) was also satisfactorily met at the year-end. There were no instances of non-compliance with the capital requirements during the year.

A. BUSINESS & PERFORMANCE

A.1 Business

Princemark is based in Co. Kerry, Ireland and is licensed as a reinsurance undertaking, under the supervision of the Central Bank of Ireland ('CBI'). Princemark was incorporated in Ireland in 1999, and in line with the requirements of the Companies Act 2014 converted to a designated activity company (DAC), limited by shares, effective 21 July 2016.

The Company is a wholly owned subsidiary of its parent company, Kerry Group plc, headquartered at Prince's Street, Tralee, Co. Kerry, Ireland, (thereafter 'the Group') and reinsures solely the risks of the group and is therefore considered to be a captive reinsurer. The Group is listed on the Irish and London Stock Exchanges and is a global leader in taste/nutrition serving the food, beverage and pharmaceutical industries, whilst being a leading supplier of added value brands and customer branded foods to both the Irish and international markets. The Group employs 25,000 people, with revenues of €6.6 billion and a global customer base in over 140 countries.

The position of the Company within the Group is set out below:



Details on other Group subsidiaries and related undertakings are published within the Kerry Group plc Annual Report, 2018, which is available to download from www.kerrygroup.com

The operation of the Company is subject to the local regulatory requirements in Ireland, within which it operates. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, for example capital adequacy to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as they arise.

Princemark conducts all significant business activities, including underwriting, premium invoicing & collection, claims reserving & payments, and investing from its offices in Ireland.

The Company's independent auditor PricewaterhouseCoopers ('PwC') is located at North Wall Quay, Dublin 1.

The insurance supervision division at the CBI may be contacted at their offices in New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.2 Underwriting Performance

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

The Group strategy is to maintain a level of risk within the Company that provides the Group with the optimal reinsurance structure. It is therefore accepted that, in accordance with its business plan, the best strategic option available is for the Company to underwrite certain worldwide risks on a proportional reinsurance basis. Princemark is currently reinsuring Kerry Group plc risks under the following regulatory lines of business:

- General Liability
- Fire & Other Damage to Property
- Marine, Aviation & Transport
- Miscellaneous Financial Loss

Historically, reinsurance was provided for UK and Irish motor vehicle liability risks. However, no new risks have been accepted under this line of business since 2016.

All policies are subject to original policy deductibles, sub-limits and individual aggregates.

Premiums written relate to business incepted during the financial year. Provision is made for notified losses on all underwriting years.

Profit after tax for the financial year ended 31 December 2018 amounted to £1.2m (2017: £5.6m), with a dividend of £Nil paid to the parent during 2018 (2017: £Nil m).

All premiums resulted from contracts of proportional reinsurance concluded in the Republic of Ireland and are summarised by line of business below:

Line of Business	2018 (£k)	2017 (£k)	Variance
General Liability	4,826	4,314	+512
Fire & Other Damage to Property	1,479	1,895	-416
Marine, Aviation & Transport	135	83	+52
Miscellaneous Financial Loss	500	500	-
Total	**6,940**	**6,792**	**+148**

Premium pricing is re-assessed annually taking account of the underlying risks being reinsured, historical claims performance and the relevant costs associated with the administration of the programme. The premium movement year-on-year reflects changes in the underlying risks.

Gross and net claims paid during the financial year ended 31 December 2018 totalled £7.9m (2017: £4.4m) and the movement in the provision for claims amounted to a reduction of £0.98m (2017: reduction of

£2.7m). Claims incurred (gross and net) are split by line of business as follows:

Line of Business	Claims Paid			Movement in Claims Provisions		
	2018 (£k)	2017 (£k)	Variance	2018 (£k)	2017 (£k)	Variance
General Liability	6,292	2,766	+3,526	(3,383)	3,834	-7,217
Fire & Other Damage to Property	1,275	1,200	+75	1,262	(3,865)	5,127
Motor Vehicle Liability	5	251	-246	(593)	(1,245)	+652
Marine Aviation & Transport	279	225	+54	163	(49)	+212
Miscellaneous Financial Loss	-	-	-	1,571	(1,393)	+2,964
Total	**7,851**	**4,442**	**+3,409**	**(980)**	**(2,718)**	**+1,738**

The increase in the claims paid in 2018 is driven largely by the General Liability line of business – predominantly from payments made against the 2016 and 2017 underwriting years for public and product liability risks. The higher level of General Liability payments is reflected in the reduction of reserves of £7.2m. Increases in the reserves for Fire & Other Damage to Property and Financial Loss are driven largely by the occurrence of a large 2018 loss in the United States.

Net operating expenses for the year amounted to £286k (2017: £313k).

The Company has no employees, other than the directors, who did not receive any remuneration during the year (2017: Nil).

A.3 Investment Performance

The investment position of the Company is monitored by the Board of Directors and Kerry Group Treasury on a regular basis, to ensure the investment guidelines of the Company are adhered to.

The Company allocates its investment portfolio between cash and intercompany loans, as described below.

Cash: The Company maintains funds with one preapproved financial institution and group relationship bank, being Citibank. The investment income earned for the reporting period is £Nil (2017: £70k).

Intercompany Loan: Available funds are invested, as deemed prudent by the Board of Directors, in two intercompany loans with two wholly owned subsidiaries of Kerry Group Plc. The interest income earned for the financial year ended 31 December 2018 amounted to £1,677k (2017: £1,579k).

A.4 Performance of other activities

Princemark does not engage in any activities other than those associated with captive reinsurance and has not entered into any leasing agreements.

A.5 Any other information

There are no other material items to report in this section.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

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

The Board of Directors of the Company (thereafter 'the Board') acknowledges its responsibility to ensure that risks are fully understood and appropriately managed and has taken appropriate steps to ensure that risk management, reporting and control processes have been put in place in a manner which reflects the nature and scale of the captive's activities. The Board is the focal point of the governance system and is ultimately accountable and responsible for the performance and conduct of the Company.

All authority emanates from the Board and responsibilities are delegated in such a manner so as to ensure that no one individual has unfettered powers of decision and that business is undertaken in a controlled and responsible manner.

The overriding goal of the Company's risk management strategy is to control and to achieve, as much as possible, a reduction in the Company's risk exposure as a means of minimising the impact of undesired and/or unexpected events.

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

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

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

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

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

The Board annually reviews the governance framework, the risk appetite framework setting out tolerance limits and operational limits for all risk categories, the risk management policies for all risk categories and the risk register for the Company.

The Board members have:

- The necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out their duties;
- A full understanding of the nature of the Company's business, material activities and related risks;
- A full understanding of their individual direct and indirect responsibilities and collective

responsibilities; and

- An understanding of the Company's financial statements and key performance drivers.

The Company comprises the following senior personnel who have been selected to ensure that the Company is being run by individuals of appropriate expertise and integrity and who meet the criteria set out above:

Declan Crowley (Chairman)
Brian Mehigan
Ronan Deasy

There have been no material changes in the system of governance since the prior reporting period. Given the limited scale and complexity of the Company, and having reviewed the risks facing the Company thoroughly, the Board is satisfied that the system of governance in place is adequate.

The Board undertake responsibility for performing the equivalent function of an Audit Committee in relation to the reporting period ended 31 December 2018.

Key Functions

The key functions of Risk Management, Internal Audit, Actuarial, Compliance and Operations have clear and defined lines of reporting directly to the Board. This is facilitated by the straightforward nature of the Company's structure and fit-for-purpose documented policies and procedures which are clearly communicated and well understood by all relevant parties. The Board has ensured that the key functions are appropriately resourced and have the necessary authority and operational independence to perform their roles. The Company has engaged Aon Insurance Managers (Dublin) Limited ('AIMD') for the provision of management services, under the terms of an outsourced service and management agreement which is overseen by the Board of Directors.

Remuneration and material transactions

The members of the Board of Directors are employees of Kerry Group plc and receive no remuneration for their services as directors to the Company. Princemark has no employees and consequently no remuneration is paid.

As a captive reinsurer, all Princemark's inward premium flows and outward claims payments relate to insured risks of the shareholder group. In addition, the Company has advanced intergroup loans to two fellow Group subsidiaries. Other than these transactions which arise in the normal course of business, the Company had no material transactions during the reporting period with members of the shareholder group and none with members of the Board of Directors.

B.2 Fit and proper requirements

Princemark has documented its Fitness & Probity policy setting out the Company's approach to the selection and assessment of the persons who effectively run the Company or are responsible for other key functions.

In selecting individuals as directors or function holders, the Company takes account of the following factors:

- specific requirements of the role

- the skills, experience and relevant qualifications of the proposed individual
- results of due diligence enquiries
- conflicts of interest
- time requirements and other commitments
- competence and integrity
- financial soundness

Consideration is given to ensuring an appropriate mix of knowledge, skills and experience across the Board of Directors and for those roles where specialist skills are required e.g. Head of Actuarial Function, only those individuals possessing the pertinent qualifications and expertise will be considered.

For those roles which are prescribed by the CBI as Controlled Functions (CFs) and Pre-approval Controlled Functions (PCFs), the Compliance function adopts appropriate control and due diligence processes in the selection and vetting of such individuals to ensure that they meet the regulator's fit and proper criteria. Written approval from the CBI is obtained prior to the appointment of PCFs. Appointed individuals are required to maintain on-going compliance with the Standards of Fitness & Probity and the guidance issued by the CBI.

Princemark is satisfied that appointed individuals performing controlled functions meet all relevant regulatory requirements and have a suitable level of training and qualification in order to enable them to carry out their respective duties.

B.3 Risk Management System including the own risk and solvency assessment

The Company has taken appropriate actions in order to:

- embed risk management as a key function within its governance structure; and
- develop and maintain effective processes and reporting procedures to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the Company is exposed.

Risk refers to the effect of uncertainty on the Company's ability to meet its objectives. Risk management is a systematic approach to protect the business resources and income against losses and unexpected events so that objectives of the Company can be achieved without unnecessary disruption.

The Company's Risk Management System:

- sets out the level of risk acceptable by the Company (risk appetite and risk tolerance);
- identifies the risks which represent a threat to the achievement of its strategic objectives;
- identifies, defines and regularly measures key risk indicators enabling an efficient monitoring of risks;
- defines the appropriate actions to reduce the Company's risk exposure;
- ensures the risk management framework is implemented in day-to-day business processes; and
- regularly reviews controls and mitigation actions to ensure that they remain relevant and effective.

In order to achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through specific risk management policies for each key risk category. The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

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

In addition to these policies, an outsourcing policy defining the key rules and criteria to be followed by each service provider has been documented.

Own Risk and Solvency Assessment

The Company performs an Own Risk and Solvency Assessment ('ORSA') process annually in order to provide its Board of Directors with a forward-looking risk and capital assessment. The adequacy of the available capital, the Risk Appetite Framework and the appropriateness of the risk limits is assessed for the business planning period, considering the evolving risk profile. To this end, risks and scenarios to which the Company is exposed during the business planning period and which may affect the capacity to meet its reinsurance obligations or pose a threat to the achievement of its business objectives are taken into account. The approach may be summarised as follows:

Define the Stress scenarios

Stress testing and scenario analysis are used to assess whether the available and future capital is sufficient in expected and stressed situations.

Business projections, stresses and scenarios are compiled by the Operations Function with input and agreement from the Board of Directors to ensure that these are appropriate for the Company.

Stress the Financial Plan

Stress test scenarios are embedded into the projected financial plan. Related solvency capital requirements and solvency ratios are then calculated for each year, resulting in a stressed financial plan and the solvency impact of adverse scenarios. This exercise is conducted by the Actuarial Function and validated by the Risk Management Function.

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

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the stress scenarios. Where applicable, any future additional capital needs will be identified and aligned to the Company's capital management plan i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

Produce the ORSA Report

The ORSA report brings clarity over projected risk assessments and solvency needs to 3 different stakeholders:

Stakeholder	Expectation	ORSA Report
Board of Directors	Matching between risks to which the Company is or can be exposed and the Risk Appetite framework.	Provides a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries.
Shareholders	Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital.	Provides a plan for capital needs on the time horizon of the financial planning.
Supervisory Authority	Detailed and prospective understanding of potential ORSA deviations compared to the Solvency Capital Requirements.	Gather information about: projected Solvency ratios; - explanations about deviations due to specific critical risks exposures.

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

In line with CBI requirements, the Head of Actuarial Function provides an actuarial Opinion to the Board of Directors in respect of the ORSA once the results of the ORSA process are presented to the Board for review and challenge.

The capital risk appetite for Princemark is to sustain its capital at a level sufficient to meet the Regulatory Solvency Capital Requirement at all times. It is not the intent to maintain a significant capital buffer in Princemark's balance sheet.

Kerry Group plc would always seek to be in a position to take prompt corrective action to replenish capital to an appropriate level in Princemark so that solvency capital compliance can be demonstrated. Kerry Group plc is expected to continue to have ample capacity to provide this support to Princemark.

B.4 Internal Control System

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

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

Component	Contents
Control Environment	A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight by the Board of Directors and the communication to all internal stakeholders of all governance and risk principles through the Company's Governance Manual.
Risk Assessment	Procedures and policies are detailed and formalised in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category.
Reporting Channels	Clear and structured reporting processes are in place enabling the Board of Directors to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events.
Monitoring Process	The appropriate escalation of significant issues to the Board of Directors, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables the Company to continuously monitor and adapt when necessary its Internal Control System.
Control Activities	The Company has developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations.

Detailed Processes and Embedded Control Activities

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

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

Tasks and actions are shared between the key functions of the Company. This serves to clarify related roles, responsibilities and embedded control activities.

Compliance Function

The Company has a dedicated Head of Compliance reporting directly into the Board of Directors. The mission of the Compliance Function is:

Assisting in ensuring the long-term sustainability of the Company through the effective identification, qualification and management of compliance risks faced by the business.

The responsibilities of the Compliance Function include:

- utilisation of compliance management practices that contribute to the use of sound, responsible and sustainable business practices by the Company;
- presentation of an annual compliance plan to the Board of Directors, outlining specific areas which it will focus on during a particular year;
- promotion of a culture of compliance within the organisation;
- maintenance of a comprehensive compliance risk management control and reporting system in conjunction with the Risk Management Function to assist in managing the compliance risk faced by the Company;
- consideration of possible future changes in the legal environment and their potential effect on the Company as well as providing regular compliance and regulatory updates to the Board of Directors;
- identification and communication throughout the Company the laws, regulations and codes of conduct to which the Company is subject and assisting to embed compliance with these in the way the Company does business; and
- investigation and follow up of compliance breaches, ensuring timely reporting to the Board and in certain circumstances to outside bodies such as the CBI.

B.5 Internal Audit Function

Purpose & Objectives

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

It assists the Company achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes of the Company. The audit approach is risk based and in line with an annual audit plan which is provided by the Head of Internal Audit to the Board of Directors.

The Board has developed effective policies and practices and will take appropriate corrective action in response to any weaknesses identified by internal and external auditors.

Independence and Impartiality

The Company's Internal Audit Function is independent of the operational activities audited and the Board of Directors.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit Function ensures that the Internal Audit Function reports directly to the Board of the Company.

B.6 Actuarial Function

The Company has established an effective Actuarial Function, including a nominated Head of Actuarial Function ('HoAF'), Mr. Jean Michael Briot approved by the CBI, which carries out the following key tasks:

- coordinate the calculation of technical provisions;

- identify any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- explain any material effects of changes of data, methodologies or assumptions between valuation dates on the amount of technical provisions;
- assess the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the Actuarial Function will provide recommendations on internal procedures to improve data quality;
- take into consideration the interrelations between the Underwriting Policy, reinsurance arrangements and technical provisions, when providing its opinion;
- report in writing at least annually to the Board of Directors. The reporting should document all material tasks that have been undertaken by the Actuarial Function, and include:
    i. details of the technical provisions
    ii. methodologies & assumptions
    iii. data sufficiency & quality
    iv. experience analysis
    v. report to the Board on reliability & adequacy
    vi. opinion on Underwriting Policy
    vii. opinion on reinsurance arrangements.

  Their report should include any deficiencies identified and give recommendations as to how such deficiencies could be remedied
- contribute to the effective implementation of the risk management system in particular:
    i. with regard to risk modelling underlying the calculation of the Solvency and Minimum Capital Requirement; and
    ii. the ORSA process.
- think critically and organise the execution of actuarial approaches
- provide an Actuarial Opinion to the Board of Directors in respect of the ORSA

In establishing the Company's Actuarial Function, the Board of Directors has ensured that the persons involved have the requisite qualifications and demonstrable experience in the area of non-life reserving and are fully conversant with the Solvency II requirements for the calculation of Technical Provisions.

B.7 Outsourcing

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

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

- Breach of the Company's data protection obligations.

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

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

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

The Board is responsible for assessing the risks associated with the outsourcing of critical or important functions or activities, carrying out the appropriate due diligence on the outsourced service provider and for reviewing the performance of outsourced service providers against their agreed and documented Service Level Agreements ('SLA').

The management of the Company is coordinated and carried out at its place of business in Ireland. Princemark engages third-party outsourced service providers in order to access the expertise and strength and depth of resources necessary to manage the specific requirements of a regulated captive reinsurance company.

The following critical or important functions / activities are outsourced:

Critical or important function	Outsourced Service Provider	Jurisdiction
Underwriting and claims administration	Aon Insurance Managers (Dublin) Limited (AIMD)	Ireland
Finance and accounting	AIMD	Ireland
Compliance Function	AIMD	Ireland
Risk Management Function	Kerry Group plc – Risk Management	Ireland
Actuarial Function	Aon Global Risk Consulting Sàrl	Luxembourg
Internal Audit Function	Kerry Group plc	Ireland

B.8 Any other information

The Board is satisfied, based on its assessment of the frameworks which have been established and are in use, that the Company's system of governance is appropriate and adequate for the nature, scale and complexity of the risks inherent in its business operations.

There are no other material items to report in this section.

C. RISK PROFILE

The Risk Appetite Framework adopted by the Board sets out the level of risk that the Company is prepared to accept in the pursuit of its strategic objectives. It sets out:

- the Company's overall philosophy to risk taking and the expectations of shareholders;
- the Company's tolerance to loss of capital, profit volatility and other specified measures; and
- the risk limits that are acceptable in terms of exposures to different types of risk.

The Company's Risk Register combines operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's strategic objectives.

The Board's annual ORSA process is based on the Company's current and expected risk profile over the business planning period and supports the Board in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

C.1 Underwriting risk

The Company underwrites contracts that transfer insurance risk to the Company on a proportional reinsurance basis. The risk under any reinsurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient available assets to satisfy the amounts payable under the contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term.

As the Company is a captive reinsurer, it is effectively insuring the risks of one customer, its parent group, and thus is exposed to risk concentration. However, diversification is achieved through the reinsurance of different lines of business and the varying geographical locations of the underlying risks.

Underwriting risk is managed through:

- the adoption of documented controls and policies in relation to the underwriting and reserving processes;
- the setting of a risk appetite by the Board with reporting triggers and limits which are monitored and escalated in accordance with the Company's documented policies;
- the deployment of event and annual aggregate limits for the risks it reinsures; and
- the calculation of technical provisions in a prudent, reliable and objective manner using appropriate and consistent data.

There have been no changes to the Company's underwriting risk exposures or the basis by which they are assessed in the reporting period.

When calculating the technical provisions, reliable, sufficient and adequate statistical and accounting data is considered in the loss reserve estimation and recording process. Whilst considerable judgment is involved, the directors have put in place suitable processes to ensure that reserves established are appropriate. The Company takes all reasonable steps to ensure that it has appropriate information regarding its underwriting exposures.

Annual support and certification is provided by the Company's Actuarial Function.

As part of the Company's ORSA process, stress and scenario tests incorporating differing claims experience are considered. The impact of the Company experiencing two significant losses in the business planning period was considered as part of the ORSA carried out in this reporting period. In the event of such an unlikely scenario, a redistribution of the Company's current asset allocation would be deployed to restore the Company's solvency position. Alternatively, an additional capital injection would be provided by the shareholder.

Sensitivity analysis is also performed for underwriting risks by selecting conservative movements in future claims development for financial statements purposes and holding all other assumptions constant. The resultant impact on Gross and Net claims reserves, Profit before Tax (PBT) and equity is shown below:

	Gross and net claims reserve kGBP	Impact on PBT for the year kGBP	Impact on equity for the year kGBP
31 December 2018			
Increase in reinsurance contact liabilities by 10%	4,194	4,194	(3,670)
Decrease in reinsurance contact liabilities by 10%	(4,194)	(4,194)	3,670
31 December 2017			
Increase in reinsurance contact liabilities by 10%	4,293	(4,293)	(3,756)
Decrease in reinsurance contact liabilities by 10%	(4,293)	4,293	3,756

C.2 Market risk

The risk of future changes in market prices, which would result in devaluation of investable assets, may result from several factors, including, but not limited to value, liquidity, duration, composition, interest rates, foreign exchange rates and market fluctuations. The Company diversifies its portfolio to reduce the exposure to market fluctuations and market risk concentrations.

Princemark has an investment strategy in place in line with its Risk Appetite Framework and the related 'Prudent Person' regulatory requirements. The Company endeavours to:

- prudently invest with consideration of the prevailing financial market environment;
- ensure the Company invests appropriately so as not to result in the Company failing to meet its Solvency Capital Requirements;
- ensure that the Company holds assets of sufficient value and liquidity to meet all liabilities as they become due;
- maximise investment return within the levels of risk as defined by the Company's Risk Appetite;
- ensure compliance with the Liquidity Strategy and Policy;
- ensure compliance with the Asset-Liability Management Strategy and Policy; and
- ensure effective risk management of investments at all times, with due consideration of the risks associated with investments and procedures to monitor, manage and report these risks in a timely manner as part of the Company's overall Risk Management System.

Given the short-term cash nature of the assets and the Intercompany Loan, the impact of interest rate risk is limited. The exposure is kept under review. An increase of 50 basis points in interest rates would have increased profit for the financial year by £196,000 (2017: £342,062), on. The Company did not have

any interest-bearing bank accounts during 2018.

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency. The Company's principal transactions are carried out in sterling and its exposure to foreign exchange risk arises primarily with respect to euro. The business financial assets are primarily denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from receipt of premium in other currencies. Due to the limited exposure to currency risk, the Company considers that it is unnecessary to attempt to mitigate foreign exchange rate fluctuations.

As part of the Company's ORSA process, stress and scenario tests incorporating the impact of a theoretical downgrade of the credit rating of Kerry Group Plc have been carried out. While this scenario resulted in a reduction in the Company's available capital, this could be easily remedied by recalling funds from the Intercompany deposit.

C.3 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 assets that are exposed to credit risk are:

- Cash and cash equivalents
- Intercompany loans within Kerry Group plc subsidiaries
- Amounts due from fronting insurers

The Company utilises custodians deemed to be of high credit quality to hold its cash and cash equivalents and deposits with credit institutions and additionally has limits in place in relation to the amount of cash which can be held by any one financial institution.

The Company has an Evergreen Letter of Credit in place in the amount of £22.5m (2017: £22.5m). This Letter of Credit provides cover to a third-party insurance company in respect of Princemark's reinsurance obligations, should it be unable to meet them as they arise.

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 has the potential to be exposed to calls on its available investment assets, principally from reinsurance claims. Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring material costs or penalties.

The Company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the Company has its investments held in highly liquid assets which it can access immediately or within a very short time frame without incurring material costs or penalties.

C.5 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss.

Operational risk is managed by a strong governance structure being put in place, which includes the extensive oversight by the shareholder, the Board of Directors and the Heads of Functions.

The Company has a rigorous control framework and monitoring process in place to manage operational risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures. Outsourced activities are monitored and managed in the same manner in line with the Outsourcing policy.

In addition, Princemark is subject to Internal and External Audit review.

Princemark maintains a regulatory dialogue with the CBI to mitigate the risk of any potential sanction or compliance breach as well as using expert, industry leading, service providers to provide its outsourced functions which helps avoid any material error or delay. In order to ensure the quality of the outsourced functions is as high as possible, Princemark has put in place service level agreements and regularly reviews the outsourced service providers.

C.6 Other material Risks

Strategic Risk

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

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

- Review at least annually the appropriateness of the high level overall objectives for the Company, the major risks facing the Company and the Risk Appetite for each of these major risks identified. The Board of Directors will ensure continuing appropriateness, at least annually and revisions shall be affected where necessary
- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total.

Sensitivity Risk

The Actuarial Function assesses the sensitivity of its estimate of the Company's unpaid claim liabilities to varying the key assumptions underlying its analysis. Given the nature of the Company's exposures, the key assumptions underlying the actuarial analysis are subject to a range of reasonable interpretations.

No other material risks have been identified.

C.7 Any other information

There are no other material items to report in this section.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Princemark prepares its financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council, applicable accounting standards, the relevant provisions of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Princemark uses the historical cost convention.

Princemark has 4 classes of assets:

- Cash at bank and in hand
- Intercompany loan
- Accrued interest
- Other debtors

Cash at bank and in hand are current accounts with daily liquidity. The Company utilises custodians deemed to be of high credit quality to hold its cash. Carrying amounts approximate fair value due to the high liquidity of the instruments.

Intercompany loans are measured in accordance with IFRS 9 'Financial Instruments', and included in the balance sheet at carrying value with accrued interest disclosed separately in the financial statements.

Amounts due from fronting insurers are held at the lower of cost or market value.

The only differences in the valuation of these assets between the Financial Statements and the Solvency II Quantitative Reporting Templates (QRT's) relate to:

- classification of accrued interest on the intercompany loans, which are shown separately in the Financial Statements; and
- the treatment of future cash flows relating to reinsurance debtors as part of the calculation of technical provisions (Section D2 below).

A reconciliation of the valuation for Solvency II purposes is as follows:

Asset in kGBP	Financial Statements	Solvency II	Reclass.	Fair Value Adj.
Investments – Intercompany Loans	38,807	39,279	+472	-
Debtors	434	100	-	-334
Cash at bank	27,748	27,748	-	-
Accrued interest	472	-	-472	-
Total	**67,461**	**67,127**	**-**	**-334**

D.2 Technical Provisions

Provision is made for notified losses on all underwriting years. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out

under the direction of the Head of Actuarial Function using actuarial techniques.

Reserves for reinsurance contract liabilities are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of, and based on, the results of the analysis performed by the Actuarial Function. The reserves include estimates for both case reserves and losses incurred but not reported ('IBNR').

Solvency II Technical Provisions

The Solvency II technical provisions are comprised of a Best Estimate of Liabilities ('BEL') and a Risk Margin ('RM').

The Solvency II BEL is comprised of a provision for claims outstanding ('PCO') and a premium provision ('PP'). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the expected profit underlying the unearned portion of policies that have already incepted and any policies that have been bound but not incepted ('BBNI). The PCO is derived from an actuarial estimate of Princemark's unpaid claim liabilities. The adjustment of the estimate of unpaid claim liabilities, between the financial statements reserving basis and the Solvency II valuation basis, requires that unpaid claim liabilities per the financial statements are discounted to a present value basis. The evaluation of the best estimate outstanding claims reserves ('OSCR') is used as the starting point to evaluate the Solvency II technical provisions. The actuary utilises the basic risk-free rate curves with no volatility adjustment as of 31 December 2018, as published by EIOPA, to discount the cash flows underlying the PCO. These interest rates are utilised to discount all cash flows underlying the calculation of the Solvency II technical provisions. A provision for expenses related to the runoff of these liabilities is then added, as required by Solvency II, as the financial statements estimate of unpaid claim liabilities does not include a provision for the expenses that will be incurred in running off the liabilities.

The methodology adopted implicitly assumes that Princemark will continue to write business into the future and that a portion of the expenses in future years will be attributable to new business, consistent with the required derivation of the expense reserve as per the current Solvency II regulations. The BEL is calculated as the sum of the PCO and the PP. Actuarial methods used include Loss Ratio, Chain Ladder, Bornhuetter-Ferguson and Benktander-Hovinen. The actuarial reserves are "best estimates" in the sense that they represent the average of all possible outcomes. The actual amounts required to meet future claim payments may differ, even significantly, from estimates. This estimation error can arise for a number of reasons, such as model specification error, parameter error and random error.

Line of Business (in kGBP)	Actuarial BE OSCR (Undiscounted)	SII BE OSCR + BE Premium (Discounted)	Risk Margin	SII Technical Provisions
General Liability	24,356	23,333	1,547	24,880
Fire & Other Damage to Property	5,118	4,615	399	5,014
Marine, Aviation & Transport	415	410	22	432
Miscellaneous Financial Loss	327	316	24	340
General Liability	7,211	5,762	494	6,256
Total	**37,427**	**34,436**	**2,486**	**36,922**

Risk Margin

The Solvency II risk margin is intended to represent an amount that Princemark would be required to pay, in excess of the Best Estimate of the Liabilities, for a third party to assume the risk of running off the existing liabilities.

D.3 Other liabilities

Aside from Technical Provisions, the valuation of which is detailed on the previous page, Princemark has two other principal classes of liabilities:

- Deferred taxation
- Other creditors

A reconciliation of the valuation for Solvency II purposes is as follows:

Other liability in kGBP	Financial Statements	Solvency II	Reclass.	Fair Value Adj.
Deferred tax liabilities	-	609	-	+609
Other creditors	453	271	-	-182
Accruals	93	93	-	-
Total	**546**	973	**-**	**+427**

Deferred tax of £609k (2017: £597k) arises due to the valuation difference on the technical provisions between the Financial Statement Balance Sheet and the Solvency II Balance Sheet, multiplied by the applicable tax rate (12.5%). There is no deferred tax liability in the financial statements.

Other creditors of £271k (2017: £901k) in the Solvency II Balance Sheet, consisting of Corporation Tax Payable and amounts due to Group undertakings, are held at the lower of cost or market value/realisable value. In 2018, the balance differs from the financial statements by £182k due to the inclusion of future cash flows relating to reinsurance creditors as part of the calculation of technical provisions (Section D2 above).

D.4 Alternative methods for valuation

No alternative methods were used.

D.5 Any other information

There is no other information to report.

E. CAPITAL MANAGEMENT

E.1 Own funds

The Company has put in place a Capital Management policy to ensure that 'Own Fund' items, both at issue and subsequently, meet the requirements of the Solvency II capital regime. The objectives of the policy are to ensure that, on an on-going basis, the Company has:

- own fund items available to meet its capital requirements; and
- developed processes to ensure the appropriateness of its own fund items.

On an annual basis the Company reviews the level, composition and classification of own fund items to ensure they continue to meet its own solvency needs, and its regulatory obligations in respect of Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). A 3 year forward looking time horizon is used for business planning purposes and any anticipated changes to the Company's business and risk profile are factored into the ORSA process to assess the solvency and capital needs over this business planning period. It is intended that the Company's capital needs will be managed out of its existing pool of own funds and the efficient management of the Company's reinsurance business. Should additional funds be required outside of that, they will be advanced by the shareholder.

The Company's own funds consist of the following items:

- Issued Share Capital; and
- Retained Earnings.

Any change to the share capital requires the approval of the Shareholder and the Board. Retained earnings are adjusted quarterly to take account of the profits/losses earned in the period together with any Solvency II valuation adjustments.

The payment of dividends is considered on an annual basis by the Board as part of its medium-term capital assessment. Potential dividends will be considered as part of the Company's ORSA process to ensure that the Company will continue to meet its solvency needs over the business planning period. No dividends were paid in 2018 or 2017.

Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

Own fund items at the end of reporting period and the prior year comparative period are as follows:

	2018 kGBP	2017 kGBP
Ordinary paid up share capital	500	500
Reconciliation reserve	28,731	27,871
Total basic own funds	**29,231**	**28,371**

The movement in basic own funds reflects the profit recorded in the reporting period. The reconciliation reserve represents the Company's retained profits as adjusted for Solvency II valuation principals. The adjustments which arise in the application of these principles are shown in the equity reconciliation below.

At the end of the current reporting period eligible own funds available to meet the Company's SCR and MCR are £29.2m (2017: £28.4m), comprised solely of Tier 1 capital.

The equity position as shown in the Company's 2018 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

	2018 kGBP
Equity per the Company's financial statements	24,970
Adjustments to technical provisions	5,023
Removal of reinsurance debtors	(334)
Removal of reinsurance creditors	181
Deferred tax liability	(609)
Own funds (excess of assets over liabilities for solvency purposes)	**29,231**

Adjustments are made to technical provisions in line with the valuation methodologies set out in section D.2 above. This results in the removal of reinsurance debtor and creditor balances as the future cash flows in relation to these items are dealt with as part of the calculation of technical provisions. Deferred tax is provided on these adjustments at the applicable tax rate. These adjustments are reflected in the Company's reconciliation reserve.

Princemark has no ancillary own funds and there are no transitional arrangements impacting its capital calculations.

E.2 Solvency capital requirement and minimum capital requirement

At the end of the current reporting year, Princemark's SCR and MCR have been calculated as £23.0m and £5.7m respectively (2017: £22.0m and £5.5m).

The SCR is intended to correspond to the capital the Company needs to hold in order to limit the probability of ruin, in the following 12 months, to 0.5%, i.e. ruin would occur less than once in every 200 years. The SCR calculated at the end of the current reporting period, relates to the capital required to support the business over the prospective 12 months; covering both existing liabilities and business written during 2019. Based on the Company's eligible own funds of £29.2m (2017: £28.4m) the Company has a solvency ratio at 31 December 2018 of 127% (2017: 129%).

The SCR has been calculated using the standard formula and without the application of any undertaking specific parameters.

The split of SCR by risk modules is shown below, together with the prior year comparative:

In kGBP	31-Dec-18	31-Dec-17	Variation	
Market Risk	**10,528**	**10,621**	**-93**	**-1%**
Interest Rate	442	345	97	28%
Spread	982	992	-10	-1%
Currency	136	134	2	2%
Concentration	10,446	10,548	-102	-1%
Default Risk	**1,865**	**1,906**	**-41**	**-2%**
Non-Life Risk	**16,382**	**15,101**	**1,281**	**8%**
Premium/Reserve	11,983	10,744	1,239	12%
Lapse	875	306	569	186%
CAT	8,536	8,256	280	3%
Diversification	**-6,207**	-6,097	**-110**	**2%**
BSCR	**22,568**	**21,531**	**1,037**	**5%**
Adjustment for deferred taxes	-609	-597	-12	2%
Operational Risk	1,033	1,069	-36	-3%
SCR	**22,992**	**22,003**	**989**	**4%**
MCR	**5,748**	**5,501**	**247**	**4%**
Eligible Own Funds	**29,231**	**28,371**	**860**	**3%**
Solvency Ratio	**127%**	**129%**	**-2%**	**-1%**

The non-life underwriting risk, which is the largest contributor to the SCR charge, increased by 8%. Premiums expected to be written in 2019 total £10.5m which is a significant increase on a premium volume of £6.9m for 2018. All sub-modules of the non-life underwriting risk are then affected by this increase in premiums, which leads to:

- an increase in the premium volume for the premium/reserve risk module;
- a decrease in the best estimate of premium for the lapse risk module, with all contracts resulting as profitable; and

- an increase in the ground-up loss estimation for premium-based risk factor lines of business (i.e. all except Fire & Other Damage to Property) for the catastrophic risk module.

Market risk decreased slightly by 1% mainly due to the decrease in the market value of the intercompany loans with the introduction of the IFRS provision.

The default risk decreased by 2%. This is mainly due to the decrease in cash with Citibank between 2017 and 2018. However, the overall impact is negligible due to Citibank's favourable credit rating.

The MCR is calculated through a prescribed formula based on the net technical provisions (excluding the risk margin) and net written premium. It is also constrained to be between 25% and 45% of the SCR. Further to this, SI 485 sets out absolute minimum MCR values for non-life and life insurers, reinsurers and captives. In the case of Princemark, as a non-life captive reinsurer this absolute floor is the Sterling equivalent of a fixed amount of EUR 1,200,000. Having carried out the calculations and applied the relevant limits, the resultant MCR for the Company is £5.7m.

E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement

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

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

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

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

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

E.6 Any other information

There is no other information to report.

ANNEX I – QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 – Balance sheet*

S.05.01.02 – Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 – Non-Life technical provisions*

S.19.01.21 – Claim development triangles*

S.23.01.01 – Own funds*

S.25.01.21 – SCR using standard formula*

S.28.01.01 – MCR*

*templates subject to external audit.

Amounts are in GBP'000 (kGBP).

S.02.01.02 - Balance Sheet (In thousands of GBP)

		C0010
		Solvency II value
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	0
R0140	Government Bonds	
R0150	Corporate Bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective Investments Undertakings	
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	39,279
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	39,279
R0270	Reinsurance recoverables from:	0
R0280	Non-life and health similar to non-life	0
R0290	Non-life excluding health	
R0300	Health similar to non-life	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	100
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	27,747
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	67,126

S.02.01.02 - Balance Sheet (In thousands of GBP)

		C0010 Solvency II value
Liabilities		
R0510	Technical provisions – non-life	36,922
R0520	Technical provisions – non-life (excluding health)	36,922
R0530	Technical provisions calculated as a whole	
R0540	Best Estimate	34,436
R0550	Risk margin	2,486
R0560	Technical provisions - health (similar to non-life)	0
R0570	Technical provisions calculated as a whole	
R0580	Best Estimate	
R0590	Risk margin	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	Technical provisions - health (similar to life)	0
R0620	Technical provisions calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	Technical provisions calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions – index-linked and unit-linked	0
R0700	Technical provisions calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	609
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	271
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	93
R0900	Total liabilities	37,895
R1000	**Excess of assets over liabilities**	29,231

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110									
Gross - Prop reinsurance accepted	R0120						135	1,479	4,826	
Gross - Non-Prop reinsurance accepted	R0130									
Reinsurers' share	R0140									
Net	R0200	0	0	0	0	0	135	1,479	4,826	0
Premiums earned										
Gross - Direct Business	R0210									
Gross - Prop reinsurance accepted	R0220						135	1,479	4,826	
Gross - Non-Prop reinsurance accepted	R0230									
Reinsurers' share	R0240									
Net	R0300	0	0	0	0	0	135	1,479	4,826	0
Claims incurred										
Gross - Direct Business	R0310									
Gross - Prop reinsurance accepted	R0320				-588		442	2,537	2,909	
Gross - Non-Prop reinsurance accepted	R0330									
Reinsurers' share	R0340									
Net	R0400	0	0	0	-588	0	442	2,537	2,909	0
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Prop reinsurance accepted	R0420									
Gross - Non-Prop reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550						8	86	283	
Other expenses	R1200									
Total expenses	R1300									

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				TOTAL
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110								0
Gross - Prop reinsurance accepted	R0120			500					6,940
Gross - Non-Prop reinsurance accepted	R0130								0
Reinsurers' share	R0140								0
Net	R0200	0	0	500	0	0	0	0	6,940
Premiums earned									
Gross - Direct Business	R0210								0
Gross - Prop reinsurance accepted	R0220			500					6,940
Gross - Non-Prop reinsurance accepted	R0230								0
Reinsurers' share	R0240								0
Net	R0300	0	0	500	0	0	0	0	6,940
Claims incurred									
Gross - Direct Business	R0310								0
Gross - Prop reinsurance accepted	R0320			1,571					6,871
Gross - Non-Prop reinsurance accepted	R0330								0
Reinsurers' share	R0340								0
Net	R0400	0	0	1,571	0	0	0	0	6,871
Changes in other technical provisions									
Gross - Direct Business	R0410								0
Gross - Prop reinsurance accepted	R0420								0
Gross - Non-Prop reinsurance accepted	R0430								0
Reinsurers' share	R0440								0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550			29					406
Other expenses	R1200								
Total expenses	R1300								406

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

		Home country	Country (by amount of GWP)					Total for top 5 countries and home country
			GB	MT				
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110							0
Gross - Proportional reinsurance accepted	R0120		6,440	500				6,940
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140							0
Net	R0200	0	6,440	500	0	0	0	6,940
Premiums earned								
Gross - Direct Business	R0210							0
Gross - Proportional reinsurance accepted	R0220		6,440	500				6,940
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240							0
Net	R0300	0	6,440	500	0	0	0	6,940
Claims incurred								
Gross - Direct Business	R0310							0
Gross - Proportional reinsurance accepted	R0320		5,300	1,571				6,871
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340							0
Net	R0400	0	5,300	1,571	0	0	0	6,871
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440							0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550		377	29				406
Other expenses	R1200							
Total expenses	R1300							406

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

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060						-13	-459	-377				-1,339
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140												
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	0	-13	-459	-377	0	0	0	-1,339
Claims provisions													
Gross	R0160				410		329	5,074	23,710				7,101
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240												
Net Best Estimate of Claims Provisions	R0250	0	0	0	410	0	329	5,074	23,710	0	0	0	7,101
Total Best estimate - gross	R0260	0	0	0	410	0	316	4,615	23,333	0	0	0	5,762
Total Best estimate - net	R0270	0	0	0	410	0	316	4,615	23,333	0	0	0	5,762
Risk margin	R0280				22		24	399	1,547				494
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	0	0	0	432	0	340	5,014	24,880	0	0	0	6,256
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	432	0	340	5,014	24,880	0	0	0	6,256

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

		Accepted non-proportional reinsurance				TOTAL
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050					0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060					-2,188
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					0
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	-2,188
Claims provisions						
Gross	R0160					36,624
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					0
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	36,624
Total Best estimate - gross	R0260	0	0	0	0	34,436
Total Best estimate - net	R0270	0	0	0	0	34,436
Risk margin	R0280					2,486
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					0
Best estimate	R0300					0
Risk margin	R0310					0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	36,922
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	36,922

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

Gross Claims Paid (non cumulative absolute amount)

		0	1	2	3	4	5	6	7	8	9	10+	Current year	All years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											323	323	322
N-9	R0160	582	1,611	896	753	702	945	312	608	185	51		51	6,645
N-8	R0170	2,715	3,495	1,269	583	503	484	112	52	84			84	9,297
N-7	R0180	1,445	3,452	1,551	400	565	175	163	53				53	7,804
N-6	R0190	1,275	2,529	490	824	645	675	372					372	6,810
N-5	R0200	66	510	626	499	540	599						599	2,840
N-4	R0210	215	916	467	256	335							335	2,189
N-3	R0220	500	1,861	1,367	1,212								1,212	4,940
N-2	R0230	46	663	2,095									2,095	2,804
N-1	R0240	437	2,681										2,681	3,118
N	R0250	46											46	46
												Total	7,851	46,815

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

		0	1	2	3	4	5	6	7	8	9	10	Year End (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											306	297
N-9	R0160								1,364	818	871		848
N-8	R0170							895	617	277			270
N-7	R0180						2,187	1,512	411				400
N-6	R0190					4,083	2,782	1,403					1,367
N-5	R0200				4,350	3,121	1,140						1,113
N-4	R0210			4,793	3,715	2,328							2,267
N-3	R0220		7,962	5,700	3,155								3,076
N-2	R0230	8,596	7,078	2,831									2,759
N-1	R0240	9,897	5,099										4,976
N	R0250	19,604											19,251
												Total	36,624

S.23.01.01 - Own funds (In thousands of GBP)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	500	500			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	28,731	28,731			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	29,231	29,231	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0

S.23.01.01 - Own funds (In thousands of GBP)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	29,231	29,231	0	0	0
Total available own funds to meet the MCR	R0510	29,231	29,231	0	0	
Total eligible own funds to meet the SCR	R0540	29,231	29,231	0	0	0
Total eligible own funds to meet the MCR	R0550	29,231	29,231	0	0	
SCR	R0580	22,992				
MCR	R0600	5,748				
Ratio of Eligible own funds to SCR	R0620	1.2713553				
Ratio of Eligible own funds to MCR	R0640	5.0854210				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	29,231
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	500
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	28,731
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	2,188
Total Expected profits included in future premiums (EPIFP)	R0790	2,188

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

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0100
Market risk	R0010	10,528		
Counterparty default risk	R0020	1,865		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	16,382		
Diversification	R0060	-6,207		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	22,568		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	1,033
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-609
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	22,992
Capital add-on already set	R0210	
Solvency capital requirement	R0220	22,992
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - MCR (In thousands of GBP)

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	4,799

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	410	
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	316	135
Fire and other damage to property insurance and proportional reinsurance	R0080	4,615	1,479
General liability insurance and proportional reinsurance	R0090	23,333	4,826
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	5,762	500
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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

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

Overall MCR calculation		C0070
Linear MCR	R0300	4,799
SCR	R0310	22,992
MCR cap	R0320	10,346
MCR floor	R0330	5,748
Combined MCR	R0340	5,748
Absolute floor of the MCR	R0350	1,074
Minimum Capital Requirement	R0400	5,748