ITX Re DAC

Solvency & Financial Condition Report

For the year ended 31 January 2019

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Tables within this report may contain minor rounding differences in certain instances due to amounts being displayed as whole numbers or in thousands.

Executive summary

ITX Re DAC (the "**Undertaking**") has prepared this Solvency and Financial Condition Report ("**SFCR**") to satisfy the public disclosure requirements per Directive 2009/138/EC of the European Parliament and of the Council ("**Solvency II Directive**"), per the Commission Delegated Regulation (EU) 2015/35 ("**Delegated Regulations**") and in accordance with the Board of Directors approved policy on Reporting and Public Disclosure. To ensure accuracy, completeness and consistency of the SFCR, a number of controls have been implemented in addition to a detailed review process by management and the Board of Directors. The Board of Directors approved the SFCR on 25 April 2019.

The structure of the SFCR follows the requirements set forth in Chapter XII, Section 1, Article 290 – Article 303 of the Delegated Regulations, and consists of the following sections:

(A) Business and Performance;
(B) System of Governance;
(C) Risk Profile;
(D) Valuation for Solvency II Purposes; and
(E) Capital Management.

The ultimate administrative body that has responsibility for all of these matters is the Undertaking's Board of Directors ("**Board**"), with the assistance of management and various governance and control functions that it has put in place to monitor risk and manage the business.

Section A - Business and Performance

The Undertaking is a non-life reinsurer based in the Republic of Ireland and regulated by the Central Bank of Ireland. The Undertaking was established in 2006, and its principal activity is the acceptance of reinsurance business assumed from third party insurers, for insurance business solely relating to INDUSTRIA DE DISEÑO TEXTIL, S.A. ("**INDITEX S.A.**").

Based on its financial statements prepared under generally accepted accounting principles, the Undertaking's after tax profit for the financial year ended 31 January 2019 ("**reporting period**") was €23.33m (2017: €13.84m). Shareholders' funds as of 31 January 2019 were €135m (2017: €122m). The Undertaking underwrites a diversified portfolio of business and significant risks ceded to the Undertaking were Non-Proportional Property Reinsurance, Non-Proportional Casualty Reinsurance, Non-Proportional MAT Reinsurance, Income Protection Insurance and Miscellaneous Financial Loss. The risks ceded to and exposures held by the Undertaking are largely unchanged from the prior year. The Undertaking transacts reinsurance business with cedants domiciled in both the EEA and Non-EEA. The Board considers the level of premium, claims position and result for the year to be satisfactory as documented within the Undertaking's financial statements.

The Undertaking demonstrated consistent positive underwriting performance with an increase in net earned premium of 4% to €47m (2017: €45m) and a combined operating ratio of 44.5% (2017: 65.7%) The investment net return was 24bps (2017: 13bps).

In terms of underwriting result, 2018 was a more than satisfactory year for the Undertaking with improved performance heavily influenced by better than expected claim developments against prior years across the majority of the lines of business and reduced number of natural catastrophe events reported in respect of Non-Proportional Property reinsurance line of business. The underwriting performance was supported by an improved investment result, due to an increase in US Treasury yields, and continued strong control of acquisition costs. Refer to section A for further detail on the Undertaking's business and performance.

Section B – Systems of Governance

The section on the system of governance aims at enabling the public to assess whether the system of governance is set-up in an appropriate manner with regard to the Undertaking's strategic objectives and taking into account the nature, scale and complexity of the Undertaking's business operations.

The Undertaking's Board is responsible for the overall management and oversight of the Undertaking. The Board strives to keep the current corporate governance framework up to date with new legislation and to identify best practice.

The Undertaking has a robust governance and control framework in place, which facilitates clear decision making, provides clarity over roles and responsibilities and an understanding of the Undertaking's strategic objectives. The governance and control framework defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. The Undertaking is subject to the Central Bank of Ireland's "Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015".

The Undertaking's Fit and Proper Policy sets out principles, criteria and processes to ensure the fitness and probity of those persons who manage the undertaking or are responsible for other key functions. The Undertaking ensures that all persons, who effectively run the undertaking or are responsible for other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The Undertaking has set-up a comprehensive risk management framework which ensures the coordination of the Undertaking's business and risk strategies and the integration of the different elements of the risk management system.

The internal control system of the Undertaking comprises the set of activities undertaken to achieve the objectives of:

(i) accomplishment of the Undertaking's strategic objectives;
(ii) effective and efficient operations;
(iii) reliability of management and financial reporting; and
(iv) compliance with applicable laws and regulations.

The Undertaking's internal control system is embedded into the operational set-up throughout the Undertaking and is articulated along the three-lines-of-defence model. According to the model, the first line of defence covers operational controls, assurance functions (risk management, actuarial and compliance) represent the second line, while internal audit provides the third line of defence.

There have been no significant changes to the Undertakings systems of governance in the previous twelve months. Refer to section B for further detail on the Undertaking's system of governance.

Section C – Risk Profile

For all material risks, a comprehensive quantitative and qualitative risk management process is in place that incorporates:

(i) risk identification;
(ii) risk assessment;
(iii) risk mitigation and control activities;
(iv) risk monitoring; and
(v) risk reporting.

The acceptance of risk is the core business of the Undertaking as a reinsurance entity. The Undertaking is exposed to underwriting and reserving risk, with limited exposures to currency, liquidity and default risks. From an operational risk standpoint, the Undertaking has not identified any material risk which it is exposed to which may affect the Undertaking's ability to achieve its strategic objectives. These risks are managed through the Undertaking's risk management function which reports directly to the Board who retain full responsibility for oversight of how risk should be managed and how much risk should be accepted in order for the Undertaking to achieve its strategic objectives.

There have been no significant changes to the Undertaking's risk profile in the previous twelve months, with the Undertaking continuing to identify, assess, manage and monitor risks that may affect the Undertaking's ability to achieve its strategic objectives. In addition, the Undertaking carries out its own assessment of capital requirements through the Own Risk and Solvency Assessment ("**ORSA**") process and comparing these results

against the corresponding standard formula Solvency Capital Requirement ("**SCR"**) as a further cross validation of the Undertaking's risk management review process. Refer to section C for further detail on the Undertaking's risk profile.

Section D – Valuation for Solvency Purposes

The Undertaking's assets are valued at fair value and technical provisions are valued on a best estimate basis under Solvency II valuation methodology. This differs in some respects from valuations presented in the financial statements. In particular, the technical provisions reported in the Solvency II balance sheet represents the present value of all future cash flows required to settle the reinsurance obligations over the lifetime of those obligations. A risk margin is also included within the Solvency II technical provisions, which represents the costs of capital necessary to support the reinsurance obligations over their future lifetimes. Refer to section D for further detail on the Undertaking's valuation for solvency purposes.

Section E – Capital Management

The Undertaking currently uses the standard formula to calculate its solvency capital requirement in accordance with the Solvency II Directive. The Undertaking has calculated its SCR to be €48.4m (2017: €46.5m) at year end. The Undertaking was sufficiently capitalized at year end with own funds exceeding the SCR by €87.9m (2017: €75.9m) and a resulting solvency ratio of 282% (2017: 263%). All of the Undertaking's own funds are classified as Tier 1 and there have been no changes in the nature and quality of capital employed by the Undertaking during the year.

The Undertaking has calculated its Minimum Capital requirement ("**MCR**") to be €16.7m (2017: €15.4m) at year end. The Undertaking has eligible Tier 1 own funds of €136.3m (2017: €122.4m) giving a MCR coverage of 815% (2017: 796%).

The Undertaking has complied in all material respects with the requirements of Solvency II as applicable throughout the reporting period. The Undertaking reasonably believes that it will comply with Solvency II subsequently and will continue to comply for the foreseeable future. Refer to section E for further detail on the Undertaking's capital management.

A Business and performance

A.1 Business

a) Name and Legal Form

The Undertaking is an Irish incorporated entity domiciled in the Republic of Ireland and is authorised by the Central Bank of Ireland to provide non-life reinsurance under the European Union (Insurance and Reinsurance) Regulations 2015 ("**S.I. No. 485 of 2015**").

The principal activity of the Undertaking is the acceptance of reinsurance business assumed from third party insurers, for insurance business relating solely to INDITEX S.A.

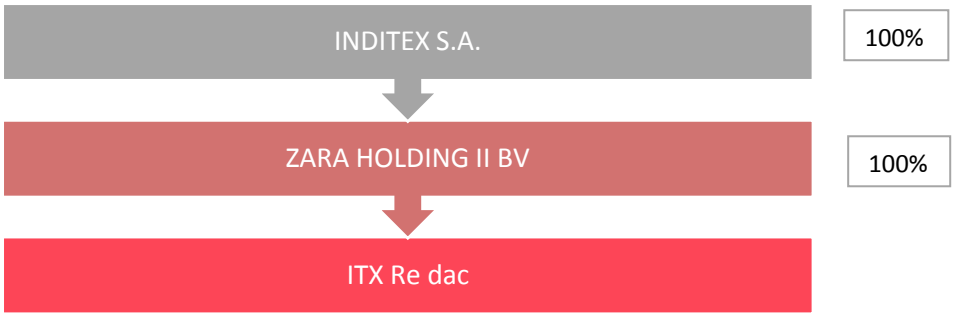
The Undertaking's registered address is:

5th Floor, Block 5,
Harcourt Centre,
Harcourt Road,
Dublin 2.

b) Position within the Group

The Undertaking is a wholly owned subsidiary of Zara Holding II B.V. (the "**Parent**"). The ultimate parent of the Undertaking is INDITEX S.A., a Spanish domiciled entity listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

The following, shows, in simplified form, a structure chart of the Undertaking and its ultimate parent as at 31 January 2019:



The Parent holds 100% of the qualifying holdings and voting rights of the Undertaking. The Undertaking is a captive reinsurer and does not belong to any Re/Insurance group, nor does it have any related Re/Insurance affiliates. A captive is defined by the Central Bank of Ireland[2] as "*An insurance or reinsurance undertaking, owned either by a financial undertaking other than an insurance or reinsurance undertaking or a group of insurance or reinsurance undertakings within the meaning of point (c) of Article 212(1) of Directive 2009/138/EC (the Solvency II Directive) or by a non-financial undertaking, the purpose of which is to provide insurance or reinsurance cover exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member*."

Refer to "A2 Underwriting performance" for information on material lines of business, and geographical locations where the Undertaking carries out its business.

c) Supervisor and External Auditor

The Undertaking's regulatory supervisor is the Central Bank of Ireland, whose address is:

[2] Based on the definition contained in Article 13 of Directive 2009 /138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance and, for clarity, the definition in the Requirements includes the risks of entities that are consolidated in the audited financial statements of the group.

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

The external auditors are Deloitte Ireland LLP, whose address is:

Deloitte & Touché House,
29 Earlsfort Terrace,
Dublin 2.

The conduction of the audit and the resulting opinion is stated in the auditor's report signed by the independent auditor partner.

d) Principal Activities

The principal activity of the Undertaking is the transaction of Proportional and Non-Proportional Non-Life and Health reinsurance business with global cedants. The Undertaking is a non-life reinsurance entity and utilises its in-house expertise to provide risk transfer solutions and capacity for insurance business solely relating to INDITEX, S.A.

The Undertaking underwrites Property Damage and Business Interruption, Miscellaneous Financial Loss, Goods in Transit, Liability, Accident and Health business. .

e) Significant business and other events

No significant business or other events impacted the Undertaking during the year.

A.2 Underwriting performance

The following tables provide information on the Undertaking's underwriting performance for the reporting period, by Solvency II line of business and at an aggregate level, compared to the prior year ended 31 January 2018. The financial values are per the Undertaking's financial statements, which have been prepared under the historical cost convention and in accordance with Financial Reporting Standards 102 & 103 ("**FRS 102 & 103**"), as issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland (hereinafter "**Local GAAP**").

The Undertaking defines underwriting performance based on FRS 102 & 103 for all qualitative and quantitative information provided in this section in line with the Quantitative Reporting Templates S.05.01 and S.05.02 and its financial statements as:

Gross written premiums
+/- change in retrocession premium
+/- change earned premiums
+/- change in claims incurred
+/- acquisition and administrative expenses incurred
= underwriting result

In €'000s	2018	2017
Gross written premiums	44,007	44,277
Retrocession	(479)	(450)
Net earned premiums	47,218	45,459
Net claims incurred	(18,592)	(27,567)
Acquisition and administrative expenses incurred	(2,413)	(2,310)
Underwriting Result	**26,213**	**15,582**

A further breakdown of the Undertaking's underwriting performance by Solvency II line of business is captured in the following tables:

	Accepted non-proportional reinsurance - Property 2018 €000's	Accepted non-proportional reinsurance - Casualty 2018 €000's	Misc. financial loss 2018 €000's	Accepted non-proportional reinsurance - MAT 2018 €000's	Income protection insurance 2018 €000's	Other non-material lines of business 2018 €000's	Total 2018 €000's
Gross Premiums Written	21,921	8,260	3,980	3,575	2,388	3,883	44,007
Retrocession Premium	(479)	-	-	-	-	-	(479)
Net Earned Premium	21,637	8,353	4,202	3,629	2,388	7,009	47,218
Claims Paid	(5,056)	(1,917)	-	(2,367)	(433)	(2,868)	(12,641)
Change in Claims and Reserves	(3,110)	(2,568)	(1,998)	(277)	(705)	2,707	(5,951)
Acquisition & Admin costs	(902)	(365)	(211)	(76)	(211)	(648)	(2,413)
Underwriting profit (loss)	12,569	3,503	1,993	909	1,039	6,200	26,213

	Accepted non-proportional reinsurance - Property 2017 €000's	Accepted non-proportional reinsurance - Casualty 2017 €000's	Misc. financial loss 2017 €000's	Accepted non-proportional reinsurance - MAT 2017 €000's	Income protection insurance 2017 €000's	Other non-material lines of business 2017 €000's	Total 2017 €000's
Gross Premiums Written	21,494	8,014	4,297	3,360	2,276	4,836	44,277
Retrocession Premium	(450)	-	-	-	-	-	(450)
Net Earned Premium	20,946	7,725	4,157	3,319	2,275	7,037	45,459
Claims Paid	(11,557)	(1,581)	-	(1,983)	(564)	(3,098)	(18,783)
Change in Claims and Reserves	(746)	(2,171)	(1,780)	886	(1,100)	(3,873)	(8,784)
Acquisition & Admin costs	(818)	(349)	(208)	(71)	(202)	(662)	(2,310)
Underwriting profit (loss)	7,825	3,624	2,169	2,151	409	(596)	15,582

The Solvency II lines of business reflects the reinsured activities ceded to the Undertaking. The significant risks reinsured within the above lines of business include:

- Property Damage and Business Interruption
- Miscellaneous Financial Loss
- Goods in Transit
- Liability
- Accident & Health

The movement in underwriting profit reflects the better than expected claim developments against prior years across the majority of the lines of business, together with a reduction in exposures within the Credit & Surety line of business resulting in a lower claims and reserve charge, whilst prior year reflects the impact of higher property damage and business interruption claims incurred on account of natural catastrophe events which impacted the Undertaking's Non-Proportional Property line of business.

The following table provided information on the Undertaking's underwriting performance for the reporting period by material geographical area and at an aggregate level, compared to the prior year ended 31 January 2018. The financial values are per the Undertaking's financial statements:

	EEA		Non-EEA		Total	
€000's	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Gross Premiums Written	31,627	31,530	12,380	12,747	44,007	44,277
Retrocession	(479)	(450)	-	-	(479)	(450)
Net Earned Premium	31,570	30,552	15,648	14,907	47,218	45,459
Claims Paid	(7,590)	(14,502)	(5,051)	(4,281)	(12,641)	(18,783)
Change in Claims and Reserves	(6,412)	(4,508)	461	(4,276)	(5,951)	(8,784)
Acquisition & Admin costs	(1,626)	(1,545)	(787)	(765)	(2,413)	(2,310)
Underwriting profit (loss)	15,942	9,997	10,271	5,585	26,213	15,582

A.3 Investment performance

The table below represents the investment income earned, by class of assets held by the Undertaking throughout the year, together with a comparison to prior year.

	2018 €000's	**2017 €000's**
Deposits other than cash equivalents	7	31
Cash and cash equivalents	438	204
Insurance and Intermediaries receivable	8	5
Total investment return	**453**	**240**

There are no gains or losses recognised directly within equity.

The Undertaking incurred expenses of €1,448 (2017: €1,566) related to the above investments.

A.4 Performance of other activities

The Undertaking did not have any other material income or expenses incurred during the reporting period, including any operating or finance leases.

A.5 Any other information

The Undertaking does not have any other material information regarding business and performance for disclosure, other than as disclosed above.

B Systems of governance

B.1 General information on the systems of governance

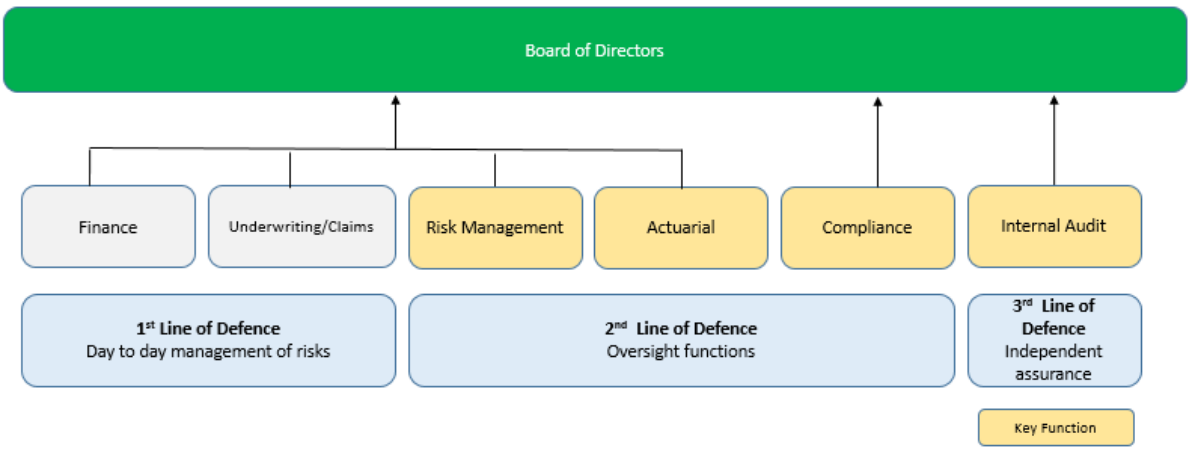
The Undertaking has a robust governance and control framework in place, which facilitates clear decision making, provides clarity over roles and responsibilities and an understanding of the Undertaking's strategic objectives. The Undertaking's systems of governance and control framework is proportionate to the risk-profile of a captive reinsurance undertaking whilst taking into account the Undertaking's regulatory and compliance requirements in line with the Solvency II Directive, the Delegated Acts and any other guidelines and regulations issued by the Central Bank of Ireland. The governance and control framework structure is supported by a number of policies and strategies with Solvency II compliance at the core of each policy. Furthermore, there are a number of risk management policies as required by the Undertaking's system of governance to support the management body of the Undertaking in pursuit of its strategic objectives. The governance and control framework and supporting policies are reviewed by management and presented to the Board for approval at least annually. Through the documented policies in place, the Undertaking ensures that there is a common understanding of the following:

- The management body of the Undertaking (i.e. the Board, management and key functions) and their roles;
- The Undertaking's goals and strategic objectives;
- The Undertaking's Risk Appetite and Risk Tolerance levels;
- The membership of the Board, its role, the frequency of meetings and the process for making changes to Board membership;
- Who is empowered to act on behalf of the Undertaking and in what capacity and to what extent; and
- How certain key individuals are appointed and resign, or are removed.

The governance and control framework defines the key areas of authority and responsibility and establishes the appropriate lines of reporting. These reporting lines are both direct and indirect, and in some instances through to parties external to the Undertaking e.g. Legal and Regulatory Bodies, External Auditor and Outsourced Service Providers. The business is structured in a manner reflective of the nature, scale and complexity of the Undertaking's operations to enable effective risk management and to carry out its activities in such a manner so as to achieve its objectives.

The governance structure ensures that there is an appropriate segregation of duties in a proportionate manner to a captive reinsurance undertaking considering the nature, scale and complexity of such undertakings.

The Undertaking adopts a risk-based approach which enables the Undertaking to manage the segregation of duties in a balanced and efficient way that reflects the value that is being protected. Through the Undertaking's documented policies, there are controls in place to ensure that individuals cannot make unilateral decisions, or enter into significant transactions, without following due process and Board approval where required. This Board approval must be within the Board's terms of reference and not be to the detriment of the Undertaking's business strategy. The governance structure has not materially changed within the reporting period.



B.1.2 Role of the Board

The key role of the Board is leadership and oversight of the implementation of the business strategy by management in a transparent and effective manner. The Board is the focal point of the Undertaking's corporate governance and control framework. The Board as a whole is collectively responsible for the success of the Undertaking. The Board has ultimate responsibility for the performance, conduct and reporting requirements of the Undertaking as a regulated reinsurance entity. The delegation of responsibility to management or key functions does not in any way discharge the Board of its duties and responsibilities.

The Board sets the Undertaking's strategic objectives and Risk Appetite and ensures that the necessary financial and human resources are in place for the Undertaking to meet its objectives.

The Board also reviews the performance of directors, management, key functions and of those providing important or critical outsourced services to the Undertaking. The Board has the appropriate balance of skills, experience and knowledge of the Undertaking to enable it to discharge its duties and responsibilities effectively.

The Board is responsible for, amongst other things, the following significant responsibilities:

- Setting the Undertaking's values and standards, and ensures that its obligations to its shareholder and other key stakeholders are understood and met;
- Ensuring the effective, prudent, and ethical oversight of the Undertaking;
- Ensuring the effective and successful management of the Undertaking;
- Ensuring that risk and compliance are properly managed by the Risk Management Function and the Head of Compliance;
- Exercising appropriate oversight over each key function;
- Ensuring a remuneration framework in line with the risk strategy of the Undertaking is in place;
- Exercising appropriate oversight over the execution of the agreed strategies, goals and to monitor reporting of performance; and
- Monitoring and establishing internal controls to address both operational and business risks.

The Board delegates authority relating to a range of functions to management to ensure the orderly, efficient and effective running of the Undertaking's affairs. However, notwithstanding this delegation of authority, the Board retains full responsibility for all delegated functions.

The Board encompasses professionals who have a diversified and intrinsic knowledge of reinsurance and captive issues including skills in the following areas: underwriting, risk financing, financial, risk management, regulatory and compliance.

B.1.2.1 Role of the directors

The role of a director includes the proposal of strategies to the Board and, following Board scrutiny, to execute the agreed strategies. The directors are committed to achieving and maintaining the highest standards of corporate governance in regards to the procedures, processes and attitudes according to which the Undertaking is directed and managed. All directors are responsible for the following in addition to their fundamental fiduciary duties under Company Law in Ireland:

- They are required to have a full understanding of the Undertaking's business, activities, related risks and the financial statements;
- They are required to have a full understanding of their individual direct and indirect responsibilities and collective responsibilities;
- Ensure continuous compliance with Fit and Probity standards, the Code issued under Section 50 of the Central Bank Reform Act 2010, at all times during their appointment as directors. All persons performing pre-approval controlled functions have declared that they meet the Fit and Probity standards, that they are competent and capable, act honestly, ethically and with integrity, and are financially sound;
- Participate actively in the Board's decision making process and in Board committee(s) where any such committee(s) have been established;
- Participating actively in constructively challenging and developing strategies, policies and governance and control framework; and
- Exercising appropriate oversight over the execution of the agreed strategies, goals and to monitor reporting of performance.

B.1.3 Role of the CEO and management

Responsibility for general operational management and control of the Undertaking is delegated by the Board to the Chief Executive Officer ("**CEO**") with certain powers reserved (including those which cannot be delegated under law or the Constitution of the Undertaking) which require Board approval. It is the responsibility of the CEO, as supported by management, to oversee the operations of the Undertaking, to ensure the operations comply with the objectives and policies set out by the Board as well as those established in law and regulation.

The CEO will provide the Board with recommendations for review on all aspects that concern the operations of the Undertaking, in performing its function the CEO reports directly to the Board and acts only within such delegated authority as granted by the Board.

The Board has delegated authority to the CEO and management in respect of the following key responsibilities:

- Oversee the continuous day to day management of the Undertaking's operational, financial and risk management activities. This includes, but not limited to:
    - reviewing the continued appropriateness of the Undertaking's governance and control framework including supporting policy framework;
    - overseeing and advising the Board on underwriting performances;
    - monitoring the effectiveness of the Undertaking's financial policies, and assessing the Undertaking's risk to such financial areas: and
    - evaluating the effectiveness of the Undertaking's risk management system to identify, measure, monitor, manage and report risks that the Undertaking is exposed to including new and emerging risks.
- Ensure regulatory & compliance obligations are adhered; and
- Review and agree any service level agreement changes and/or remuneration amendments in respect of critical or important outsourced activities and recommend them to the Board for approval.

B.1.4 Roles and responsibilities of key functions

The Undertaking has established four key control functions - Risk Management, Actuarial, Compliance and Internal Audit. These functions are responsible for providing oversight of and challenge to the business, and for providing assurance to the Board and management in relation to the Undertaking's governance and control framework.

The role and responsibilities of each key control function is reviewed annually by the Board to ensure each key function has a clear understanding of its function and role, has the required access to information and personnel (from employees, directors to outsourced providers), where required is independent and free from influence and has the human and financial resources to fulfil its role.

B.1.4.1 The role of the Risk Management Function

The Board has established a Risk Management Function ("**RMF**") with the purpose of assisting the Board in providing leadership, direction and oversight of the Undertaking's risk appetite, tolerance, risk strategy and risk management and control framework. The RMF acts as 2nd line of defence of the Undertaking's internal control system. The RMF's primary function is to identify measure, manage, monitor and report significant risks to the achievement of the Undertaking's business objectives. The position of Chief Risk Officer is performed by the Undertaking's CEO. The Chief Risk Officer is responsible for oversight of the RMF and specific functional responsibilities include, but not limited to:

- To oversee the management of all key material risks facing the Undertaking;
- To develop a risk framework fit for purpose for the Undertaking and in line with the Board approved risk appetite;
- To provide oversight and challenge to the management of risk and highlight risks that may impact capital;
- To provide input into the capital calculation and technical reserve provisioning process;
- To work with Internal Audit and Compliance to ensure an integrated approach to independent assurance where possible; and
- To escalate any issues (including identification of new or emerging risks) to the Board.

B.1.4.2 The role of the Actuarial Function

The Actuarial Function is performed by the Head of Actuarial Function which is outsourced by the Undertaking to a suitably qualified professional in line with the Undertaking's Outsourcing and Fit and Proper policies. Specific functional responsibilities include:

Technical Provisions:

- Calculating the technical provisions, including:
    - Ensuring the appropriateness of documentation, methodologies, models and assumptions;
    - Assessing the sufficiency and quality of data used;
    - Informing the Board of the reliability and adequacy of the calculation.
- Analysing the movement in technical provisions, including the comparison of best estimates against experience.

Reports and Opinions:

- Opining on the underwriting policy and adequacy of retrocession arrangements;
- Delivery of Opinion on the Undertaking's ORSA;
- Providing an Annual Report on Technical Provisions ("**ARPT**") and Annual Opinion on Technical Provisions ("**AOPT**") in line with regulatory guidance;
- Providing the Board with an annual report outlining the tasks that have been undertaken by the Actuarial Function and their results, clearly identifying any shortcomings and making recommendations on how to address these.

Risk Management:

- Contributing to the effective implementation of the risk management system, in particular to the modelling risk in respect of ORSA, MCR and SCR calculations.

B.1.4.3 The role of the Compliance Function

The Compliance Function is performed by the Head of Compliance, which is outsourced by the Undertaking to a suitably qualified professional in line with the Undertaking's Outsourcing and Fit and Proper policies. The Compliance Function is independent from business units and forms part of the 2nd line of defence within the Undertaking's internal control system. The Head of Compliance utilises compliance management practices that encourage the use of sound, responsible and sustainable business practices by the Undertaking which complement the objectives of the Undertaking. The Compliance Function engages in a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Undertaking as a part of its oversight and administration of the Undertaking's compliance plan. Specific functional activities include, but not limited to:

- To advise the Board and management on compliance obligations under Central Bank of Ireland's regulations and other applicable laws and regulations;
- Assessing the possible impact of any changes in the legal environment of the Undertaking;
- Establish, implement and maintain a compliance plan covering all relevant areas of the Undertaking's operations and those of external parties and their exposure to compliance risk;
- Incident management and reporting to the Board and management;
- As part of the internal control system to ensure that the Undertaking complies with internal strategies, policies, processes and procedures;
- Assessing adequacy of the measures adopted by the Undertaking to prevent non-compliance;
- Ensuring that compliance risks facing the Undertaking are accurately identified, assessed, monitored and reported to RMF; and
- To report regulatory issues to the Central Bank of Ireland as required.

The activities of the Compliance Function are subject to periodic audit by Internal Audit.

B.1.4.4 The role of the Internal Audit Function

The Internal Audit Function ("**IAF**") is performed by the Head of Internal Audit Function, which is outsourced by the Undertaking to a suitably qualified professional in line with the Undertaking's Outsourcing and Fit and Proper

policies. The IAF provides independent assurance as to the effectiveness of the Undertaking's operations, governance and internal control framework. IAF's activities are designed to provide advice to the Board and management on improvements to the internal control environment, and monitor the implementation of strategic control initiatives and management's remediation activity.

The Undertaking's IAF is independent from business units and forms part of the 3rd line of defence in the Undertaking's internal control system. The IAF conducts an internal audit of the Undertaking at least annually in line with the Board approved Audit Plan.

The IAF has the following key responsibilities:

- To monitor and assess the adequacy and effectiveness of the Undertaking's governance and internal control framework;
- To advise the Board on internal audit activity and report on any significant matters arising in connection with the IAF's audit activity;
- To assess and make appropriate recommendations for improving the governance and internal control framework;
- To evaluate effectiveness and contribute to the improvement of risk management processes;
- To assist the Undertaking in maintaining effective controls, by assessing the efficiency and effectiveness thereof and by promoting continuous improvement;
- To ensure the uniform and effective enforcement of policies and procedures which make up the internal control system; and
- To give support to the assessment of the risk of fraud and the manner it is managed within the Undertaking.

B.1.5 Remuneration policy

The Undertaking has implemented a Remuneration policy to set out the terms and conditions applicable to all employees and directors of the Undertaking. The aim of the Remuneration policy is to ensure that the Undertaking's remuneration practices do not encourage excessive risk taking, to promote sound and effective risk management and to ensure that the remuneration structure is in line with its values and long-term interests. In summary, the objective of remuneration policy is to ensure that:

- The Remuneration policy and practices are aligned with the Undertaking's Strategy, Risk Management Strategy and Risk Appetite, objectives, values and long-term interests of the Undertaking;
- The Remuneration policy does not foster practices adverse to the Undertaking's interests;
- A clear, transparent and effective governance structure around remuneration is established and maintained;
- The Undertaking can attract and retain appropriately qualified and experienced members of the Board and employees with skills required to effectively manage the Undertaking;
- Remuneration motivates the Board and employees to perform to the best of their ability and in the best interests of the Undertaking and its stakeholders;
- Where annual performance based incentives form part of the remuneration of an employee, these incentives are aligned with the objectives of the Undertaking and the Parent as a whole; and
- Is subject to review periodically, with specific attention to preventing incentives for excessive risk-taking, the creation of conflicts of interest and generally not undermining sound and effective risk management of the Undertaking.

The Undertaking does not provide any share based or long term incentive schemes to its directors or employees. In addition, the Undertaking does not provide any supplementary pension or early retirement schemes to its directors or key function holders.

B.1.6 Material transactions with related parties

All material transactions of the Undertaking with other related parties are conducted on an arm's length basis.

During the reporting period, there was only one material transaction with the shareholders, directors' or those who exert significant influence over the Undertaking. This material transaction related to the payment of a

€10.0m (2017: €20m) dividend from the Undertaking's 2017 operating profits to its Parent in line with the Board approved Dividend policy.

B.1.7 Adequacy of the systems of governance

Reviews of the corporate governance and effectiveness of the Board and the management of the Undertaking are carried out on a regular basis, taking into account the requirements of the Central Bank of Ireland's "Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015".

Management and the Board believe the system of governance and supporting processes and controls in place at the Undertaking are adequate and effective, and are proportionate to reflect the nature, scale and complexity of the risks inherent to the entity.

B.2 Fit and proper requirements

B.2.1 Fit and proper policy

The Undertaking has a Board approved policy on fitness and probity. The Undertaking's Fit and Proper policy sets out the minimum standards, in compliance with the Central Bank of Ireland's Fitness and Probity Standards and relevant legislation, to ensure that persons who effectively run the Undertaking or are responsible for other key functions, have the necessary qualities and competence in order to allow them to perform the duties and carry out the responsibilities of their position within the Undertaking. The Undertaking places a high level of importance on appointing persons who are fit and proper.

The qualities and competence relate to the integrity demonstrated by a responsible person in personal behaviour and business conduct, soundness of judgement, a sufficient degree of knowledge and experience and appropriate professional qualifications.

B.2.2 Fit and proper assessment and requirements

Assessments of a person's fitness and propriety for a key function or directorship position is made:

- before the person is appointed;
- on at least an annual basis following appointment; and
- upon material information adverse to the assessment becoming known to the Undertaking or any other circumstances whereby the fitness or propriety of the individual may be adversely affected.

In determining a person's competence and capability for performing their role, assessments performed by the Undertaking may include, but will not be limited to:

- Whether the person satisfies the relevant training and competence requirements, which may be satisfied by evidence of qualifications (e.g. diplomas, degrees and professional memberships) and capability appropriate to the corresponding position description;
- Whether the person has demonstrated by experience that they are able, or can reasonably be expected to be able, to perform the intended function. Employment and reference checks may be used to establish such ability; and
- Whether the person is compliant with the applicable Minimum Competency Code issued by the Central Bank of Ireland.

In determining a responsible person's honesty, integrity and reputation for performing his/her role, the following factors may be considered, among others:

- Has the person been convicted of any criminal offence, whether or not presently of record; particularly relevant being any offence involving dishonesty, fraud, financial crime or other offences under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking and or other financial services, insolvency, consumer credit companies, insurance, and consumer protection, money laundering, market manipulation or insider dealing;
- Has the person had any adverse finding against him/her or settlement in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a body corporate;

- Has the person had personal involvement in any investigation or disciplinary proceeding resulting in sanction or adverse finding with any requirements or standards of any supervisory bodies / regulatory authorities, clearing houses and exchanges, professional bodies, or government bodies or agencies;
- Has the person been involved as a Responsible Person with an Undertaking, partnership or other organisation that has been refused registration, authorisation, membership or a licence to carry out a trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated, or has been expelled by the Central Bank of Ireland or government body or agency;
- Has the person been refused the right to carry on a trade, business or profession requiring a licence, registration or other authority as a result of the removal of the relevant licence or registration;
- Has the person served as a director, partner, or chief executive of a business that has gone into insolvency, liquidation or administration while personally connected with that organisation or within one year after that connection;
- Has the person been investigated, disciplined, censured, suspended or criticised by a supervisory body / regulatory authority, professional body, government body or agency, a court or tribunal, whether publicly or privately, with which such Responsible Person has been involved; and
- Has the person been dismissed or resigned, upon request, from employment or from a position of trust, fiduciary appointment or similar capacity while holding a position as a responsible person.

As part of the Undertaking's continuing obligations and reporting requirements in relation to fitness and probity, the Undertaking performs annual performance reviews and assessments of all persons who effectively run the Undertaking or are responsible for other key functions. In addition, self-attestation confirming compliance with the Fitness and Probity Standards are provided annually.

B.3 Risk Management System including the Own Risk and Solvency Assessment ("ORSA")

B.3.1 Risk Management System

The Undertaking has developed and implemented a risk management framework which is a comprehensive process for monitoring, reviewing, understanding, and appropriately managing and mitigating the risks associated with the Undertaking's objectives over the short, medium and long term.

The main objective of the Undertaking's Risk Management System is to ensure that all significant risks are identified, assessed, monitored and controlled within the agreed Risk Appetite. The risk management framework ensures that the risk management process is explicit and facilitates effective oversight and challenge.

The Risk Management System comprises of the following:

- Risk Appetite Statement adopted by the Board which summarises the most significant risks that the Undertaking is exposed to and details the level of risk the Undertaking is prepared to accept in pursuit of its business strategy;
- Risk Management Strategy which outlines the framework with which the Undertaking identifies, assesses, monitors, controls and reports on a continuous basis all key material risks facing the business;
- Risk Management Policies for each key risk class, which define the material risks faced by the Undertaking, and sets out how the Risk Management Strategy and the relevant Risk Appetite shall be implemented across that risk class and the control framework in place;
- Risk Management Processes and Procedures which set out the processes and procedures that the Undertaking employs to identify, assess, manage and monitor material risks the Undertaking is, or might be exposed to (emerging risks) and how these risks are reported; and
- ORSA process: the process of assessing all the risks inherent in the business and thereby determining the corresponding capital needs.

The Undertaking's Risk Management Strategy takes account of the Undertaking's business strategy and seeks to monitor and manage the risks associated with the implementation of the business strategy. The key objectives of the Risk Management Strategy are to:

- be consistent with the strategic objectives of the Undertaking;

- operate across all the activities of the Undertaking;
- be a continuous process;
- be integrated in the decision-making process of the Undertaking;
- set out the level of risk acceptable to the Undertaking;
- set out the material risk for each key risk class of the Undertaking;
- set out qualitative and quantitative methods are to be used to measure and evaluate risks; and
- assign the overall risk management responsibilities for the Undertaking including reporting and monitoring of risks.

In the context of risk management the Board is responsible for the setting of and approval of the Risk Management Strategy, the review of same on an annual basis and any periodic revision.

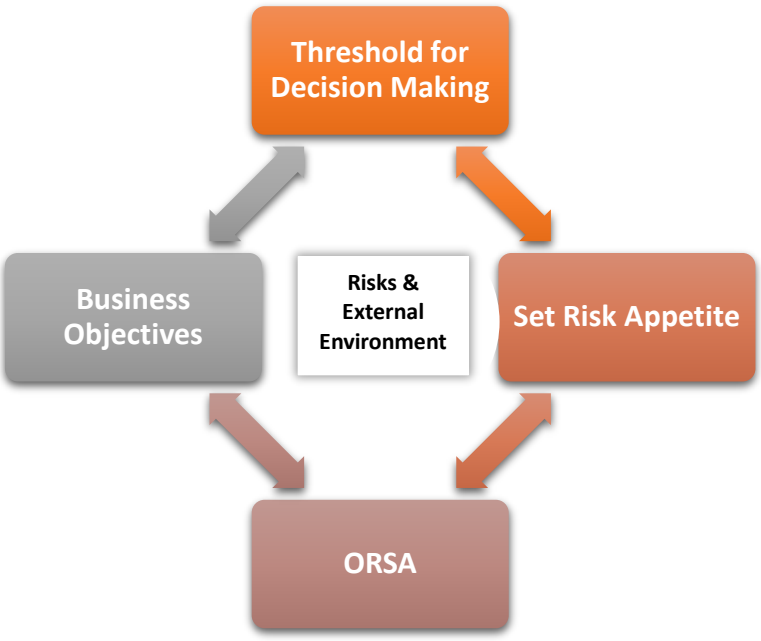
The Board delegates authority to the Chief Risk Officer to oversee the RMF and ensure that all organisational activities and outputs from a risk management perspective comply with applicable laws and regulations, supervisory requirements and internal policies and procedures. This includes responsibility for appropriate communication of the Risk Management Strategy throughout the Undertaking and embedding its use within the business and decision making process of the Undertaking.

B.3.2 ORSA

Each year the Undertaking prepares an ORSA. The ORSA is a top-down strategic analysis linking the business plan to risk and capital management. The objectives of the ORSA process are:

- Assess the risks that the Undertaking faces;
- Form an integral part of the business strategy setting process by assessing the capital adequacy on the current business plan, and the impact of materialisation of specific risks from within the business or from the external environment;
- Consider the capital impact of any significant changes or additions to its existing business underwritten;
- Assist in setting the amount of risk the Undertaking is willing to accept;
- Contribute to the strategic decision making process through identifying the capital implications of specific forward looking strategic initiatives; and
- Document the assessment of risk and capital requirements.

There is an interrelationship between business objectives, decision making, risk appetite and the ORSA process.



The ORSA is used to assess whether the Undertaking's risk management and solvency position is adequate, and also to consider its development in the future. It represents a fundamental part of the Risk Management System.

The ORSA is linked to the Undertaking's business planning process and acts as a key management tool in the development of the Undertaking's strategy and risk and capital management.

Strategic decisions are taken into consideration in the ORSA process through a forward looking assessment process. Any strategic or other major decisions that may materially affect the own funds and solvency position of the Undertaking are considered through the ORSA process before such a decision is taken.

The ORSA is an integral part of the business strategy and is performed, reviewed and approved at least once a year. It is also performed whenever the Undertaking's risk profile changes significantly. The diagram below summarizes the process and key activities of the ORSA process:

The RMF validates the outputs of each process individually, and also undertakes cross-validation between the outputs of each process, to ensure that they are consistent, or that differences are understood.

The Undertaking determined that the Solvency II standard formula be used to calculate the required solvency capital. A three year base case projection of the Solvency II Balance Sheet and SCR position is produced using the standard formula, as well as actuarial and reserving assumptions. The results are subjected to a range of stress, shock and reverse stress scenario tests which considers both quantifiable and non-quantifiable risks that are reviewed by management and challenged by the Board and, where appropriate, potential management actions are noted and conclusions drawn. Furthermore, the RMF, management and the Board consider its own view of the Undertaking's overall solvency assessment which is subject to similar stress, shock and reverse stress scenario testing which provides an adequate basis for the assessment of the Undertaking's overall solvency needs.

Assessments to date indicate that, under the standard formula and ORSA scenarios presented by management to the Board, the Undertaking is adequately capitalised. Section C links the use of the ORSA with the Undertaking's risk profile, while Section E sets out the capital management structure of the Undertaking. Capital is a key factor in understanding the solvency needs of the Undertaking, and this is factored in by management during the overall risk management process and through the provision of a Capital Management plan to the Board.

B.4 Internal control system

B.4.1 Description of the internal control system

The internal control system is designed to ensure that the Undertaking has a continuous system of accountability for and oversight of its operations and to assist the organisation in achieving its goals and objectives. Internal

controls describe the set of activities undertaken by the Undertaking to provide reasonable assurance regarding the achievement of the following objectives:

- Accomplishment of the Undertaking's strategic objectives;
- Effective and efficient operations;
- Reliability of management and financial reporting;
- Safeguarding of assets; and
- Compliance with applicable laws and regulations.

The Undertaking operates a "three lines of defence" internal control system. In the referred three lines of defence model, management control is the 1st line of defence in risk management, the various risk control and compliance oversight functions established by the Board are the 2nd line of defence, and independent assurance is the 3rd line of defence. Each of these defence "lines" plays a distinct role within the Undertaking's wider governance framework.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control systems. In addition, the Board is responsible for:

- Establishing a system of continuous internal control review;
- Making management policies and guidelines available to all relevant parties;
- Establishing clear reporting and communication lines; and
- Implementing education and training about internal control system and internal control evaluations.

The Undertaking's internal controls, including administrative, accounting and reporting procedures, and internal audit and compliance functions, provide the following assurances:

- All assets are safeguarded against waste, loss or unauthorised use;
- All revenues and expenditures applicable to the Undertaking's operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over assets; and
- All the actions of the Undertaking comply with applicable laws and regulatory requirements.

B.4.2 Implementation of the Compliance Function

The Compliance Function is an independent function with responsibility for ensuring that all the actions of the Undertaking comply with applicable laws and regulatory requirements. The Compliance Function is outsourced to an external captive management company, Allied Risk Management (an entity regulated by the Central Bank of Ireland), in line with the Undertaking's approved Outsourcing and Compliance policies. In addition, the activities of the Compliance Function are carried out by appropriately skilled and experienced individuals in line with the Undertaking's Fit and Proper policy. The role of Head of Compliance is a pre-approval controlled function and the appointment of the Head of Compliance has been approved by the Central Bank of Ireland. The Compliance Function, as part of the internal control system, ensures that the Undertaking complies with internal strategies, policies, processes and procedures.

The Compliance Function engages in a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Undertaking as a part of its oversight and administration of the compliance plan. The Head of Compliance develops and implements an annual compliance plan, outlining the planned compliance control activities for the individual relevant risk areas including underlying timeframes which is presented to the Board for approval.

Furthermore, the Compliance Function identifies and evaluates potential or new areas of compliance risk which might lead to damage to the Undertaking's reputation, regulatory sanctions or financial loss. A compliance culture is promoted within the Undertaking through an on-going cycle of compliance training and education, with the aim of ensuring strong awareness and understanding of compliance standards, procedures and guidelines.

The Compliance Function, on its own initiative, can communicate with any member of the Board, employee or outsourced services provider and obtain access to any records or files necessary to enable it to discharge its responsibilities; conduct investigations of possible breaches of the Compliance policy and request assistance

from specialists within the Undertaking or the Parent; report to the Board on any irregularities or possible breaches disclosed by its investigations and has the right of direct access to the Board or management when this is deemed necessary.

The Board reviews and ensures that the Compliance Function is provided with sufficient and appropriate resources to ensure the compliance risk is managed effectively by the Undertaking.

The Compliance Function is governed by the Compliance policy and reports to the Board at each board meeting.

B.5 Internal Audit Function

B.5.1 Implementation of Internal Audit Function ("IAF")

The IAF is an independent and objective assurance and consulting activity that assists the Undertaking to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. The IAF is a key function and represents the 3rd line of the three lines of defence system.

IAF is outsourced to an external audit firm, PwC, in line with the Undertaking's approved Outsourcing and Internal Audit policies. In addition, the activities of the IAF are carried out by appropriately skilled and experienced individuals in line with Undertaking's Fit and Proper Policy. The role of Head of Internal Audit is a pre-approval controlled function and the appointment of the Head of Internal Audit has been approved by the Central Bank of Ireland.

The purpose, authority and responsibilities of IAF are documented within the Internal Audit policy, which is reviewed and approved annually by the Board. The IAF is objective and impartial in performing its assignments.

IAF carries out its activities, within its remit, pursuant to an audit plan, and following a systematic approach in the conduct of its business, taking into account all activities and the complete system of governance in the risk analysis of the Undertaking, which is presented to the Board. A key responsibility of the IAF is to assess the quality of the internal control system, while being independent of the activities which are audited.

IAF prepares an Audit Plan annually, which is presented to the Board. To prepare the Audit Plan, the following shall be taken into account:

- The priorities that might be determined considering the Undertaking's risk register;
- Board requirements;
- The requests of the Undertaking; and
- The experience and judgment of the IAF.

The Audit Plan takes into account the need to allocate part of the resources to follow up on the degree of implementation of the improvement of those deficiencies identified in previous reviews.

IAF, on its own initiative or following a request of the Board, can be enabled to perform other assignments not included in the initial Audit Plan.

IAF is fully authorised within its remit:

- to request the cooperation of any employee of the Undertaking, through the relevant hierarchical line;
- to have access to the facilities where the Undertaking conducts its business; and
- to have access to any information and documentation of the Undertaking.

IAF's activities are designed to provide advice to management and the Board in improving the internal control environment, and monitor the implementation of strategic control initiatives and management's remediation activity.

B.5.2 Internal Audit independence

IAF is included in the organisational structure by means of a direct link to the Board, which ensures full independence and objectivity in the performance of its activities.

The persons carrying out the IAF do not assume any responsibility for any other function. In addition, IAF for the Undertaking is outsourced to an independent external audit firm to ensure further independence from the Undertaking's Board and management. No persons carrying out internal audits assume any other key function within the Undertaking.

B.6 Actuarial Function

The Actuarial Function is outsourced to an external actuarial firm, Barnett Waddingham, in line with the Undertaking's approved Outsourcing and Actuarial policies. In addition, the activities of the Actuarial Function are carried out by appropriately skilled and experienced individuals in line with Undertaking's Fit and Proper policy. The role of Head of Actuarial Function is a pre-approval controlled function and the appointment of the Head of Actuarial Function has been approved by the Central Bank of Ireland. The Undertaking's Actuarial Function forms part of the 2nd line of defence in the Undertaking's internal control system and the core tasks performed by the Actuarial Function as a 2nd line of defence are:

- coordination of calculation of technical provisions for accounting and regulatory purposes;
- comparison of best estimates against experience;
- expression of an opinion on the overall underwriting policy and on the adequacy of retrocession arrangements; and
- contribution to the effective implementation of the risk-management system.

(Refer to Section B.1.4.2 for further information on the roles and responsibilities of the Actuarial Function).

Management shall report to the Board on the performance of the Actuarial Function as often as deemed necessary and at least annually. In addition, the Head of Actuarial Function provides the Board with an annual report outlining the tasks that have been undertaken by the Actuarial Function, their results and any recommendations or suggestions for improvement.

B.7 Outsourcing

B.7.1 Outsourcing policy

The Undertaking maintains an Outsourcing policy which is reviewed and approved annually by the Board.

The purpose of the Outsourcing policy is to establish a prudent risk management framework in relation to the management of outsourcing arrangements and ensure compliance with the relevant regulatory requirements. The Board's objective is to ensure that outsourcing arrangements entered into by the Undertaking are subject to appropriate due diligence, approval, written agreements and on-going monitoring and that the risks associated with entering outsourcing arrangements are effectively managed.

The Outsourcing Policy applies to all critical or important outsourcing agreements and covers the requirements for both external outsourcing and intra-group outsourcing. The Undertaking retains full responsibility for all outsourced activities which are included in the internal control system.

The policy addresses risks associated with outsourcing by:

- Ensuring that outsourcing risks are appropriately managed and that the Undertaking has procedures to identify, measure, monitor, manage and report these risks in a timely manner as part of the Undertaking's overall Risk Management System;
- Ensuring that there is no reduction in the responsibility and oversight of the Board and, by extension, management's responsibility for, or influence over, key functions of the Undertaking as a result of outsourcing;
- Ensuring notification to the Central Bank of Ireland, in a timely manner, prior to the outsourcing of critical or important functions or activities including any subsequent material developments with respect to those functions or activities;

- Ensuring that all outsourced service providers of critical or important functions or activities of the Undertaking meet stipulated acceptance criteria prior to appointment and that these criteria are satisfied at all times during the tenure of the appointment; and
- Ensuring that the performance of critical or important outsourced service providers are subject to on-going monitoring and annual review.

In line with Central Bank of Ireland guidelines and regulations, the Board has appointed a designated pre approval controlled function holder with overall responsibility for the outsourcing of key functions. This designated pre approval controlled function holder reports to the Board on all outsourcing activities.

B.7.2 Outsourced activities

The following key functions within the Undertaking have been outsourced to third parties:

Key Functions	Third Party Administrator	Jurisdiction
Compliance Function	Allied Risk Management	Ireland
Internal Audit Function	PwC	Ireland
Actuarial Function	Barnett Waddingham	United Kingdom

B.8 Any other information

The Undertaking has assessed its systems of governance and control framework 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 the operations of the Undertaking.

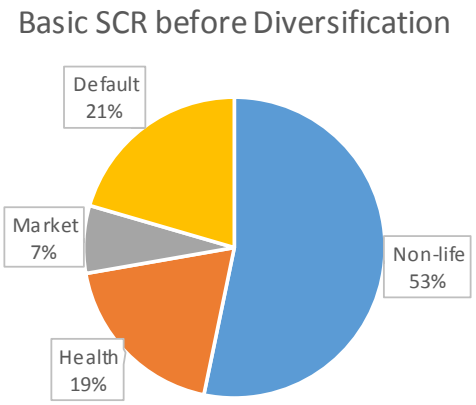
The Undertaking does not have any other material information regarding systems of governance and control framework for disclosure, other than as disclosed above.

C Risk profile

Summary

The composition of the standard formula SCR as of 31 January 2019 is summarised below:

Sub-Modules	2018 (€m)
Non-Life Underwriting Risk	34.24
Health Underwriting Risk	12.22
Market Risk	4.68
Default Risk	13.17
Basic SCR before diversification	64.31
Diversification	(17.53)
Operational Risk	1.74
LACDT	(0.13)
Total SCR	48.38



The standard formula SCR risk profile composition is mainly underwriting risk (non-life and health). The underwriting risk is driven by the volume of business written and level of technical provisions held by the Undertaking. Default risk is the second largest driver and this is influenced by the value of and the number of counterparties that cash is held with.

The acceptance of risk is the core business of the Undertaking as a reinsurance entity. In order to achieve the Undertaking's strategic objectives, the Undertaking has identified and defined all key material risks that the Undertaking is exposed to for the purpose of assessing, reviewing, mitigating and monitoring the Undertaking's exposure to each key material risk.

The risk profile provides valuable forward-looking information on the potential impact of materialisation of the Undertaking's key material risks and is an important component of the Undertaking's decision making process by providing the Board and management with a better understanding of the risks and opportunities.

To support the process of identifying, assessing, reviewing, monitoring and controlling these key material risks, the Undertaking has developed a Risk Management Strategy. The Risk Management Strategy outlines the framework with which the Undertaking identifies, assesses, reviews, monitors, controls and reports on a continuous basis all key material risks facing the Undertaking. The documentation of all key material risks in a risk register forms a central part of the Undertaking's monitoring and reporting activities, together with the documentation of the Undertaking's Risk Appetite statement, which sets out the levels of Risk Appetite and Risk Tolerance that the Undertaking is willing to accept for each key material risk in the pursuit of its strategic objectives.

The assessment of identified key material risks is performed by classifying each identified risk into categories, based on overall evaluation of the key material risk taking into account its potential impact, estimated likelihood of occurrence and the level of preparedness and controls that the Undertaking has in place.

In order to perform the assessment, a rating scale of Low, Medium, High and Strong is used depending on the materiality of the risk exposure in case of potential financial losses, or on the severity of the impact of non-financial losses. For financial impacts, only the potential downside effect is taken into consideration, thus ignoring the upside effect realisation that the risk may have.

As part of the RMF's responsibilities, the Undertaking operates a monthly review of each risk category. This review monitors the performance of risk deviations against the Undertaking's Risk Appetite statement, in addition to a review and re-evaluation of key material risks and effectiveness of any risk mitigations in place. The Undertaking has documented a clear monitoring and escalation process to provide early warning indicators or directional information to ensure appropriate action can be taken if deemed necessary.

Additionally, as part of the ORSA process (as described in section B), the Undertaking evaluates its capital adequacy to demonstrate that it has more than sufficient capital to meet its Solvency II standard formula SCR requirements through stress, shock and reverse stress scenario testing of each risk category.

Furthermore, depending on the performance or risk development, including any foreseen risks yet to develop, risk mitigation techniques are reviewed and assessed for continued appropriateness and effectiveness.

C.1 Underwriting risk

The Undertaking accepts non-life reinsurance business ceded by independent, third party fronting insurance companies. The Undertaking is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Underwriting risk, which is the largest and most important strategic risk of the Undertaking, consists of:

- Non-Catastrophe (Non-Cat) premium risk,
- Catastrophe (Cat) premium risk, and
- Reserve risk.

The Undertaking has identified, reviewed and evaluated a number of underwriting and reserving, claim, and retrocession risks of which only one is classified as a key material risk – catastrophe risk. Additionally, catastrophe risk is identified as the Undertaking's key concentration risk in respect of non-proportional reinsurance (Property) and non-proportional reinsurance (Health) business accepted. Catastrophe risk is the acceptance of risks with exposure to catastrophe scenarios, natural catastrophe, hail, earthquakes, windstorm, tsunami, terrorism, pandemic etc. The mitigation and controls in place to reduce the impact of a catastrophe risk are:

- the limiting of the Undertaking's retention by class of business;
- acceptance of business on the basis of a net line cession;
- review and regular monitoring of claim activities and claim development patterns; and
- acceptance of business which provides diversification in terms of geographical location of insured risks. This diversification benefit is further enhanced by the wide ranging portfolio of business retained by the Undertaking.

The Undertaking utilises retrocession to mitigate its underwriting risk to within the defined Risk Appetite, to protect the solvency position of the Undertaking and to improve the efficiency of its use of capital. The Undertaking has the option of purchasing additional retrocession where deemed necessary to provide protection on an individual or portfolio basis. The Undertaking's Retrocession policy specifies the principles that govern the appropriate structures and counterparties for retrocession arrangements.

The Undertaking monitors its management of underwriting risk through quarterly programme performance reviews, during which management, amongst other things, assess the frequency and severity of claims to identify any change in development patterns as well as considering external factors such as legal, or environmental changes.

Retention and retrocession strategies are reviewed annually to ensure existing program structures and strategies continue to be appropriate considering the strategic objectives of the Undertaking. The Risk Appetite statement defines the Undertaking's risk limits and the associated quality and quantity of retrocession that are appropriate for the Undertaking.

In performing stress and sensitivity analysis of underwriting risk under the ORSA process, the Undertaking has considered a number of different and wide ranging scenarios to understand the impact of a deviation or variance in risk. To sufficiently stress underwriting risk, the following stresses have been applied:

- Realisation of more severe loss ratios to account for an increase in severity and frequency of claims over the planning period (one to three years);
- Incorrect pricing of existing or new business written; and
- Change in retentions of existing business.

Selecting these scenarios represents not only an increase in the frequency of claims but also includes an allowance for an increase in the severity of claims and incorporates the impact a major catastrophe loss could have over the planning period. The Undertaking considered shock test scenarios allowing for two or more catastrophe losses, in addition to the above stresses. The table below represents the Undertaking's stressed risk testing and sensitivity assessment of the impact of underwriting risk to the Undertaking's risk capital over the planning period:

ORSA Stressed Risk Assessment		
Short	Medium	Long
€25,902,086	€37,608,255	€43,173,506

The SCR capital requirement under the standard formula capital for underwriting is €56.3m before diversification and €46.5m after diversification.

C.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Undertaking in managing its market risk is to ensure risk is managed in line with the Undertaking's Risk Appetite.

For the purpose of stress testing the Undertaking's investment portfolio, management and the Board have applied a default factor to the existing investments driven by the credit rating of each investment. Through using the Standard and Poor's default factor, management has looked at quantifying the default probability against the credit exposure over a specified horizon. Additionally management applied interest rate shocks against cash investment holdings, noting minimal impact to the Undertaking's risk capital.

Market risk is not material to the Undertaking as it is exposed to minimal market risk as the Undertaking holds liquid financial investments, which would not be significantly impacted by rating downgrades as the Undertaking can take immediate action to remedy any concerns regarding rating downgrades. The Undertaking manages its market risk exposures by implementing the Board approved Investment policy and monitoring defined Risk Appetites.

Risk concentration is not a material consideration in the Undertaking's SCR market risk assessment, due to the reasons disclosed above and the nature of the liquid assets held. The SCR capital requirement under the standard formula capital for market risk is €4.68m before diversification.

C.2.1 Foreign currency risk

The Undertaking has limited exposure to currency risk as the Undertaking's financial assets are primarily matched to the same currency (Euro) as its reinsurance contract liabilities. However, the Undertaking transacts business in certain other currencies - US Dollars ("**USD**") and Japanese Yen ("**JPY**") and is therefore required to hold technical provisions and balances in these currencies; hence exposures to exchange rate fluctuations can arise.

The Undertaking maintains a hedging strategy to minimise the risk of a loss occurring from an adverse movement in foreign exchange rates which impacts non-Euro assets and liabilities held by the Undertaking. The Undertaking has no precedent for any losses arising from any mismanagement of assets or liabilities, and no related material foreign currency risk given the hedging strategy implemented by the Undertaking.

C.2.2 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Undertaking is exposed to minimal interest rate risk as the Undertaking holds liquid financial investments on deposit with financial institutions. Management applied interest rate shocks against the cash investment holdings, noting minimal impact to the Undertaking's risk capital.

C.2.3 Prudent person principle

The Undertaking's primary objective in relation to market risk is to protect and preserve the Undertaking's assets. The majority of the assets on the Undertaking's balance sheet are held in cash. Solvency II regulations introduced the 'Prudent Person Principle' in relation to the investment of assets. The Undertaking is required to apply this principle, and has ensured that its Investment policy is aligned with this principle. The Undertaking operates a monthly review process as part of its Risk Appetite review which monitors the performance, financial security and concentration risk of investments. This report is presented to the Board at each board meeting.

The Undertaking takes a prudent investment approach through taking mitigation steps against credit risk or the failure of a financial institution or individual security whilst ensuring appropriate liquidity to meet daily cash demands of the business.

C.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Undertaking. The key area of exposure to credit risk for the Undertaking is in relation to its cash investment portfolio, retrocession and reinsurance balances receivable. The Undertaking assesses its exposure to each counterparty based on its Risk Appetite and taking appropriate mitigation steps to reduce its credit risk. Credit risk is monitored monthly and reviewed quarterly by the Board.

The Undertaking takes a prudent investment approach through taking mitigation steps against credit risk or the failure of a financial institution or individual security whilst ensuring appropriate liquidity to meet daily cash demands of the business. The Undertaking's assets have been invested in accordance with the 'Prudent Person Principle' and approved Investment policy in that the Undertaking has placed the cash and cash equivalents that support claims reserves with external institutions with a Standard and Poor's rating greater than or equal to "BBB+".

The existing portfolio of assets consists of bank deposits offering daily liquidity. Therefore, from an own risk and solvency assessment basis, the Undertaking does not view this as a material risk reflecting the nature of the assets held and the Undertaking's risk appetite to credit risk. Retrocession is managed according to the Undertaking's Retrocession policy. Counterparty credit ratings are monitored on a regular basis as part of the Undertaking's monthly Risk Appetite review process.

The SCR capital requirement under the standard formula capital for counterparty default risk is €13.17m before diversification.

C.3.1 Risk concentration

The Undertaking is not exposed to any risk concentrations that arise from investments in individual counterparties and single name exposures, from a SCR calculation perspective. The Undertaking does not anticipate such risks developing over the planning period.

C.4 Liquidity risk

Liquidity risk is the risk that the Undertaking cannot meet its obligations associated with financial liabilities as they fall due. The Undertaking manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Undertaking ensures that its liquidity requirements are supported by maintaining a high-quality, well balanced and liquid portfolio, and by matching the duration of its investments with that of its reinsurance liabilities. In practice, all of the Undertaking's assets are maintained in cash deposits so the Undertaking believes that there is no liquidity risk to the entity.

All of the Undertaking's assets (disclosed in Section D) will mature within one year, due to the highly liquid nature of the assets.

The expected profit included in future premiums at the end of the reporting period is €2,864,558.

C.5 Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes and systems, from personnel or from external events. The Undertaking has implemented an Operational Risk Management policy to assist in managing operational risk, and has also put in place a process to manage operational risk events.

Operational risk is typically more difficult to identify and assess than other risk types. As some of the risks emanates internally, the Undertaking itself plays a part in the occurrence and unfolding of operational risks. Operational risk may materialise through personnel execution errors, frauds, and processing failures as well as through other external events either directly or indirectly. There are no operational risks that have been deemed "material" in line with the Undertaking's risk evaluation methodology taking into account the probability, impact of the risk occurring and the mitigations in place to prevent or minimise the impact of a risk.

The existing organisational and operational structure of the Undertaking reduces the exposure to many of the risks associated with operational risk. There are strong, robust internal controls in place and a clear segregation of duties which assist with mitigating against and managing this risk. The Undertaking considers the identity of various scenarios which would test the operational risk management of the Undertaking and in all cases a financial loss or the requirement to hold economic capital to accept the risk is deemed not material. The SCR capital requirement under the standard formula capital for operational risk is €1.74m.

C.6 Other material risks

BEPS was identified as a material risk last year, however, following further assessment by the Undertaking of both the qualitative and quantitative impact of this risk, it was determined that the risk is not material when considering the impact to the Undertaking if the risk materialised.

The Undertaking considers that there are no other material risks to be considered at this time.

C.7 Any other information

The Undertaking does not have any other material information regarding its risk profile for disclosure, other than as disclosed above.

D Valuation for solvency purposes

The valuation of assets for Solvency II has been determined in accordance with Article 75 of the Solvency II Directive, and related guidance.

Unless expressly stated in the notes below, the Undertaking has valued its assets and liabilities at fair value. In order to establish the fair value of assets and liabilities, the following guiding principles have been applied:

- Assets are valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Liabilities are valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction, excluding own credit risk.

The determination of fair value of financial assets and liabilities, which comprise substantially all of the assets and liabilities of the Undertaking, is set out in Sections D.1.2 to D.3.

D.1 Assets

D.1.1 Asset valuation

The following table discloses the assets of the Undertaking as reported under Solvency II and Local GAAP valuation principles at end of the reporting period:

	Local GAAP	Reclassification	Valuation difference	Solvency II value
Assets	**€000's**	**€000's**	**€000's**	**€000's**
Deferred acquisition costs	593	-	(593)	-
Deposits to cedants	491	-	-	491
Insurance and intermediaries receivables	5,389	(3,619)	-	1,770
Receivables (trade, not insurance)	68	(68)	-	-
Deposits other than cash equivalents	-	20,500	-	20,500
Cash and cash equivalents	197,260	(20,446)	-	176,814
Total assets	203,801	(3,633)	(593)	199,575

D.1.2 Bases of asset valuation

For each material class of asset, the following are the bases, methods and main assumptions used in the valuation for Solvency II, together with an explanation of the material differences to those reported under Local GAAP.

D.1.2.1 Deferred acquisition costs

Under Solvency II, deferred acquisition costs ("**DAC**") are included in the best estimate of the technical provisions and are not recognised separately as an asset.

Under Local GAAP acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned.

D.1.2.2 Deposits to cedants

Deposit to cedants represents agreed funds withheld by ceding insurers. The Undertaking believes that the fair value is represented by the amounts realisable, on account of their short term nature.

D.1.2.3 Insurance and intermediaries' receivable

Insurance and intermediaries' receivable are stated at realisable value, and relates to the amounts due from ceding insurers linked to inwards reinsurance business.

These amounts are stated at fair value under Solvency II and Local GAAP. Given these assets are relatively short term in nature, the Undertaking has determined that their realisable value reasonably approximates fair value.

Under Solvency II the receivable amounts that are not past due, are reclassified and included in the cash in-flows of best estimate of liabilities. Further information on the best estimate of liabilities, its valuation methodology, basis and assumptions used can be found in Section D.2.

D.1.2.4 Cash and cash equivalents

Cash and cash equivalents are carried at fair value on the Solvency II and Local GAAP balance sheets. Fair value is based upon their nominal value, and any accruing interest under Solvency II, due to the short-term and highly liquid nature of the assets.

D.1.2.5 Receivables (trade, not insurance)

Under Solvency II and Local GAAP, trade and other receivables are stated at fair value. Given these assets are relatively short term in nature (less than one year), the Undertaking has determined that their carrying value reasonably approximates fair value.

Accrued interest is reclassified from receivables to cash and cash equivalents to conform to Solvency II valuation principles.

D.1.2.6 Deposits other than cash equivalents

Deposits other than cash equivalents comprise of cash at bank that is pledged for reinsurance business accepted. These are carried at fair value on the Solvency II and Local GAAP balance sheets. Fair value is based upon amounts due on demand as these are highly liquid assets.

Under Local GAAP demand deposits are disclosed as cash & cash equivalents, and have been reclassified for Solvency II reporting purposes.

D.2 Technical provisions

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

The following table discloses the liabilities of the Undertaking as reported under Solvency II and Local GAAP valuation principles at the end of the reporting period.

	Local GAAP	Reclassification	Valuation difference	Solvency II value
Liabilities	**€000's**	**€000's**	**€000's**	**€000's**
Technical Provisions	61,715	2,196	(1,640)	62,271
Unearned Premium	5,815	(5,815)	-	-
Deferred tax liabilities	-	-	131	131
Insurance & intermediaries payables	599	-	-	599
Payables (trade, not insurance)	248	(14)	-	234
Total liabilities	68,377	(3,633)	(1,509)	63,235

D.2.1 Segmentation

Under Solvency II, undertakings should properly segment the business into the lines of business specified in the EIOPA guidelines. The primary segmentation should distinguish between life and non-life insurance obligations.

The non-life insurance obligations are segmented into 12 lines of business. In respect of the Undertaking, the following are the material lines of business identified by premium written:

- Non – proportional property reinsurance
- Non – proportional marine, aviation and transport reinsurance
- Non – proportional casualty reinsurance
- Income Protection
- Miscellaneous financial loss

D.2.2 Technical provisions by material line of business

The following table shows the Undertaking's non-life technical provisions, net of reinsurance, by material lines of business:

	Net Best Estimate Liabilities	Risk Margin	Net Technical Provisions
Material Line of Business	**€000's**	**€000's**	**€000's**
Non – proportional property reinsurance	20,374	1,358	21,732
Non – proportional marine, aviation and transport reinsurance	1,947	130	2,077
Non – proportional casualty reinsurance	14,625	975	15,600
Income Protection	3,947	472	4,419
Miscellaneous financial loss	7,108	474	7,582
Non material lines of business	9,903	958	10,861
Total	**57,904**	**4,366**	**62,271**

The technical provisions correspond to the current amount that the Undertaking would have to pay if it was to transfer its reinsurance obligations immediately to another reinsurance undertaking. It equals the sum of the best estimate liabilities and the risk margin, which are calculated separately.

S17.01.02, within Appendix A of this SFCR, provides a full breakdown of gross and net technical provisions by line of business.

D.2.3 Technical provision bases, methods and main assumptions

The Undertaking has calculated the technical provisions in accordance with Articles 76 to 86 of the Solvency II Directive. The Solvency II Directive states that the value of technical provisions shall correspond to the current amount the Undertaking would have to pay if it were to transfer the reinsurance obligations immediately to another insurance or reinsurance undertaking.

The value of the technical provisions is equal to the sum of the best estimate liability and the risk margin allowing for the time value of money considering the estimated timing of cash flows of the best estimate liability by using benchmark settlement patterns. The assumptions and methodologies used in the calculation of technical provisions are appropriate to the nature scale and complexity of the Undertaking, being a captive reinsurance undertaking, and the risks associated with its reinsurance liabilities. The Actuarial Function ensures that technical provisions are determined appropriately, using data, assumptions, and methods proportionate to the risk profile of the legal entity, taking into account the nature, scale and complexity of the risks accepted by the Undertaking.

In the twelve months since the publication of the prior year SFCR, there have been no material changes to the assumptions made in the calculation of the technical provisions.

Articles 296 (2) (d-g) of Delegated Regulations do not apply to the Undertaking as the Undertaking does not apply matching adjustments, volatility adjustments, transitional risk-free interest rate term structure or transitional deductions as per the Solvency II Directive.

D2.3.1 Best estimate liability

The best estimate liability is calculated gross of retrocession and comprises of:

- best estimate claims provisions;
- best estimate premium provisions;
- expenses: and
- events not in data ("**ENID**").

The best estimate claims provision is based on the best estimate reserves from the Undertaking's Actuarial Function reserve review as at 31 January 2019. The claims provisions relate to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not. The Actuarial Function uses the following standard actuarial techniques to calculate the best estimate claims provision:

- Chain Ladder Method;
- Bornhuetter Ferguson Method;
- Benchmarking Method.

The best estimate claims provision is based on the results from all or some of the methods referenced above including allowance for other judgemental factors as well as a consideration of the time lag in claims being reported.

For all lines of business, the best estimate claims provision corresponds to the probability weighted average of future cash-flows taking account of the time value of money. The cash-flows are discounted using the relevant risk free interest rates term structures, as issued by EIOPA as at 31 January 2019.

The Undertaking estimated the timing of cash flows of the best estimate reserves by using past and assumed future settlement patterns and using benchmark settlement patterns as provided by the Actuarial Function. The best estimate claims provisions consider the full range of future events and includes low probability and extreme events.

The premium provision is determined on a prospective basis taking into account the expected cash-in and cash-out flows and time value of money. Future premiums relating to unexpired risks that have yet to be received are inward cash flows that act to reduce the premium provisions. In addition, expected profits from unexpired risks (calculated on a combined loss ratio basis) are recognised and reduce the Undertaking's premium provision.

The Undertaking is required to ensure that best estimate technical provisions include an expense provision which relates to recognised reinsurance obligations of the Undertaking per Article 78 of the Solvency II Directive. The Undertaking has adopted an approach of identifying all expenses that would be incurred in servicing existing policies during their lifetime, including a share of the relevant overhead expenses which is calculated on the basis that the Undertaking continues writing business. In calculating the required uplift, management has considered a run-off period of up to 2 years on the basis that the Undertaking will sell its reinsurance obligations and close within a 2 year period of deciding to cease writing business and entering into run off.

ENID refers to the additional amount or loading added to the claims and premium provisions which is intended to cover the difference between a best estimate of all possible outcomes and best estimate that the Undertaking has on accounting or other basis i.e. including those events that may not have been historically realised before or not presented in a set of observable historical loss data. There are multiple possible events that could fall within the definition of an ENID provision ranging from catastrophe events, contract wording/issues legislative/political changes etc. which can impact the Undertaking's reserves or premium provisions for unexpired risks.

The Undertaking uses a methodology that considers the Undertaking's risk profile, business written, historical losses and SCR results. When considering an appropriate ENID provision, the methodology employed requires management to review the frequency of large loss events over the lifetime of the Undertaking, in addition to considering the diversification derived from the mix of business written and geographical locations reinsured. The ENID provision is the amount which the Board deems reasonable, based upon the range of scenarios developed as part of the management review.

D2.3.2 Risk Margin

The risk margin is calculated by line of business and is then added to the best estimate liability in order to obtain the technical provisions by line of business. The risk margin is calculated by:

- Aggregating the projected non-hedgeable SCR components using the EIOPA prescribed correlation matrices;
- Taking a charge of 6% per annum on the run-off of the SCR; and
- Discounting those amounts at the risk-free rates.

The risk margin represents the cost of capital necessary to support the reinsurance obligations over their future lifetime. The cost of capital is the expected cost of transferring the non-hedgeable financial, reinsurance and operational risks to another insurer, reinsurer or other market participants.

D.2.3.3 Level of uncertainty associated with the value of the technical provisions

There is a limitation upon the accuracy of the estimates in that there is an inherent uncertainty in any estimate of technical provisions. In the calculation of technical provisions, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from data sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The claims provisions attempt to take into account the full range of possible loss outcomes on a probability-weighted basis, including an allowance for low frequency, high severity scenarios. Actual results may differ from these estimates on account of inherent uncertainty regarding the calculation of technical provisions.

In addition, the premium provision is subject to additional uncertainty over and above that contained within the claims provision in that it contains cost estimates for events that have not yet occurred.

Due to the nature of its business, the Undertaking, as supported by the Actuarial Function, has not anticipated any extraordinary changes to the legal, social or economic environment (or to the interpretation of policy language) that might affect the cost, frequency, or future reporting of claims.

D.2.4 Differences between Solvency II valuation and Local GAAP

The table and the associated explanations below summarise the key differences between technical provisions under Solvency II and those presented in the Undertaking's financial statements:

	Local GAAP	**Solvency II**
Line of business	**€000's**	**€000's**
Non - proportional property reinsurance:	20,380	21,732
Non - proportional casualty reinsurance:	15,656	15,600
Non - proportional marine, aviation and transport reinsurance:	2,078	2,077
Miscellaneous financial loss:	8,070	7,582
Income protection	4,019	4,420
Non material lines of business	11,512	10,860
Total technical provisions	**61,715**	**62,271**

Solvency II and Local GAAP have different rules for classifying and grouping reinsurance contracts, and these rules affect the valuation of the liabilities.

Solvency II capitalises all future profits, subject to contract boundaries, whereas Local GAAP generally does not. Section D.2.3 discusses the Solvency II method for calculation of technical provisions in more detail.

Local GAAP applies loss ratios to premiums to calculate the gross ultimate claims incurred position used to derive the technical provision, with the resulting reserves compared to results from actuarial projections as provided by the Actuarial Function.

Solvency II determines a risk margin based on the concept of the cost of capital, whereas this concept does not generally apply to Local GAAP. Solvency II applies a discount to the time value of money which is not applied under Local GAAP.

D.3 Other liabilities

Please refer to Section D.2 for the table disclosing the other liabilities of the Undertaking as reported under Solvency II and Local GAAP the end of the reporting period. For each material class of other liability, the following are the bases, methods and main assumptions used in the valuation for Solvency II, together with an explanation of the material differences to those reported under Local GAAP.

D.3.1 Deferred tax liabilities

Under Solvency II, deferred tax liability is recognised for the estimated future tax effects of temporary differences between local GAAP and Solvency II bases.

As disclosed throughout Section D, there are differences in the carrying value of assets and liabilities under Local GAAP and those carried under Solvency II. This gives rise to temporary differences between carrying value and tax base. The Undertaking has calculated a deferred tax liability, as the difference between the two bases. Accordingly, the two balance sheets differ.

The overall Solvency II deferred liability will be broadly neutral as the increase in the deferred tax liability will be released through the additional loss-absorbency capacity of deferred taxes in the SCR calculation, in accordance with Article 108 of the Solvency II Directive.

D.3.2 Insurance & intermediaries payable

Insurance and intermediary payables comprise of amounts payable from reinsurance accepted.

Under Local GAAP insurance and intermediary payables are stated at cost. Insurance and intermediary payables are stated at fair value on the Solvency II balance sheet. Due to the short term nature of the obligation and no consideration of own credit risk in the valuation, the carrying value under Local GAAP is not considered materially different to the fair value under Solvency II.

D.3.3 Payables (trade, not insurance)

Other payables comprise of all non-insurance related debts, unsettled transactions or other monetary obligations owed by the Undertaking to its creditors. Under Local GAAP other payables comprise short-term payables which are recorded at cost and are an approximation of the fair value of these liabilities.

Other payables are stated at fair value on the Solvency II balance sheet. Due to the short term nature of the obligation and no consideration of own credit risk in the valuation, the carrying value under Local GAAP is not considered materially different to their fair value under Solvency II.

D.4 Any other information

The Undertaking does not employ any alternative valuation techniques to its assets or liabilities, and does not have any other material information to disclose regarding the valuation for solvency purposes, other than what has been disclosed above.

E Capital management

The Undertaking continuously monitors and manages the quality and loss absorbing capacity of its own funds. On at least an annual basis, following completion of the Undertaking's ORSA, management prepares a medium capital management plan outlining the amount of available funds and their quality to the Board.

The main objectives of the undertaking's capital management are:

- to provide the Undertaking with a level of capital adequate to fulfil its regulatory requirements at all times in an efficient manner, and
- to deliver on its business strategy within the constraints of its Risk Appetite.

The strategy is formalised through a Capital Management policy. The Capital Management policy, which is reviewed annually, is approved by the Board and day-to-day monitoring and managing of this policy is delegated to the RMF.

Capital management focuses on the following aspects:

- Determining an adequate level of capital to protect against losses and provide finance for a pre-determined level of strategic growth;
- Ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital targets set; and
- Optimisation of the quality of available Own Funds, in respect of the capital position of the Undertaking.

The Undertaking's capital needs and stresses are considered over a three year planning horizon on a rolling basis. The capital position of the Undertaking is monitored on a monthly basis by management as part of the Undertaking's RMF. Furthermore, the capital position of the Undertaking is reviewed as part of the RMF's quarterly SCR calculations and the RMF reports on the quality and availability of own funds as part of its quarterly SCR memorandum which is circulated to the Board.

There were no material changes over the reporting period with regards to objectives, policies and processes employed by the Undertaking for managing its own funds.

E.1 Own funds

The following table details the structure, amount and quality of Undertaking's basic own funds:

31 Jan 2019	**Total €000's**	**Tier 1 €000's**	**Tier 2 €000's**	**Tier 3 €000's**
Ordinary Share Capital	20,000	20,000	-	-
Reconciliation Reserve	116,339	116,339	-	-
Available and eligible Own Funds	136,339	136,339	-	-

31 Jan 2018	**Total €000's**	**Tier 1 €000's**	**Tier 2 €000's**	**Tier 3 €000's**
Ordinary Share Capital	20,000	20,000	-	-
Reconciliation Reserve	102,427	102,427	-	-
Available and eligible Own Funds	122,427	122,427	-	-

The items reported in own funds are split into three categories depending on different factors such as quality, liquidity and timeline to availability when liabilities arise.

Tier one own funds can include ordinary share capital, non-cumulative preference shares and relevant subordinated liabilities. Tier two own funds can include cumulative preference shares, and subordinated liabilities with a shorter duration. Tier three own funds can include own funds which do not satisfy Tier one or Tier two requirements.

All of the Undertaking's own funds are categorised as Tier one for Solvency II purposes. The ordinary share capital does not have any special terms or conditions attached to it, and is fully available to absorb losses. Information on the composition of the reconciliation reserve is disclosed later within this Section. All of the Undertaking's own funds are available to fully absorb losses on a going-concern basis and are eligible to cover the SCR and MCR, with no restrictions or deductions required.

The reconciliation reserve increase reflects the payment of a €10m dividend (2017: €20m) as disclosed within Section B.1.6 and higher operating profits generated by the Undertaking during the reporting period. Refer to Section E.1.2 for further details on the reconciliation reserve.

E.1.2 – Reconciliation reserve

The following are the key elements that comprise the Undertaking's reconciliation reserve:

Reserve item	Amount €000's	Commentary
Deferred tax liability	(131)	Adjustment for Solvency II valuation differences
DAC	(593)	Elimination of DAC for Solvency II purposes
Technical provisions	1,640	Adjustment for Solvency II valuation differences
Retained earnings	115,423	
Reconciliation reserve - Total	**116,339**	

E.1.3 Solvency II excess assets over liabilities and financial statement equity reconciliation

Reserve item	Amount €000's	Commentary
Excess assets over liabilities	**136,339**	
Deferred tax liability	131	Adjustment for Solvency II valuation differences
DAC	593	Elimination of DAC for Solvency II purposes
Technical provisions	(1,640)	Adjustment for Solvency II valuation differences
Financial statement equity	**135,423**	

E.2 – Solvency capital requirement & minimum capital requirement

For the purpose of this section, the Undertaking has adopted the "Standard Formula" approach. This method uses stresses for each of the individual risks as calibrated and provided by EIOPA. The Undertaking's SCR and MCR requirements are:

	31 Jan 2019 €000's	31 Jan 2018 €000's
SCR	48,379	46,546
MCR	16,734	15,387

The increase in the Undertaking's SCR is predominantly related to an increase in the Undertaking's best estimate liabilities reflecting the Undertaking's reported claims provision and corresponding increase in both the non-life premium and reserve risk capital charge and currency risk capital charge.

The following table provides the calculated SCR components by risk module:

	31 Jan 2019 €000's	31 Jan 2018 €000's
SCR Market risk	4,677	3,997
SCR Health risk	12,225	12,878
SCR Counterparty default risk	13,162	11,148
SCR Non-life underwriting risk	34,243	34,032
Diversification benefit	(17,533)	(16,983)
Basic SCR	46,773	45,072
Operational risk SCR	1,737	1,522
Adjustment for the loss absorbing capacity of deferred taxation	(131)	(48)
SCR	**48,379**	**46,546**

The Undertaking is not using any simplifications, or undertaking-specific parameters pursuant to Article 104(7) of the Solvency II Directive 2009/138/EC, in the calculation of the SCR.

The Undertaking's MCR is calculated by using a straight line formula which incorporates net technical provisions and net premiums written for the last 12 months. The prescribed MCR calculation applies both an upper and lower bound. The upper bound is equal to 45% of the corresponding SCR, while the lower bound is set at 25% of the SCR. The following table shows the information on the inputs used to calculate the MCR:

	31 Jan 2019 €000's	31 Jan 2018 €000's
Net technical provisions multiplied by risk factors	10,327	9,048
Net written premium multiplied by risk factors	6,407	6,339
MCR	**16,734**	**15,387**

The risk factors used to apply against the net technical provisions and the net written premium are as prescribed by Annex XIX of the Delegated Regulations (EU).

E.3 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Undertaking has had own funds in excess of both the SCR and MCR requirements over the reporting period.

E.4 Any other information

The Undertaking does not have any other material information to disclose regarding capital management, other than what has been disclosed above.

Appendix A – Quantitative Reporting Templates (all figures in €000's)

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		C0010
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	20,500
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	20,500
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	491
Insurance and intermediaries receivables	R0360	1,770
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	R0400	
Cash and cash equivalents	R0410	176,813
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	199,574

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	62,271
Technical provisions – non-life (excluding health)	R0520	51,567
TP calculated as a whole	R0530	
Best Estimate	R0540	48,345
Risk margin	R0550	3,222
Technical provisions - health (similar to non-life)	R0560	10,704
TP calculated as a whole	R0570	
Best Estimate	R0580	9,560
Risk margin	R0590	1,144
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	131
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	599
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	234
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	63,235
Excess of assets over liabilities	R1000	136,339

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	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**
Premiums written													
Gross - Direct Business	**R0110**												
Gross - Proportional reinsurance accepted	**R0120**	1,334	2,388	1,738				24		-674			3,980
Gross - Non-proportional reinsurance accepted	**R0130**												
Reinsurers' share	**R0140**												
Net	**R0200**	1,334	2,388	1,738				24		-674			3,980
Premiums earned													
Gross - Direct Business	**R0210**												
Gross - Proportional reinsurance accepted	**R0220**	1,334	2,388	1,804				24		2,291			4,202
Gross - Non-proportional reinsurance accepted	**R0230**												
Reinsurers' share	**R0240**												
Net	**R0300**	1,334	2,388	1,804				24		2,291			4,202
Claims incurred													
Gross - Direct Business	**R0310**												
Gross - Proportional reinsurance accepted	**R0320**	1,205	1,138	1,018				14		-3,812			1,998
Gross - Non-proportional reinsurance accepted	**R0330**												
Reinsurers' share	**R0340**												
Net	**R0400**	1,205	1,138	1,018				14		-3,812			1,998
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**	33	211	303				2		214			211
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**								
Gross - Proportional reinsurance accepted	**R0120**			3,980					8,790
Gross - Non-proportional reinsurance accepted	**R0130**				1,462	8,260	3,575	21,921	35,218
Reinsurers' share	**R0140**							479	479
Net	**R0200**			3,980	1,462	8,260	3,575	21,442	43,528
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**			4,202					12,043
Gross - Non-proportional reinsurance accepted	**R0230**				1,556	8,353	3,629	22,117	35,654
Reinsurers' share	**R0240**							479	479
Net	**R0300**			4,202	1,556	8,353	3,629	21,637	47,218
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**			1,998					1,561
Gross - Non-proportional reinsurance accepted	**R0330**				1,735	4,486	2,644	8,166	17,031
Reinsurers' share	**R0340**								
Net	**R0400**			1,998	1,735	4,486	2,644	8,166	18,592
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**			211	97	365	76	902	2,413
Other expenses	**R1200**								
Total expenses	**R1300**								2,413

Annex I		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
S.05.02.01		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums, claims and expenses by country	R0010		GB	ES	BM	IT	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	1,334		1,974		4,126	-674	6,760
Gross - Non-proportional reinsurance accepted	R0130		19,445	4,747	5,989		3,575	33,756
Reinsurers' share	R0140		479					479
Net	R0200	1,334	18,966	6,722	5,989	4,126	2,901	40,037
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	1,334		2,100		4,192	2,291	9,917
Gross - Non-proportional reinsurance accepted	R0230		19,578	4,846	6,046		3,629	34,099
Reinsurers' share	R0240		479					479
Net	R0300	1,334	19,099	6,945	6,046	4,192	5,920	43,536
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	1,205		1,063		2,554	-3,812	1,010
Gross - Non-proportional reinsurance accepted	R0330		9,058	247	3,347		2,644	15,295
Reinsurers' share	R0340							
Net	R0400	1,205	9,058	1,310	3,347	2,554	-1,169	16,305
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	33	807	300	265	514	290	2,209
Other expenses	R1200							
Total expenses	R1300							2,209

Annex I
S.17.01.02

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	46	-3	-308						-1,329
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**	46	-3	-308						-1,329
Claims provisions										
Gross	**R0160**	552	3,950	1,554				66		5,553
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**	552	3,950	1,554				66		5,553
Total Best estimate - gross	**R0260**	598	3,947	1,246				66		4,224
Total Best estimate - net	**R0270**	598	3,947	1,246				66		4,224
Risk margin	**R0280**	72	473	149				4		281
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**	670	4,420	1,395				71		4,505
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**									
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	670	4,420	1,395				71		4,505

Annex I

S.17.01.02

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060							90	-1,504
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							90	-1,504
Claims provisions									
Gross	R0160			7,108	3,768	14,625	1,947	20,285	59,409
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			7,108	3,768	14,625	1,947	20,285	59,409
Total Best estimate - gross	R0260			7,108	3,768	14,625	1,947	20,374	57,905
Total Best estimate - net	R0270			7,108	3,768	14,625	1,947	20,374	57,905
Risk margin	R0280			474	451	975	130	1,358	4,366
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			7,582	4,220	15,600	2,077	21,732	62,271
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330								
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340			7,582	4,220	15,600	2,077	21,732	62,271

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]

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

Year		Development year 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										88	R0100	88	8,331
2010	R0160	872	706	177	523	-51	10	13	60	-5	-18	R0160	-18	2,288
2011	R0170	442	1,662	539	52	14	113	9	36	0		R0170	0	2,868
2012	R0180	1,492	2,959	399	253	248	68	68	1			R0180	1	5,489
2013	R0190	1,270	2,302	2,208	192	178	-7	64				R0190	64	6,208
2014	R0200	2,032	1,993	238	394	296	15					R0200	15	4,968
2015	R0210	1,449	3,001	759	370	292						R0210	292	5,872
2016	R0220	2,164	5,549	1,690	733							R0220	733	10,135
2017	R0230	3,291	6,684	1,214								R0230	1,214	11,189
2018	R0240	9,869	5,308									R0240	5,308	15,178
2019	R0250	4,997										R0250	4,997	4,997
												Total R0260	12,694	77,522

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year		Development year 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										80	R0100	82
2010	R0160							144	78	104		R0160	106
2011	R0170						5,876	8,094	5,349			R0170	5,652
2012	R0180					336	105	111				R0180	114
2013	R0190				823	381	424					R0190	436
2014	R0200			761	374	303						R0200	312
2015	R0210		2,910	1,415	1,482							R0210	1,491
2016	R0220	9,406	4,202	2,438								R0220	2,470
2017	R0230	22,248	9,904	6,937								R0230	7,098
2018	R0240	26,891	13,257									R0240	13,593
2019	R0250	27,368										R0250	28,054
												Total R0260	59,409

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	20,000	20,000			
Share premium account related to ordinary share capital	R0030					
Initial 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	116,339	116,339			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	136,339	136,339			
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	136,339	136,339			
Total available own funds to meet the MCR	R0510	136,339	136,339			
Total eligible own funds to meet the SCR	R0540	136,339	136,339			
Total eligible own funds to meet the MCR	R0550	136,339	136,339			
SCR	R0580	48,379				
MCR	R0600	16,734				
Ratio of Eligible own funds to SCR	R0620	281.81%				
Ratio of Eligible own funds to MCR	R0640	814.73%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	136,339
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	20,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	116,339
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	2,865
Total Expected profits included in future premiums (EPIFP)	R0790	2,865

Annex I
S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula		Gross solvency capital requirement
		C0110
Market risk	R0010	4,677
Counterparty default risk	R0020	13,162
Life underwriting risk	R0030	
Health underwriting risk	R0040	12,225
Non-life underwriting risk	R0050	34,243
Diversification	R0060	-17,533
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	R0100	46,773

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,737
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-131
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	48,379
Capital add-on already set	R0210	
Solvency capital requirement	R0220	48,379
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	

ITX Re DAC

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	16,734

		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	598	1,334
Income protection insurance and proportional reinsurance	R0030	3,947	2,388
Workers' compensation insurance and proportional reinsurance	R0040	1,246	1,738
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	66	24
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	4,224	
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	7,108	3,980
Non-proportional health reinsurance	R0140	3,768	1,462
Non-proportional casualty reinsurance	R0150	14,625	8,260
Non-proportional marine, aviation and transport reinsurance	R0160	1,947	3,575
Non-proportional property reinsurance	R0170	20,374	21,442

Overall MCR calculation

		C0070
Linear MCR	R0300	16,734
SCR	R0310	48,379
MCR cap	R0320	21,771
MCR floor	R0330	12,095
Combined MCR	R0340	16,734
Absolute floor of the MCR	R0350	1,200
		C0070
Minimum Capital Requirement	R0400	16,734

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

REPORT OF THE INDEPENDENT AUDITOR OF ITX RE DAC ('THE COMPANY') TO THE CENTRAL BANK OF IRELAND PURSUANT TO REGULATION 37 OF THE EUROPEAN UNION (INSURANCE AND REINSURANCE) REGULATIONS 2015: REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 January 2019 is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

We have audited the following quantitative reporting templates prepared by the Company:

- S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 as at 31 January 2019; and
- S.19.01.21 for the year ended 31 January 2019

(the 'relevant elements of the Solvency and Financial Condition Report').

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The European Commission Implementing Regulations designated as designated enactments in section 2(2A) of the Central Bank Act 1942, in particular Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

(collectively the "Solvency II Regulations").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)), including ISA (Ireland) 800 and ISA (Ireland) 805. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Central Bank of Ireland, for our audit work, for our report, or for the opinions we will form. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

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REPORT OF THE INDEPENDENT AUDITOR OF ITX RE DAC ('THE COMPANY') TO THE CENTRAL BANK OF IRELAND PURSUANT TO REGULATION 37 OF THE EUROPEAN UNION (INSURANCE AND REINSURANCE) REGULATIONS 2015: REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Other Information
The other information comprises the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report and consists only of:

- D.1 Assets;
- D.2 Technical provisions;
- D.3 Other liabilities;
- D.4 Alternative methods for valuation;
- D.5 Any other information;
- E.1 Own funds;
- E.2 Solvency Capital Requirement and Minimum Capital Requirement;
- E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement;
- E.6 Any other information.

The Directors are responsible for the other information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the relevant elements of the Solvency and Financial Condition Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or with our knowledge obtained in the course of the audit of the relevant elements of the Solvency and Financial Condition Report, or otherwise, appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations.

In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report
It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, in accordance with the Solvency II Regulations.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making or the judgement of users taken on the basis of the Solvency and Financial Condition Report.

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REPORT OF THE INDEPENDENT AUDITOR OF ITX RE DAC ('THE COMPANY') TO THE CENTRAL BANK OF IRELAND PURSUANT TO REGULATION 37 OF THE EUROPEAN UNION (INSURANCE AND REINSURANCE) REGULATIONS 2015: REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Solvency and Financial Condition Report, including the disclosures, and whether the Solvency and Financial Condition Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Central Bank of Ireland, as a body, in accordance with Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015. Our audit work is undertaken so that we might state to the Central Bank of Ireland those matters we are required to state to them in an auditors' report and for no other purpose.

Other matters

Quantitative reporting template S.19.01.21 contains corresponding information on non-life insurance claims for a 10 year look-back period commencing 1 February 2008 for gross claims paid and gross discounted and undiscounted best estimate claims provisions. The information subject to audit included in these forms is only that included in C0170 titled "In Current Year" in the "Gross Claims
Paid" section of the form and the information included in C0360 titled "Year end (discounted data)" in the "Gross Undiscounted Best Estimates Claims Provisions" section of the form.

All other information contained on these forms is corresponding information as defined in ISA (Ireland) 710, Comparative Information – Corresponding Figures and Comparative Financial Statements ('ISA (Ireland) 710'). On the introduction of the requirement for an audit of the relevant elements of the Solvency and Financial Condition Report, the Central Bank of Ireland limited the audit procedures required by ISA (Ireland) 710 on the look back period to years ending on or after 31 December 2014 and, therefore, no audit procedures have been performed on the corresponding information included on quantitative reporting template S19.01.21 for years ended prior to 31 December 2014.

Report on other Legal and Regulatory Requirements

In accordance with paragraph 6 of *The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures,* we are required to read the other information to identify material inconsistencies, if any, with information made available to us in the course of the audit of the relevant elements of the Solvency and Financial Condition Report and in the course of the audit of the statutory financial statements of the Company. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Eimear Mc Carthy

Eimear McCarthy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte and Touché House, Earlsfort Terrace, Dublin 2
Date: 25 April 2019