RSIF International dac

Solvency and Financial Condition Report ("SFCR") for the financial period ended 31 May 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 second version of the Solvency and Financial Condition Report ("SFCR") that is required to be prepared by RSIF International 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

RSIF International dac is a company incorporated in Ireland and authorised by the Central Bank of Ireland to carry out the following classes of non-life (re)insurance business:

- Class 1: Accident;
- Class 3: Land Vehicle;
- Class 7: Goods in Transit;
- Class 8: Fire and Natural Forces;
- Class 9: Other Damage to Property;
- Class 10: Motor Vehicle Liability;
- Class 13: General Liability;
- Class 16: Miscellaneous Financial Loss

The Company is a non-life insurance captive whose principal activity is to undertake and carry out the business of insurance of non-life risks of the RPM International Inc. group companies.

Business and Performance

Earned premium remained at a consistent level, as did operating expenses. Underwriting results were less favourable than the previous year but were along expected lines as the previous year was particularly positive. The negative underwriting result for the current year was offset by a positive investment return. The company continues to perform positively.

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
- Audit – Internal & External

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 Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman(PCF-3)
	Compliance Function			
	Risk Management Function			
	Internal Audit Function			
Willis Towers Watson	Head of Actuarial Function	External	European Union	
RPM International Inc.	Claims Administration	Internal	United States	

Risk Profile

The Company uses the Standard Formula to assess the 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 at 31 May 2018.

SCR USD'000	Market USD'000	Default USD'000	Non-life USD'000
12,430	**10,370**	**880**	**3,775**

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

Valuation for Solvency Purposes

The Company assets and liabilities, under Solvency II methodology, are valued at best estimate. This differs in some respects from the GAAP valuations for financial statements. In particular, the technical provisions for the Solvency II balance sheet represent the present value of future claim payments. A risk margin is also included in technical provisions, which represents the cost of holding the solvency capital requirement. Section D of the SFCR shows the comparison between the Solvency II balance sheet and the Financial Statements.

Capital Management

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

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

As of 31 May 2018, the Company solvency position including the individual risks is as follows:

	Capital requirement USD'000	Eligible capital USD'000	Solvency ratio %
SCR	**12,430**	**25,793**	**208**
MCR	**4,327**	**25,614**	**592**

A BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

RSIF International dac (hereinafter “the Company”) is incorporated in the Republic of Ireland and is a private company limited by shares.

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

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

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

A.1.3 External auditor of the undertaking

The independent auditors of the Company are:

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

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned by RPM International Inc., a company incorporated in the United States of America.

A.1.5 Legal Structure of the Group

RPM International Inc. is also the ultimate parent Company.

A.1.6 Material lines of business and geographical areas

The Company is a non-life insurance captive whose principal activity is to undertake and carry out the business of insurance of non-life risks of the RPM International Inc. group companies.

The main risks covered by the Company are primarily General Liability, Property Damage and Business Interruption.

The material geographical areas in which the Company operates are the EMEA and the United States of America.

A.1.7 Significant Business events during the reporting period

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

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life (re)insurance risks of the RPM International Inc. group companies.

The Company provides cover for the following lines of business:

Property Damage/Business Interruption (Classes 8 & 9)
General and Product Liability (Class 13).

For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Fire and Other Damage to Property
General and Product Liability	General Liability

The Company has determined that the US Dollar ("USD") is the functional currency.

The tables below show a summary of the technical (underwriting) account for the period ended 31 May 2018 by material Line of Business and Geographical area (based on Irish GAAP):

Underwriting performance for the main Lines of Business and Geographical areas (including aggregate performance).

Aggregate UW Performance	31/05/2018	31/05/2017
	USD'000	USD'000
Gross Premiums Earned	2,013	2,000
Gross Claims Incurred	(1,975)	(912)
Net Operating Expenses	(288)	(221)
Reinsurer's Share	(820)	(1,199)
Allocated Investment Return	1,504	1,968
Net Technical Profit	**434**	**1,636**

Financial year ended 31 May 2018			
By Line of Business	**Property Damage/Business Interruption**	**Liability**	**Total**
	USD'000	**USD'000**	**USD'000**
Gross premiums earned	1,833	180	**2,013**
Gross Claims incurred	(1,831)	(144)	**(1,975)**
Net operating expenses	(262)	(26)	**(288)**
Reinsurers' share	(820)	-	**(820)**
Allocated investment return	1,370	134	**1,504**
Net Technical Profit	**290**	**144**	**434**

Financial year ended 31 May 2018			
By Geographical Area	**EMEA**	**Worldwide**	**Total**
	USD'000	**USD'000**	**USD'000**
Gross premiums earned	823	1,190	**2,013**
Gross Claims incurred	(803)	(1,172)	**(1,975)**
Net operating expenses	(288)	-	**(288)**
Reinsurers' share	(820)	-	**(820)**
Allocated investment return	615	889	**1,504**
Net Technical Profit	**(473)**	**907**	**434**

Financial year ended 31 May 2017			
By Line of Business	**Property Damage/Business Interruption**	**Liability**	**Total**
	USD'000	**USD'000**	**USD'000**
Gross premiums earned	1,784	216	**2,000**
Gross Claims incurred	(568)	(344)	**(912)**
Net operating expenses	(197)	(24)	**(221)**
Reinsurers' share	(1,199)	-	**(1,199)**
Allocated investment return	1,758	210	**1,968**
Net Technical Profit	**1,578**	**58**	**1,636**

Financial year ended 31 May 2017			
By Geographical Area	EMEA	Worldwide	Total
	USD'000	USD'000	USD'000
Gross premiums earned	826	1,174	**2,000**
Gross Claims incurred	(396)	1,308	**(912)**
Net operating expenses	(91)	(130)	**(221)**
Reinsurers' share	(1,199)	-	**(1,199)**
Allocated investment return	806	1,162	**1,968**
Net Technical Profit	**738**	**898**	**1,636**

Earned premium remained at a consistent level, as did operating expenses. Underwriting results were less favourable than the previous year but were along expected lines as the previous year was particularly positive. Net claims incurred were affected by the release of historical ceded reserves. The negative underwriting result for the current year was offset by a positive investment return leading to an overall profit in the current year.

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

Asset Class	31/05/2018		31/05/2017	
	Amount USD'000	% of portfolio	Amount USD'000	% of portfolio
Cash at Bank	1,903	6%	1,805	5%
Equities	12,731	40%	13,524	38%
Debt securities and other fixed income securities	16,207	51%	13,993	39%
Money market funds	750	3%	6,334	18%
Total	**31,591**	**100%**	**35,656**	**100%**

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

Financial Investments	31/05/2018	31/05/2017
	USD'000	USD'000
Net investment income	681	625
Net realised gains/(losses) on investments	1,005	1,368
Net unrealised gains/(losses) on investments	(128)	38
Investment management expense	(54)	(64)
Net Investment result	**1,504**	**1,967**

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 (re)insurance 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 ("The Requirements").

Board of Directors:

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

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

J. Kastner (Chairman)

J. Hassett

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 Having considered the nature scale and complexity of the Company the Board have 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, aside from the fact that Mr. J. Hassett was appointed to the board on 18 September 2018, replacing Mr. Ronald Rice and that certain functions, including the actuarial function, internal audit function and risk management functions were finalised and approved by the CBI in line with Solvency II requirements.

B.1.3 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. No remunerated is paid.

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 (re)insurance captive whose principal activity is the issuance of insurance policies direct to its parent Company and its related subsidiaries/affiliated companies.

The Company did not enter into any transactions with key management personnel in the RPM group during the year ended 31 May 2018.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

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

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

Guidance for (Re)Insurance Undertakings on the Fitness & Probity Amendments 2015 further assist companies in complying with their obligations brought in by the Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).

The Company has adopted a Fitness and Probity Policy (reviewed by the Board on an annual basis) with the purpose of ensuring that:

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

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

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

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

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

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

B.3.1 Risk management system

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

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

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

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

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

Identify

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

Assess

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

Manage

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

Monitor/Report

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

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

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

B.3.2 Implementation of the Risk management system

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

Responsibility for risk management is spread throughout the Company and the wider Philip Morris 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 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.

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

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

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

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

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

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

B.4 Internal Control System

B.4.1 Description of the internal control system

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

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

First line of defence: “Day to day” operations and associated controls/
Second Line of defence: oversight from Compliance, Risk Management functions
3rd Line of Defence – Independent Assessment, internal audit and actuarial functions (and also external audit).

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 (a) above, and submit a written report on its findings and recommendations to the Board of Directors on at least an annual basis.

B.5.2 Independence of the internal audit function

The internal audit function provides independent and objective assurance services.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, Willis Towers Watson, 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 Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman(PCF-3)
	Compliance Function			
	Risk Management Function			
	Internal Audit Function			
Willis Towers Watson	Head of Actuarial Function	External	European Union	
RPM International Inc.	Claims Administration	Internal	United States	

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 other material changes regarding the system of governance of the Company took place, aside from those referred to in Section B1.2.

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

Non-Life underwriting risk at 31 May comprises 25% 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 (re)insurer, underwriting risk is the risk arising from non-life (re)insurance obligations in relation to the perils covered and the processes used in the conduct of business.

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

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

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

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

Non-life catastrophe risk

The risk of a major natural or man-made catastrophe event occurring, while not listed in the Company's risk register, is considered as part of its reinsurance strategy. Given the limits written by the Company in the property damage policies, there is a potential exposure to a catastrophe claim. However the Company has chosen to limit its exposure to such claims by purchasing reinsurance protection above the risk retention levels that are agreed for each year.

C.1.2 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting (re)insurance of risks which are sourced across several countries and across 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;
- Assessing insurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Diversifying and limiting (re)insurance risk through ongoing review and management;
- Transferring risk, through reinsurance with high credit quality entities;
- Monitoring changing environment and market conditions that affect risk;
- Regular review of loss ratios as included in key risk indicator reports;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Independent opinions on the reasonableness and adequacy of the overall underwriting and reserving policies are 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 components of the market risk module as at 31 May 2018.

Market Risk sub-module	USD'000
Equity	9,590
Concentration	3,467
Spread	213
Interest Rate	359
FX	62

Equity and interest rate risk are the most significant market risk charges. These risks arise mainly from the equity and bond investments. The charges are based on the actual ratings of investments held as well as the investment type.

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

Concentration risk is a product of the investments held, being the equities and bonds.

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.

The Company has a small exposure to currency risk and has allocated an FX risk charge of USD62k.

C.2.2 Material risk concentrations

Concentration risk arises in respect of the equities and bonds. However, noting that point the Company continues to hold a well-diversified bond and equity portfolio to ensure there is no over concentration of material market risks.

C.2.3 Prudent person principle applied to market risks

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

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

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

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

C.3 Credit risk

C.3.1 Material credit risks

Credit risk at 31 May comprises 6% of the undiversified basic SCR.

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

The counterparty default risk module in the Standard Formula is mainly driven by cash at bank and the reinsurer's share of technical provisions.

C.3.2 Material risk concentrations

Reinsurance risk is managed through the Company's outward reinsurance policy, which stipulates minimum credit ratings and monitoring/reporting thereof and other salient requirements.

C.3.3 Prudent person principle applied to credit risks

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

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

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

- Minimum rating criteria for the placing of deposits and opening of bank accounts, in line with the Investment and Asset Liability Policy;
- Transferring risk, through reinsurance with high credit quality entities;
- Monitoring the credit ratings of counterparties;
- Reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process;
- Retaining risk within an approved risk appetite and solvency requirements;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.4 Liquidity risk

C.4.1 Material liquidity risks

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

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

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

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

C.4.2 Prudent person principle applied to liquidity risks

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

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

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

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

C.5 Operational risk

C.5.1 Material operational risks

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

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

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 May 2018 is USD182k.

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/director's resignation;
- Outsourcing.

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

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

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

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

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

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

Nil.

C.8 Stress and sensitivity tests

The Company's ORSA contains 4 scenarios. Stress testing is based on the largest risks per the Company's risk register, which have been determined to be:

1. 100% uplift in gross and net loss ratios for property and liability business over the 3 year projection period;
2. Counterparty financial rating downgrade (from A to BBB) – all reinsurers ;
3. One off equity investment loss of USD4m in 2017;
4. Combination of rating downgrade for all reinsurers and a one off equity investment loss of USD4m.

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

The results of the stress testing conducted during 2017 indicate that the Company is well capitalised at present and is projected to have sufficient own funds to meet its overall solvency needs throughout the projection period. No further general management actions are required outside of the existing reporting and monitoring controls that are in place.

As a part of the 2017 ORSA the Company considered a reverse stress test. This can be defined as a stress test that requires assessment of scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.

The Board discussed potential scenarios which could result in a breach of the Company's SCR. The Board noted the Company is highly capitalised with a well-diversified reinsurance panel in place. In the unlikely case of repeated poor underwriting performance/catastrophic losses, the Company would take the necessary actions to mitigate these risks occurring in subsequent years, such as adjusting premium levels or altering the reinsurance structure.

The Board noted that the Company, even in the absence of such remediation measures, could continue in business with the support of the parent company.

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 Local GAAP and Solvency II Valuations

The table below sets out the value of the Company's assets as at 31 May 2018:

Financial year ended 31/05/2018		
	Assets per GAAP	Assets per Solvency II
	Total USD'000	Total USD'000
Cash and cash equivalents	1,903	2,653
Equities	12,731	-
Debt securities and other fixed income securities	16,207	-
Money Market Funds	750	-
Government Bonds	-	9,490
Collective Investment Undertakings	-	19,448
Reinsurer's share of technical provisions	683	(810)
Insurance and Intermediaries Receivables	1,190	1,190
Deferred Tax Asset	47	179
Other Debtors	78	125
Total assets	**33,589**	**32,275**

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Adjustment for solvency purposes relates to the reclassification of the money market funds to cash equivalents.

Cash and cash equivalents are measured at fair value.

Equities

These are quoted instruments in active markets and therefore the market price as at 31 May 2018 has been applied.

Adjustment for solvency purposes relates to the reclassification of certain equity investments to collective investment undertakings (equity funds).

Debt securities and other fixed income securities

These are quoted instruments in active markets and therefore the market price as at 31 May 2018 has been applied.

Adjustment for solvency purposes relates to the reclassification to collective investment undertakings and government bonds.

Reinsurance recoverables

Reinsurance recoverables are comprised of the reinsurer's share of unearned premiums and a provision for amounts recoverable from the related reinsurance contract and relate to the Fire and Other Damage to Property insurance class only.

Adjustments for solvency purposes relates to the application of the Solvency II best estimate valuation. The fair value of these combined technical provisions is calculated by discounting estimated future cash-flows (best estimates) based on estimated duration of each provision (payment pattern), using the risk-free interest rates curve. An adjustment for reinsurer default is then applied.

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 May 2018:

Financial Year ended 31 May 2018		
Insurance Class	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000
Fire and Other Damage to Property		
Best estimate of liabilities (BEL)	2,689	4,321
Risk margin	-	173
General Liability		
Best estimate of liabilities (BEL)	1,772	1,744
Risk margin	-	106
Total technical provisions	**4,461**	**6,344**

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

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Fire and Other Damage to Property
General and Product Liability	General Liability

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

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

The Solvency II technical provisions comprise the following:

- Undiscounted claims provision
- Undiscounted premium provision
- Expenses
- Discounting
- Risk margin

Calculation basis was as follows:

- The claims provisions are based on actuarial best estimates.
- The expected losses for the premium provision are calculated by applying a loss ratio to the unearned premium.
- Allocated expenses are allowed for implicitly within the best estimate reserves.
- ENID ("Events not in Data – allowance for possible events that have not historically occurred, but could impact the claims experience) No explicit adjustment has been made for ENIDs.
- All elements of the technical provisions are discounted at the risk free rates (USD) published by EIOPA to give present values.

Risk Margin

The Solvency II Guidance states that the Risk Margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The risk margin as 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 simplification method 2.

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. Estimates and

judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant areas of uncertainty relating to the Company's liabilities are:

- The potential for multiple claims resulting from the failure of one product;
- The long-tailed nature of the Company's exposures;
- The high limits underwritten by the Company, and the lack of reinsurance for all but one class of business.

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

Total reinsurance recoverables at 31 May 2018 were (USD810k). An analysis of the components of same together with an overview of the Solvency II valuation bases has been provided in Section D1.1.

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 ("Day 1" Solvency II reporting).

D.3 Other liabilities

Other liabilities at 31 May 2018 amount to USD138k and are primarily composed of accruals (USD118k). There were no differences between the Local GAAP and Solvency II valuations of other liabilities.

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 share capital over the three year time horizon used for business planning.

The Company has also received USD 3.2 million in capital contributions since its inception. These contributions are irrevocable, non-refundable and will not result in a grant by the Company of any rights or the assumption by the Company and obligations to the parent or any third party. These capital contributions have been treated as Tier 1 Own Funds as fully distributable reserves not constituting liabilities of the Company 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 120% 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 intercompany deposits in line with the Board approved Investment and Asset Liability Policy.

E.1.2 Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	Tier 1 USD'000	Tier 3 USD'000	Total USD'000
1 June 2017	Opening balance comprising:			
	Ordinary share capital	826		826
	Reconciliation Reserve (including capital contribution)	25,736		25,736
	Deferred Tax Asset		18	18
	Movement in the Reconciliation reserve for the period ended 31 May 2018	(948)		(948)
	Movement in Deferred Tax Asset		161	161
31 May 2018	Closing balance	25,614	179	25,793
	Represented by:			
	Ordinary share capital	826		826
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	24,788		24,788
	Deferred Tax Asset		179	179
	Total Basic own funds after deductions	25,614	179	25,793

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

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

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

The eligible amount of own funds to cover the Solvency Capital Requirement is USD25.8m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD25.6m and Tier 3 Basic funds of USD171k.

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

The eligible amount of own funds to cover the Minimum Capital Requirement is USD25.6m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD25.6 m.

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 May 2018	
	USD'000
Solvency II - Basic Own Funds	25,793
Total Equity as per financial statements	27,046
Difference:	**(1,253)**
Represented by:	
Difference between Net Technical Provisions and BEL	(1,152)
Risk Margin – Non Life	(280)
Deferred Tax Asset	179
Difference:	**(1,253)**

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 May 2018:

	USD'000
Solvency Capital Requirement	12,430
Minimum Capital Requirement	4,327

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 May 2018.

SCR Overview	USD'000
Market risk	10,370
Counterparty default risk	880
Non-life underwriting risk	3,775
Diversification	(2,777)
Basic Solvency Capital Requirement	**12,248**
Operational risk	182
Solvency Capital Requirement	**12,430**

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.

MCR Overview	USD'000
Linear MCR	751
SCR	12,430
MCR cap	5,594
MCR floor	3,108
Combined MCR	3,108
Absolute floor of the MCR	4,327
Minimum Capital Requirement	**4,327**

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 templates are included at the end of the report.

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
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	179
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**	28,937
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	9,490
Government Bonds	**R0140**	9,490
Corporate Bonds	**R0150**	-
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	19,448
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	-
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**	(810)
Non-life and health similar to non-life	**R0280**	(810)
Non-life excluding health	**R0290**	(810)
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**	1,190
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**	2,653
Any other assets, not elsewhere shown	**R0420**	126
Total assets	**R0500**	32,275

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	6,344
Technical provisions – non-life (excluding health)	**R0520**	6,344
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	6,065
Risk margin	**R0550**	280
Technical provisions - health (similar to non-life)	**R0560**	-
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	-
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	-
Reinsurance payables	**R0830**	20
Payables (trade, not insurance)	**R0840**	118
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	**R0860**	-
Subordinated liabilities in BOF	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	-
Total liabilities	**R0900**	6,482
Excess of assets over liabilities	**R1000**	25,793

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)**								
		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**							2,012	-	
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**							820	-	
Net	**R0200**							1,192	-	
Premiums earned										
Gross - Direct Business	**R0210**							1,833	180	
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**							820	-	
Net	**R0300**							1,013	180	
Claims incurred										
Gross - Direct Business	**R0310**							1,831	144	
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**							-		
Net	**R0400**							1,831	144	
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**							262	26	
Other expenses	**R1200**									
Total expenses	**R1300**									

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**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**								2,012
Gross - Proportional reinsurance accepted	**R0120**								-
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								820
Net	**R0200**								1,192
Premiums earned									
Gross - Direct Business	**R0210**								2,013
Gross - Proportional reinsurance accepted	**R0220**								-
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								820
Net	**R0300**								1,193
Claims incurred									
Gross - Direct Business	**R0310**								1,975
Gross - Proportional reinsurance accepted	**R0320**								-
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								-
Net	**R0400**								1,975
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**								288
Other expenses	**R1200**								-
Total expenses	**R1300**								288

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	UK	US	DE	BE	AU	
Premiums written	Gross - Direct Business	R0110	0	273	1,190	140	76	72	1,751
	Gross - Proportional reinsurance accepted	R0120	0						0
	Gross - Non-proportional reinsurance accepted	R0130							
	Reinsurers' share	R0140	820	0	0	0	0	0	820
	Net	R0200	(820)	273	1,190	140	76	72	931
Premiums earned	Gross - Direct Business	R0210	0	273	1,172	140	76	72	1,733
	Gross - Proportional reinsurance accepted	R0220	0						0
	Gross - Non-proportional reinsurance accepted	R0230							
	Reinsurers' share	R0240	820		0	0	0	0	820
	Net	R0300	(820)	273	1,172	140	76	72	913
Claims incurred	Gross - Direct Business	R0310	0	6	1,999	(3)	(33)	4	1,973
	Gross - Proportional reinsurance accepted	R0320	0						0
	Gross - Non-proportional reinsurance accepted	R0330							
	Reinsurers' share	R0340	(379)	0	0	0	0	0	(379)
	Net	R0400	379	6	1,999	(3)	(33)	4	2,352
Changes in other technical provisions	Gross - Direct Business	R0410	0	0	0	0	0	0	0
	Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
	Gross - Non-proportional reinsurance accepted	R0430							
	Reinsurers' share	R0440	0	0	0	0	0	0	0
	Net	R0500	0	0	0	0	0	0	0
Expenses incurred		R0550	288	0	54	0	0	0	342
Other expenses		R1200							0
Total expenses		R1300							342

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-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	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060			C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060							1,671	-	-								1,671
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140							(810)										(810)
Net Best Estimate of Premium Provisions	R0150							2,481	-	-								2,481
Claims provisions																		
Gross	R0160							2,650	1,744	1,744								4,394
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							2,650	1,744	1,744								4,394
Total Best estimate - gross	R0260							4,321	1,744	1,744								6,065
Total Best estimate - net	R0270							5,131	1,744	1,744								6,875
Risk margin	R0280							173	107	107								280
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							4,494	1,850	1,850								6,344
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330							(810)	-	-								(810)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340							5,304	1,850	1,850								7,154

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	UW Year

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

		Development year												
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											18	**R0100**	18	17,560
N-9	**R0160**	-	86	444	3	-	-	-	-	-			**R0160**	-	533
N-8	**R0170**	-	1,013	79	-	-	-	-	-				**R0170**	-	1,092
N-7	**R0180**	-	684	2	1	-	-	-					**R0180**	-	687
N-6	**R0190**	-	656	187	1	-	-						**R0190**	-	844
N-5	**R0200**	-	634	14	-	-							**R0200**	-	648
N-4	**R0210**	-	165	213	-								**R0210**	-	378
N-3	**R0220**	-	65	3									**R0220**	-	68
N-2	**R0230**	-	887	18									**R0230**	18	905
N-1	**R0240**	-	457										**R0240**	457	457
N	**R0250**	-											**R0250**	-	-
													Total **R0260**	493	23,172

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**Year end (discounted**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											340	**R0100**	268
N-9	**R0160**	-	-	-	-	-	-	-	-	31	33		**R0160**	30
N-8	**R0170**	-	-	-	-	-	-	-	37	38			**R0170**	36
N-7	**R0180**	-	-	-	-	-	-	85	89				**R0180**	87
N-6	**R0190**	-	-	-	-	-	111	117					**R0190**	117
N-5	**R0200**	-	-	-	-	154	163						**R0200**	167
N-4	**R0210**	-	-	-	209	221							**R0210**	233
N-3	**R0220**	-	-	228	241								**R0220**	261
N-2	**R0230**	-	1,070	1,162									**R0230**	804
N-1	**R0240**	325	1,990										**R0240**	2,049
N	**R0250**	336											**R0250**	341
													Total **R0260**	4,393

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	826	826		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	24,788	24,788			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	179				179
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	25,793	25,614	-	-	179
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	25,793	25,793	-	-	179
Total available own funds to meet the MCR	R0510	25,614	25,614	-	-	
Total eligible own funds to meet the SCR	R0540	25,793	25,793	-	-	179
Total eligible own funds to meet the MCR	R0550	25,614	25,614	-	-	
SCR	R0580	12,430				
MCR	R0600	4,327				
Ratio of Eligible own funds to SCR	R0620	208%				
Ratio of Eligible own funds to MCR	R0640	592%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	25,793
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	1,005
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	24,788
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	-

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	10,370		-
Counterparty default risk	R0020	880		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	-
Non-life underwriting risk	R0050	3,775	-	-
Diversification	R0060	(2,777)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	12,248		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	182
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	12,430
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	12,430
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	751

		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	5,131	1,192
General liability insurance and proportional reinsurance	R0090	1,744	250
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	-

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

Overall MCR calculation

		C0070
Linear MCR	R0300	751
SCR	R0310	12,430
MCR cap	R0320	5,594
MCR floor	R0330	3,108
Combined MCR	R0340	3,108
Absolute floor of the MCR	R0350	4,327
Minimum Capital Requirement	R0400	4,327