Seamair Insurance DAC

Solvency & Financial Condition Report (SFCR)

December 31, 2019

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INTRODUCTION

This Report refers to the business of Seamair Insurance DAC ('Seamair', or 'the Company'), a captive insurer, authorised and supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for the reporting period ended 31 December 2019.

Seamair Insurance DAC has prepared the below Solvency and Financial Condition Report on a solo basis in accordance with the regulations set out in Articles 292 –297 of the Solvency II Delegated Acts together with the Guidelines on reporting and public disclosure issued by EIOPA.

On 20 November 2019 the Company's shareholder, Celgene Corporation ("Celgene") was acquired by Bristol-Myers Squibb Company ("BMS"). Accordingly, BMS acquired an indirect 100% qualifying holding of capital and voting rights of the Company and is now the ultimate holding company of Seamair Insurance DAC. BMS is a global biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases. BMS also has an indirect qualifying holding in BMS International Insurance DAC, a captive insurance company also domiciled in Dublin, Ireland and regulated by the Central Bank of Ireland ("CBI").

The Company's business strategy is to provide coverage for certain risks of Celgene. The impact of insurance risk volatility on the Company's capital base is mitigated through appropriate aggregate protection. Investment of the Company's funds is in line with the documented investment strategy, reflecting a 'prudent person' approach to the management of counterparty, concentration, interest rate and currency risk.

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

There were no material changes to Seamair's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

As at 31 December 2019, the Company had eligible own funds of US$73.8m (2018: US$61.3m) available to meet its Solvency Capital Requirement ("SCR") of US$18m (2018: US$19.5m); resulting is a Solvency Ratio of 410% (2018: 315%) which is in compliance with the regulatory solvency requirements per the Solvency II regulations. The Board of Directors is satisfied that the Company has adequate and appropriate capital to support its business operations. The Minimum Capital Requirement ("MCR") was also satisfactorily met at the year-end. There were no instances of non-compliance with the capital requirements during the period.

A. BUSINESS & PERFORMANCE

A.1 Business

Seamair is incorporated in Ireland and is licensed by the CBI as a captive insurance undertaking. Seamair conducts all of its significant business activities, including underwriting, premium invoicing & collection, claims reserving & payments, and investing from its offices in Ireland. As such Seamair strives to ensure compliance with all relevant Irish laws and regulations.

The Company's operating and registered address is:
3rd Floor Metropolitan Building,
James Joyce Street
Dublin 1,
Ireland

Seamair is authorised by the CBI, under the European Union (Insurance and Reinsurance) Regulations 2015, to carry out the business of non-life insurance for the following classes;

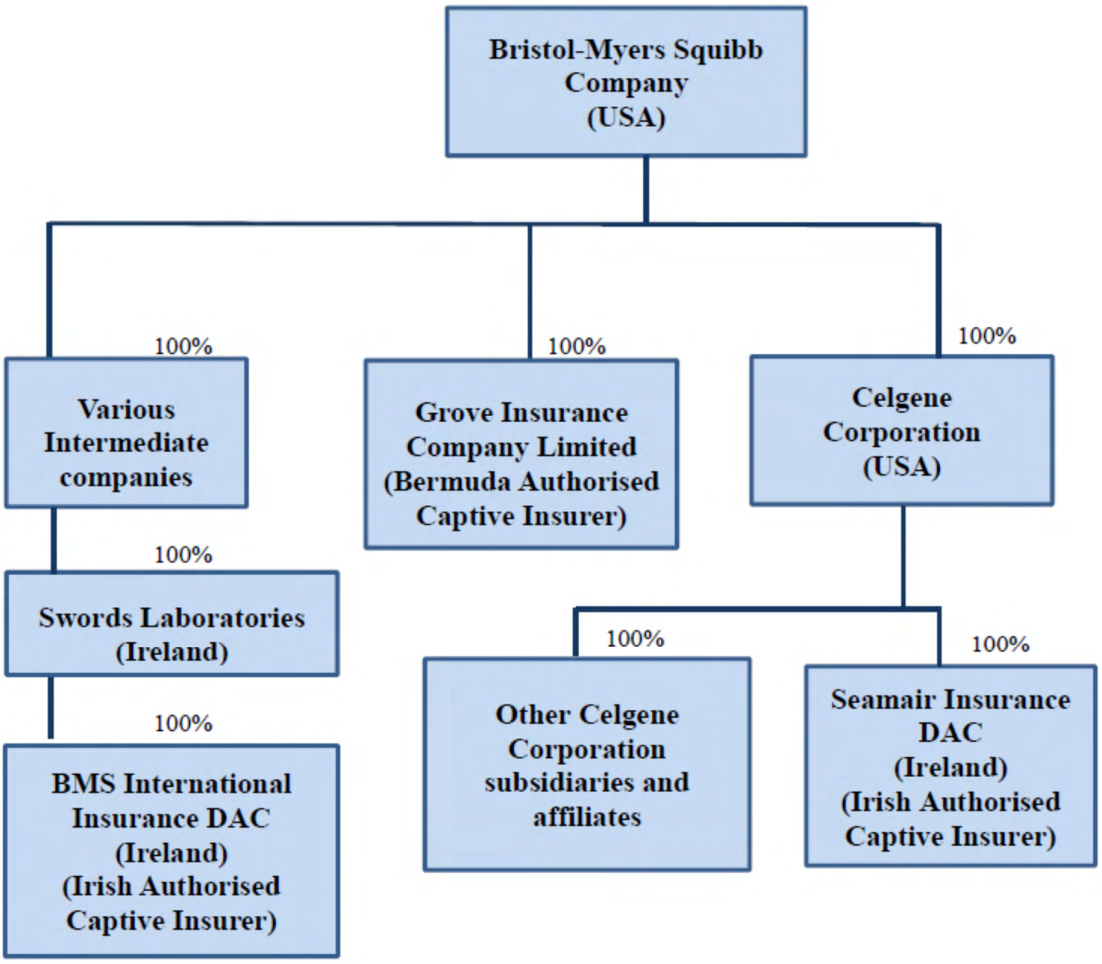
- Medical expense;
- Workers compensation (WC);
- Other motor;
- Marian, aviation and transport;
- Fire and other damage to property (PDBI); and
- General Liability (GL).

The CBI's address is:

New Wapping Street,
North Wall Quay,
Dublin 1,
Ireland.

The Company's external auditor is KPMG Chartered Accountants, located at 1 Harbourmaster Place, IFSC, Dublin 1.

Seamair was incorporated on 22 June 2009, to act as a direct writing insurance company for Celgene and its subsidiaries. Seamair is wholly owned by BMS as of 20 November 2019, a company incorporated in the United States of America and listed on the New York Stock Exchange. The revised group structure is outlined below.



Details on other Group subsidiaries and related undertakings are published within the BMS Annual Report and Financial Statements that are available at the following link https://www.bms.com/investors/financial-reporting/annual-reports.html.

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

A.2 Underwriting Performance

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

Since the Company prepares its financial statements in accordance with FRS, the underwriting performance information given in this section is on an FRS basis. Premiums written relate to business incepted during the financial year. Provision is made for notified losses on all underwriting years. The Company does not purchase reinsurance cover. Profit after tax for the year ended 31 December 2019 amounted to US$11.9m (2018: US$11.3m).

The table below shows the Company's premiums, claims and expenses split by SII lines of business for the year ended 31 December 2019, all expressed in US$:

Year ended 31/12/2019	Medical expense	Workers' comp	Motor vehicle liability	Other motor	Marine, aviation and transport	Fire and other damage to property	General liability	Total
Gross premiums written (Direct)	100,000	450,000	825,000	800,000	-	-	6,983,918	9,158,918
Gross premiums written (Proportional Reinsurance)	-	-	-	-	-	-	2,788,031	2,788,031
Gross premiums earned (Direct)	99,824	466,969	814,671	763,075	157,377	432,786	7,603,042	10,337,744
Gross premiums earned (Proportional Reinsurance)	-	-	-	-	-	-	4,895,353	4,895,353
Gross claims incurred	-	(432,140)	(658,891)	146,394	5,070	555,643	(2,412,455)	(2,796,379)
Expenses	(2,964)	(13,867)	(24,193)	(22,661)	(4,674)	(12,852)	(901,537)	(982,748)
Technical interest	9,922	46,416	80,976	75,848	15,643	43,018	1,242,309	1,514,132
Technical Profit	**106,782**	**67,378**	**212,563**	**962,656**	**173,416**	**1,018,595**	**10,426,712**	**12,968,102**

Gross premiums written relate to related party accident & health, fire & other damage to property, marine, motor vehicle and liability risks located in the European Union and the United States of America. All premiums resulted from contracts of insurance concluded in the Republic of Ireland. Gross premium written for year ended 31 December 2019 amounted to US$11.9m (2018: US$11.4m).

Gross and net claims paid during the financial year ended 31 December 2019 totalled US$3.5m (2018: US$2m). As at 31 December 2019, the Company held gross and net claims provisions of US$9.3m (2018: US$10m).

A.3 Investment Performance

The Company's investment policy is in line with that of the BMS Group. The Company invests its funds with highly rated financial institutions which include at present, Credit Agricole, Citibank, Barclays and Société Générale. The majority of the Company's funds are invested in fixed term deposits with maturities of 3 months. The short-term maturities aides liquidity and ensures that funds do not need to be withdrawn prior to maturity. The Company has loaned funds to Celgene in the amount of US$40m (2018: US$32m). Interest is earned on the intercompany loan on an arms' length basis.

The investment income for the year amounted to US$2.2m (2018:US$1.8m), the increase as a result of a larger investment base.

A.4 Performance of Other Activities

The Company's only activity is that of a captive insurer and it has not entered into any leasing agreements.

Operating costs of the Company excluding foreign exchange are charged through the Technical Account of the Profit and Loss Statement.

There were no dividends paid during the year (2018: nil).

A.5 Any Other Information

Subsequent to year end, the Covid-19 pandemic is causing significant financial market and social dislocation. The ultimate effects of the pandemic on the Company are uncertain. The Board has made an assessment of the risks involved for the Company and is satisfied that based on the information available to date the Company is well positioned and sufficiently capitalised to manage those risks. The Board also continues to monitor developments around Brexit and while there is still uncertainty in that regard, the Board is confident that given the nature, scale and complexity of the Company, it will be in a strong position to respond to the resulting outcome of the Brexit negotiations without any significant impact on the Company.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

The Company is classified as a Low Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System and is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015.

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

It is the responsibility of the Board of Directors to ensure that risks are fully understood and appropriately managed in accordance with this framework. Risk management, reporting and auditing processes reflect the requirements set out in this Governance Manual.

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

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

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

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

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

There have been no material changes to this structure since the prior reporting period. Seamair implemented the above framework in advance of the inception of Solvency II.

Given the limited scale and complexity of the Company, and having reviewed the risks facing the company thoroughly, the Board are satisfied that the system of governance in place is adequate.

The various functions assisting the Board, including the Compliance Function, have defined lines of reporting directly to the Board. In relation to any violation of relevant law by the Company the Compliance Function as well as reporting to the Board, will, in certain circumstances, also be required to report to outside bodies such as the Central Bank of Ireland.

B.2 Fit & Proper requirements

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

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

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

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

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

Roles and Responsibilities Detail

Key Roles	Outsourcing	Responsible
Board of Directors	No	Brian O'Grady (Chairman) [1] Barry Sexton [1] Jeffrey Galik [1] Henry Huseby [1] David Pignolet Vincent Barrett Paul Gallen[2]
Risk Management Function	Yes (External)	Aon Insurance Manager's (Dublin) Limited
Compliance Function	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations - Underwriting/Claims Management	Yes (External)	Aon Insurance Managers (Dublin) Limited

[1] Appointed on 31 January 2020
[2] Resigned on 27 March 2020

Operations - Finance and Accounting	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations - Investment	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations - Administration	Yes (External)	Aon Insurance Managers (Dublin) Limited
Internal Audit Function	Yes (External)	Aon Commercial Services Ireland Limited
Actuarial Function	Yes (External)	Aon Actuarial & Analytics

The Company has a remuneration policy in place that outlines the terms and conditions of Non-Executive Directors of the Company. A management fee is paid by the Company to the appointed management Company, Aon Insurance Managers (Dublin) Limited (AIMD), of which Vincent Barrett is a Director of. The remaining directors of Seamair Insurance DAC with the exception of Paul Gallen who is an Independent Non-Executive Director, are employed by BMS and do not receive a fee from the Company.

B.3 Risk Management System

The Company's Risk Management System:

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

The overriding goal of the Company's risk management strategy is to reduce, as much as possible, the Company's risk exposure as a means of minimizing the impact of unexpected events, in order to increase the likelihood of achieving the Company's strategic and business objectives.

The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

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

In order to achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through risk management policies for each key risk category.

The Risk Management Function has also established a Risk Register and a Risk Appetite Framework that are reviewed and approved by the Board on an annual basis. The Risk Register reflects for each identified risk the inherent and residual exposure and corresponding mitigation or hedging actions as well as related monitoring and maintenance actions to be undertaken. The Risk Appetite sets out the target amount of risk that the Company is prepared to accept in order to achieve its strategic objectives and sets out the tolerances for all risk categories in order to ensure a cautious management of the operations while staying aligned with the Boards' expectations.

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

Each year and on an ad-hoc basis, if circumstances materially change, Seamair prepares an Own Risk and Solvency Assessment ("ORSA") report. The objective of the ORSA process is to enable the Board to assess its capital adequacy in the light of its assessments of its risks and the potential impacts of its risk environment and enable it to make appropriate strategic decisions. The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and risk sensitivities that can be used in shaping strategy and risk appetite. The approach may be summarized as follows:

Define the Stress Scenarios

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

As part of ORSA process the Board selected the appropriate stress and scenario tests that they deemed were appropriate for the Company.

Stress the Financial Plan

Stress test scenarios are embedded into the projected financial plan under Solvency II. Related SCR/MCR and solvency ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of adverse loss scenarios. The tasks of this process are conducted by the Actuarial Function and validated by the Risk Management Function.

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

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the Stress Scenarios. Any remaining solvency gap will be covered through a relevant capital plan, i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

Produce the ORSA Report

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

Stakeholder	Expectation	ORSA Report
Board of Directors	Matching projected risks vs the Risk Appetite framework.	Provides a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries.
Shareholders	Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital.	Provides a plan for capital needs on the time horizon of the financial planning.
Supervisory Authority	Detailed and prospective understanding of potential ORSA deviations compared to the SCR under Pillar I.	Gathers information about: projected Solvency ratios; - explanations about deviations due to specific critical risks exposures.

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

In line with CBI requirements the Head of Actuarial Function provides an actuarial Opinion to the Board of Directors in respect of the ORSA at the same time that the results of the ORSA process are presented to the Board.

Assessments to date indicate that, under the scenarios presented by management to the Board, the Company is adequately capitalised.

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

BMS would always seek to be in a position to take prompt corrective action to replenish capital to an appropriate level in Seamair so that SCR compliance can be demonstrated. BMS is expected to continue to have ample capacity to provide this support to Seamair. The ORSA process is reviewed and approved annually by the board.

B.4 Internal Control System

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

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

Component	Contents

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

Detailed Processes and Embedded Control Activities

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

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

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

Compliance Function

The Compliance Function is an integral component of the Company’s governance system. The Company has a dedicated Head of Compliance reporting to the Board of Directors, supported by a Compliance Officer who coordinates the activities of the Compliance Function.

The responsibilities of the Compliance Function include:

- utilisation of compliance management practices that contribute to the use of sound, responsible and sustainable business practices by the Company;
- presentation of an annual compliance plan to the Board of Directors, outlining specific areas which it will focus on during a particular year;
- promotion of a culture of compliance within the organisation;
- maintenance of a comprehensive compliance risk management control and reporting system in conjunction with the Risk Management Function to assist in managing the compliance risk faced by the Company;

- consideration of possible future changes in the legal environment and their potential effect on the Company as well as providing regular compliance and regulatory updates to the Board of Directors;
- identification and communication throughout the Company the laws, regulations and codes of conduct to which the Company is subject and assisting to embed compliance with these in the way the Company does business; and
- investigation and follow up of compliance breaches, ensuring timely reporting to the Board and in certain circumstances to outside bodies such as the CBI.

B.5 Internal Audit Function

Purpose & Objectives

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

It assists the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control, and governance processes employed by the Company.

The Board is keen to develop effective policies and practices and take appropriate corrective action in response to weaknesses identified by internal and external auditors.

Independence and Impartiality

The Company's Internal Audit Function must be independent of the activities audited and must also be independent from the operational Functions and the Board of Directors.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit Function entails that the Internal Audit Function operates under the direct control of the Board of the Company.

B.6 Actuarial Function

The Actuarial Function is carried out by the Aon Actuarial & Analytics team and the roles and responsibilities of the Actuarial Function include:

- Coordination of the calculation of technical provisions;
- Identification of any inconsistencies with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- Explanation of any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions if already calculated on a Solvency II basis;
- Assessment of the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the Actuarial Function should provide recommendations on internal procedures to improve data quality so as to ensure that the undertaking is in a position to comply with the related Solvency II requirements when implemented;

- Consideration of the interrelations between the Underwriting Policy, reinsurance arrangements and technical provisions when providing its opinion;
- Providing a written report at least annually to the Board of Director's, the reporting should document all material tasks that have been undertaken by the Actuarial Function, and include:

    i. Deficiencies and giving recommendations as to how such deficiencies could be remedied.
    ii. Technical Provisions Coordination of calculation
    iii. Methodologies & assumptions
    iv. Data sufficiency & quality
    v. Experience analysis
    vi. Report to the Board on reliability & adequacy
    vii. Opinion on Underwriting policy
    viii. Opinion on Reinsurance arrangements

The Actuarial Function report should include any deficiencies identified and give recommendations as to how such deficiencies could be remedied.

- Contributing to the effective implementation of the Risk Management System in particular:

    i. with regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and MCR; and
    ii. contributing to the ORSA process.

- Thinking critically and organize the execution of actuarial approaches
- Providing an Actuarial Opinion to the Board of Directors in respect of the ORSA.

Responsibility

The person in charge of the Actuarial Function shall meet all the following criteria:

- Be a duly qualified actuary;
- have experience of more than five years in the field of insurance and / or reinsurance.

The Head of Actuarial Function is a pre-approved controlled function (PCF) under the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011.

The Head of Actuarial Function reports to the Board on an annual basis.

B.7 Outsourcing

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

- Reduction in the Board's, and where applicable a relevant sub committee's responsibility for, or influence over key Functions of the Company;
- Material impairment of the quality of the Company's System of Governance;
- Any impairment of the Company's ability to meet its regulatory requirements;
- Non-adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;

- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest;
- Breach of the Company's data protection obligations.

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

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

The Board must decide whether arrangements with third parties are deemed to fall within the scope of this outsourcing policy. The provision of services which do not form part of the Company's core activities need not be included within the scope of this policy.

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

The Board is responsible for reviewing the performance of outsourced service providers against agreed Service Level Agreements (SLA). The Company's outsourcing arrangements are subject to an annual review and the findings of this report are reviewed by the Board.

The Board is responsible for assessing the risks associated with the outsourcing of critical or important Functions or activities.

The following critical or important functions / activities are outsourced:

Critical or important function	Outsourced Service Provider	Jurisdiction
Underwriting and claims administration	Aon Insurance Managers (Dublin) Limited (AIMD)	Ireland
Finance and accounting	AIMD	Ireland
Compliance Function	AIMD	Ireland
Risk Management Function	AIMD	Ireland
Actuarial Function	Aon Global Risk Consulting	Ireland
Internal Audit Function	BMS Director and Aon Commercial Services Ireland Limited	Switzerland and Ireland

B.9 Any Other Information

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

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

C. RISK PROFILE

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

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

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

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

C.1 Underwriting Risk

The Company underwrites contracts that transfer insurance risk. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient assets to satisfy the amounts payable under the contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the directors ensure that suitable processes are in place to ensure the reliability, sufficiency and adequacy of both the statistical and accounting data to be considered in the loss reserve estimation and recording process and to detail the Company's approach to the calculation of technical provisions.

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

The principal assumptions underlying the Company's estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated large claim occurrences, economic conditions, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates, especially taking account of the longer-term nature of the risks which the Company underwrites.

The Company manages these risks through its underwriting strategy of arranging for an external qualified actuary to review pricing and reserve adequacy of the Company on an annual basis, the settling of appropriate policy limits and having adequate reinsurance arrangements in place. The Company also monitors emerging issues and factors in their potential impact on the Company's pricing and claims reserving.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its underwriting exposures.

Annual support and certification is provided by the Actuarial Function.

C.2 Market Risk

The risk of future changes in market prices, which would result in devaluation of investable assets, may result from several factors, including, but not limited to, value, liquidity, duration, composition, interest rates, foreign exchange rates and market fluctuations. The diversity in its investment portfolio reduces the exposure to market fluctuations and matches the profile of the assets backing liabilities to those liabilities. Furthermore, the Managers monitor the investment portfolio on a regular basis and bring any material movements to the Board's attention.

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

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

Interest rate risk arises on the return on the Company's investments including cash and deposits with credit institutions.

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency. The Company seeks to mitigate currency risk by matching the assets and liabilities which arise in different currencies. The majority of the Company's assets are held in reporting currency with a small amount held in Euro to cover general and administrative expenses. In addition to this, the ultimate settlement of loss reserves is in the Company's reporting currency and as such its exposure to foreign exchange risk is minimal.

C.3 Credit Risk

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

- Cash and cash equivalents;
- Investments and deposits with credit institutions; and
- Deposits with group undertakings.

The Company has an exposure to credit risk in relation to its deposits with credit institutions and loan with Celgene. To manage these risks; deposits are made, in accordance with established policy, with

credit institutions that are highly rated. The rating of Celgene is also monitored on a regular basis and maximum counterparty exposure limits are set for the credit institutions. The loan agreement with Celgene further stipulates that subject to one business days' notice, the loan can be recalled by the Company.

C.4 Liquidity Risk

The Company is exposed, if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts. The Company can be exposed to daily calls on its available investment assets, principally from insurance claims. Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Company's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities and the intercompany loan is repayable at the request of the Company. The Company is also exposed to liquidity risk on the expected profit included in future premiums ("EPIFP") however it amounts to nil as at 31 December 2019 (2018: nil) because there is no Bound but Not Incepted contracts and no unpaid premium on the balance sheet.

C.5 Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Company has a rigorous control framework and monitoring process in place to manage operational risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education, and assessment processes. Outsourced activities are monitored and managed in the same manner in line with the Outsourcing policy.

The Company cannot expect to eliminate all operational risk, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risk.

Seamair maintains a regulatory dialogue with CBI to mitigate the risk of any potential sanction or compliance breach as well as using expert, industry leading, service providers, namely Aon to provide its outsourced functions which help avoid any material error or delay. In order to ensure the quality of the outsourced functions is as high as possible; Seamair puts in place service level agreements and fee penalties for non-performance as well as regularly reviewing the outsourced service providers.

C.6 Other Material Risk

Strategic Risk

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

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

- Review at least annually the appropriateness of the high level overall objectives for the Company; the major risks facing the Company; the Risk Appetite for each of these major risks identified.
- Ensure the Company Strategy is implemented correctly including approval, review and, monitoring of agreed Key Performance Indicators for the Company.
- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total.

Sensitivity Risk

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

No other material risks have been identified.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Seamair prepares its financial statements on a going concern basis in compliance with FRS 102 and FRS 103 issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants Ireland, being applicable UK and Irish GAAP accounting standards, and in accordance with the provisions of the Companies Act 2014 and the European Union (Insurance undertakings: Financial Statements Regulations 2015).

There are a number of differences between the financial statement basis and the Solvency II valuation rules. Most of these differences are driven by the requirement for all assets and liabilities to be valued on a market consistent fair value basis under Solvency II.

At the end of the current reporting period Seamair has total assets valued at US$88.1m (2018: US$80.2m) for solvency purposes. The increase in assets is primarily driven by a net increase in investments as a result of the 2019 premium cashflows. This total comprises the following categories of assets:

	2019			2018		
	Solvency II Value	**Statutory Accounts Value**	**Difference**	**Solvency II Value**	**Statutory Accounts Value**	**Difference**
ASSETS	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Deferred acquisition costs (1)	-	183,440	(183,440)	-	567,407	(567,407)
Deferred tax asset (2)	12,333	-	12,333	92,167	-	92,167
Deposits other than cash equivalents (3)	47,269,448	47,191,908	77,540	47,211,499	46,618,231	593,268
Other loans and mortgages (3)	40,403,288	40,000,000	403,288	32,419,589	32,000,000	419,589
Reinsurance recoverables (4)	-	-	-	-	-	-
Insurance and intermediaries receivables (5)	10,000	21,999	(11,999)	21,826	34,250	(12,424)
Receivables trade not insurance (3) and (8)	168,002	650,214	(482,212)	-	1,012,857	(1,012,857)
Cash and cash equivalents (6)	192,486	192,486	-	457,827	457,827	-
Any other assets, not elsewhere shown (7)	-	40,588	(40,588)	-	13,493	(13,493)
Total Assets	**88,055,557**	**88,280,635**	**(225,078)**	**80,202,908**	**80,704,065**	**(501,157)**

(1) Deferred acquisition costs relate to those cedant fronting fees that are deferred over the remaining policy period as at 31 December 2019. Such costs are not recognised for Solvency II purposes.

(2) The conversion from a statutory financial statements basis to a Solvency II valuation basis results in a loss being created therefore the corresponding tax impact must be reflected. For Seamair this results in a deferred tax asset as the loss recognised can be used to offset future taxable profits and hence reduce future tax obligations. The loss recognised can be used to offset future taxable profits and hence reduce future tax obligations.

(3) These amounts represent an intercompany loan and short-term deposits with an original maturity of one year or less. These assets are stated at market value for both solvency and financial statement purposes, the only difference being the inclusion of accrued interest in the above balances. Accrued interest is disclosed as a separate line item in the financial statements.

(4) Reinsurance recoverables are dealt with in Section D.2 below as part of the explanation on the valuation of technical provisions.

(5) Insurance and intermediary receivables comprise prepaid IPT amounts and an escrow fund in the amount of US$10k, the majority of which have been included in the calculation of technical provisions discussed in Section D.2.

(6) Cash and cash equivalents comprise cash at banks. Carrying amounts approximate fair value due to the liquid nature of the assets. There are no valuation adjustments for solvency purposes.

(7) Any other assets, not elsewhere shown comprise prepaid expenses have been included in the calculation of technical provisions discussed in Section D.2.

(8) Of the receivables balance of US$650,214, US$169,386 relates to tax recoverable from the local tax authorities.

Information on how the Company invests its assets and manages risk in this area, including how it achieves compliance with the 'prudent person principle', is set out in Sections C.2 – C.4 above. Operational risks relating to the Company's assets are managed according to the control framework described in Section B4 above.

D.2 Solvency II Technical Provisions

Provision is made for notified losses on all underwriting years. The Company currently does not purchase reinsurance protection. The Company has regard to the gross loss positions as indicated by the claim circumstances reported to date and loss projections carried out under the direction of the Head of Actuarial Function using actuarial techniques.

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

The Solvency II Technical Provision is comprised of a Best Estimate of Liabilities ("BEL") and a Risk Margin ("RM"). At 31 December 2019, the technical provisions were:

Year ended 31/12/2019	Medical expense	Workers' comp	Motor vehicle liability	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Total
Gross BEL	159,554	664,230	1,172,835	370,429	233,520	11,062	10,543,247	13,154,877
Risk Margin	14,386	65,228	107,735	9,162	27,311	1,294	756,291	981,407
Technical Provisions	173,940	729,458	1,280,570	379,591	260,831	12,356	11,299,538	14,136,284

Year ended 31/12/2018	Medical expense	Workers' comp	Motor vehicle liability	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Total
Gross BEL	158,396	561,486	1,897,706	238,278	385,913	702,827	11,848,361	15,792,967
Risk Margin	39,937	147,704	520,361	14,045	74,162	87,016	1,731,471	2,614,696
Technical Provisions	198,333	709,190	2,418,067	252,323	460,075	789,843	13,579,832	18,407,663

Main Assumptions

Loss Ratios

In order to derive the best estimate cash flows for claims arising from unearned business (both incepted and unincepted), a gross loss ratio has been applied to the corresponding premium exposure per line of business.

For many lines of business there have been very few claims historically, and for some no claims have ever been incurred. For the lines where this is the case (Product Recall, Marine, Cyber, Executive Liability, PDBI, Medical Payments and Professional Liability) a loss ratio of 100% has been used. This is consistent with the prior loss ratios used in the statutory reserving. It has been assumed that a loading for Events Not In Data ('ENID') and expenses is already included in this value.

For Auto Liability and Workers' Compensation, the prior ultimate in dollar terms has been used from the statutory reserving, uplifted slightly to allow for six months of inflation at 3% (2018: 3%) and changes in exposure (vehicle numbers or employee numbers). For Auto Physical Damage an average of ultimate claims cost in historical policy years has been used and inflation has been applied on exposure adjustments.

For GL, consistent with last year, a loss ratio of 100% is used, which is consistent with the statutory reserving.

Expenses

Technical provisions are expected to allow for expenses that will be incurred in servicing existing insurance obligations. For a captive insurer, these expenses would usually relate to audit, actuarial, administrative and general management.

The level of expenses incurred annually by Seamair was calculated as per the statutory accounts with a loading percentage applied, specifically; 10% of Management fees, 10% of Audit fees, 50% of Actuarial fees resulting in total estimated overheads of US$53k (2018: US$62k).

The mean payment term of the claims provision has been calculated as 4.5 years (2018: 4.6 years) and the cost of this annual expense has been considered for the duration of the mean payment term. An annual inflation rate of 3% (2018: 3%) has been factored into an expense estimate of US$274k (2018: US$329k).

ENIDs

A reasonable benchmark for ENID was considered to be 2% to 5%. A 2.5% allowance for ENID has therefore been added to the gross claim provisions across all lines of business. This has led to an increase of US$211k (2018: US$205k) in the gross claim provisions.

Discounting

Claims payments in the claims and premium provisions have been projected at annual intervals using benchmark payment patterns. It has been assumed that expenses are paid consistently with claims. These cash flows have subsequently been discounted to the valuation date assuming future payments are made mid-year.

Best Estimate of Liabilities

The Solvency II Technical Provision is comprised of a Best Estimate of Liabilities ("BEL") and a Risk Margin ("RM").

BEL

The Solvency II BEL is comprised of a provision for claims outstanding ("PCO") and a premium provision ("PP"). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the expected profit underlying the unearned portion of policies that have already incepted and any policies that have been bound but not incepted ("BBNI"). The PCO is derived from actuarial estimate of Seamair's FRS unpaid claim liabilities. The adjustment of FRS estimate of unpaid claim liabilities to a Solvency II basis requires that FRS unpaid claim liabilities are discounted to a present value basis. The actuary utilizes the basic RFR (risk-free rate) curves with no volatility adjustment as of 31 December 2019 as published by EIOPA to discount the cash flows underlying the PCO. These interest rates are utilized to discount all cash flows underlying the calculation of the Solvency II TPs. A provision for expenses related to the runoff of these liabilities is then added, as required by Solvency II, as the FRS estimate of unpaid claim liabilities does not include a provision for the expenses that will be incurred in running off the liabilities.

The methodology adopted implicitly assumes that Seamair will continue to write business into the future and that a portion of the expenses in future years will be attributable to new business, consistent with the required derivation of the expense reserve as per the current Solvency II regulations. The BEL is calculated as the sum of the PCO and the PP.

Risk Margin

The Solvency II risk margin is intended to represent an amount that Seamair would be required to pay, in excess of the Best Estimate of the Liabilities, for a third party to assume the risk of running of the existing liabilities. The actuarial calculation of the Solvency II risk margin is consistent with the Solvency II regulations, which applies a 6% cost of capital to the amount of capital required at the beginning of each year to support the runoff of the insurance obligations.

In calculating its technical provisions on a Solvency II basis, Seamair has not applied any of the following items:

- matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; and
- transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other Liabilities

Aside from technical provisions, the valuation of which is detailed above in Section D.2, Seamair has 1 other principal class of liability, accrued expenses. Aside from discounting there is no valuation adjustment for solvency purposes.

D.4 Alternative Methods for Valuation

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

There is no other information to report.

E. CAPITAL MANAGEMENT

E.1 Own Funds

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

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

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

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

- Issued Share Capital; and
- Retained Earnings.

Any change to the share capital requires the approval of the Shareholder and the Board. Retained earnings are adjusted on a quarterly basis to take account of the profits/losses earned in the period together with any Solvency II valuation adjustments. The payment of dividends is considered on an annual basis by the Board as part of its medium-term capital assessment. Potential dividends will be considered as part of the Company's ORSA process to ensure that the Company will continue to meet its solvency needs over the business planning period. Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

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

	2019 **USD**	**2018** **USD**
Ordinary paid up share capital	1,050,000	1,050,000
Reconciliation reserve adjusted [3]	72,708,514	60,141,365
Total Tier 1 capital	73,758,514	61,191,365
Net deferred tax asset – Tier 3 capital	12,333	92,167
Total basic own funds	73,770,847	61,283,532

[3] The reconciliation reserve is adjusted by the claims escrow fund of US$10k which is effectively a ring-fenced fund and should be netted off against available capital.

The movement in basic own funds during the reporting period reflects the profits realised by the Company as adjusted for the valuation of net technical provisions on a market consistent fair value basis under Solvency II. The reconciliation reserve represents the Company's retained profits as adjusted for Solvency II valuation principles. The adjustments which arise in the application of these principles are shown in the equity reconciliation below.

At the end of the current reporting period eligible own funds available to meet the Company's SCR is US$73.8m (2018: US$61.3m) and MCR is US$73.8m (2018: US$61.2m), comprised of Tier 1 capital of US$73.8m and a negligible amount of Tier 3 capital representing the deferred tax asset.

The equity position as shown in the Company's 2019 and 2018 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

	US$'000	**US$'000**
Total Equity in the financial statements	73,867	61,939
Deduct items not recognised in the financial statements:		
Reinsurance BEL	-	-
Risk Margin	981	2,615
Difference between TPs and BEL	(1,119)	(2,464)
Deferred Tax	(12)	(92)
Discounting of assets and liabilities	(52)	(20)
Add items not recognised in Solvency II Balance Sheet:		
Deferred acquisition costs	(184)	(567)
SII value of excess of assets over liabilities	73,781	61,293

The Company's own funds are not subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

The Company assesses material risks that may threaten the accomplishment of the Company's strategic objectives or might have a substantial impact on the available qualifying own funds. These risks could result from either internal or external events.

Management has identified Underwriting Risk, Reserving Risk and Market Risk as the material risks to which the Company is exposed. Management has investigated the magnitude of each of these risks as well as sought to determine any potential correlations that may exist within, or between, these risk categories based on review of historical experience.

In relation to Investment Risk, a clear strategy has been developed to manage risk in a manner which limits exposure to investment volatility for those assets matching insured liabilities. The majority of these assets are invested in fixed term deposits ranging in maturities of three months and the remainder of assets are loaned to Celgene. The loan to Celgene is governed by a legal agreement which stipulates that funds are repayable on the demand of the Company in the event that liquid assets are required.

E.2 Solvency Capital Requirement & Minimum Capital Requirement

Seamair's SCR as of 31 December 2019 totals US$18m (2018: US$19.5m).

The SCR is intended to correspond to the capital the Company needs to hold in order to limit the probability of ruin, in the following 12 months, to 0.5%, i.e. ruin would occur less than once in every 200 years. The SCR calculated at the end of the current reporting period, relates to the capital required to support the business over the prospective 12 months; covering both existing liabilities and business written during 2019/2020. Based on the Company's eligible own funds of US$73.8m (2018: US$61.3m), the Company has a solvency ratio at 31 December 2019 of 410% (2018: 315%).

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

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

Risk Charge	**31 December 2019**	**31 December 2018**	**Movement**
Non-Life Underwriting Risk	12,544	16,410	(3,866)
Health Underwriting Risk	423	408	15
Counterparty Default Risk	29	68	(39)
Market Risk	9,395	10,652	(1,257)
Operational Risk	457	474	(17)
Tax Adjustments	-	(2,781)	2,781
Diversification Benefit	(4,863)	(5,767)	903
SCR	**17,985**	**19,464**	**(1,480)**
Available Capital	73,771	61,284	12,488
Surplus / (Deficit)	*55,786*	*41,819*	*13,968*
Solvency Ratio	**410%**	**315%**	**95%**

The primary drivers of the overall decrease of US$1.5m in Seamair's SCR arise from the and the Non-Life Underwriting risk and Market risk capital charges:

- Non-Life Underwriting Risk:
  Catastrophe risk and premium risk have both decreased significantly. This is driven by the reduction in the prospective premium to be earned for the General Liability class of business, as many contracts are not planned to renew.

- Market Risk:
  Seamair has an intercompany loan with Celgene. Since the prior year, the credit rating of Celgene has improved from a BBB rating to an A rating. Furthermore, since the previous valuation date, Seamair has moved assets out of Deutsche Bank to higher rated counterparties. This has led to a decrease in both the spread and concentration risks, which is offset to an extent by the increased size of the asset holding.

- Tax Adjustment:
  In the prior year an allowance was made for the Loss Absorbing Capacity of Deferred Tax, equal to 12.5% of the SCR. To make this allowance, it is necessary for there to be sufficient future profit in the business plan for the benefit of deferred tax to be realised.

As Seamair has plans not to renew most insurance contracts, this allowance has not been made in the current year.

- Capital:
  The available capital has increased considerably due to an increase in retained profits.

The MCR for Seamair is calculated in accordance with the standard formula. Setting the MCR involves three steps:

- Firstly, a factor-based calculation is applied using premiums and reserves as the drivers.
- The value of this calculation is either capped such that the value of the MCR is 30% of the value of the SCR.
- Finally, the Absolute Minimum Capital Requirement ("AMCR") is applied. This is a monetary floor on the value of the MCR. For non-life insurance captives that write classes 10 and 15 this is currently set at EUR3.7m (equivalent to US$4.2m (2018: US$4.2m), converted using the 31 December foreign exchange rates.)

Seamair's MCR is higher than the AMCR.

E.3 Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

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

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

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

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

E.6 Any Other Information

There is no other information to report.

Note: Tables within this report contain minor rounding differences in certain instances due to amounts being displayed as whole numbers or in thousands while the source workings underlying the annual reporting templates are calculated to two decimal places. These differences are immaterial.

ANNEX I – QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 – Balance sheet*

S.05.01.02 – Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 – Non-Life technical provisions*

S.19.01.21 – Claim development triangles*

S23.01.01 – Own funds*

S25.01.21 – SCR using standard formula*

S28.01.01 – MCR*

*templates subject to external audit.

Amounts are in USD'000

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

		C0010
		Solvency II value
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	12
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	47,270
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	
R0140	Government Bonds	
R0150	Corporate Bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective Investments Undertakings	
R0190	Derivatives	
R0200	Deposits other than cash equivalents	47,270
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	40,403
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	40,403
R0270	Reinsurance recoverables from:	
R0280	Non-life and health similar to non-life	
R0290	Non-life excluding health	
R0300	Health similar to non-life	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	10
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	168
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	193
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	88,056

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

		C0010
		Solvency II value
Liabilities		
R0510	Technical provisions – non-life	14,136
R0520	Technical provisions – non-life (excluding health)	13,233
R0530	Technical provisions calculated as a whole	
R0540	Best Estimate	12,331
R0550	Risk margin	902
R0560	Technical provisions - health (similar to non-life)	903
R0570	Technical provisions calculated as a whole	
R0580	Best Estimate	824
R0590	Risk margin	79
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	Technical provisions - health (similar to life)	
R0620	Technical provisions calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	
R0660	Technical provisions calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions – index-linked and unit-linked	
R0700	Technical provisions calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	139
R0900	Total liabilities	14,275
R1000	**Excess of assets over liabilities**	73,781

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110	100		450	825	800			6,984	
Gross - Prop reinsurance accepted	R0120								2,788	
Gross - Non-Prop reinsurance accepted	R0130									
Reinsurers' share	R0140									
Net	R0200	100		450	825	800			9,772	
Premiums earned										
Gross - Direct Business	R0210	100		467	815	763	157	433	7,603	
Gross - Prop reinsurance accepted	R0220								4,895	
Gross - Non-Prop reinsurance accepted	R0230									
Reinsurers' share	R0240									
Net	R0300	100		467	815	763	157	433	12,498	
Claims incurred										
Gross - Direct Business	R0310			350	(188)	564	(28)	(556)	2,560	
Gross - Prop reinsurance accepted	R0320									
Gross - Non-Prop reinsurance accepted	R0330									
Reinsurers' share	R0340									
Net	R0400			350	(188)	564	(28)	(556)	2,560	
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Prop reinsurance accepted	R0420									
Gross - Non-Prop reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550	4		42	32	68			922	
Other expenses	R1200									
Total expenses	R1300									

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

		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								9,159
Gross - Prop reinsurance accepted	R0120								2,788
Gross - Non-Prop reinsurance accepted	R0130								
Reinsurers' share	R0140								
Net	R0200								11,947
Premiums earned									
Gross - Direct Business	R0210								10,338
Gross - Prop reinsurance accepted	R0220								4,895
Gross - Non-Prop reinsurance accepted	R0230								
Reinsurers' share	R0240								
Net	R0300								15,233
Claims incurred									
Gross - Direct Business	R0310								2,702
Gross - Prop reinsurance accepted	R0320								
Gross - Non-Prop reinsurance accepted	R0330								
Reinsurers' share	R0340								
Net	R0400								2,702
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Prop reinsurance accepted	R0420								
Gross - Non-Prop reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550								1,068
Other expenses	R1200								
Total expenses	R1300								1,068

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

		Home country	Country (by amount of GWP)					Total for top 5 countries and home country
			US	GB				
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	7,304	550	249				8,103
Gross - Proportional reinsurance accepted	R0120		2,788					2,788
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140							
Net	R0200	7,304	3,338	249				10,891
Premiums earned								
Gross - Direct Business	R0210	8,059	965	260				9,284
Gross - Proportional reinsurance accepted	R0220		4,895					4,895
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240							
Net	R0300	8,059	5,861	260				14,179
Claims incurred								
Gross - Direct Business	R0310	2,718	60	(15)				2,763
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340							
Net	R0400	2,718	60	(15)				2,763
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	323	694	10				1,027
Other expenses	R1200							
Total expenses	R1300							1,027

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

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	37		106	252	292			4,077				
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	37		106	252	292			4,077				
Claims provisions													
Gross	R0160	123		558	921	78	234	11	6,467				
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	123		558	921	78	234	11	6,467				
Total Best estimate - gross	R0260	160		664	1,173	370	234	11	10,544				
Total Best estimate - net	R0270	160		664	1,173	370	234	11	10,544				
Risk margin	R0280	14		65	108	9	27	1	756				
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	174		729	1,281	380	261	12	11,300				
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	174		729	1,281	380	261	12	11,300				

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

		Accepted non-proportional reinsurance				TOTAL
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050					
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060					4,764
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					4,764
Claims provisions						
Gross	R0160					8,392
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					8,392
Total Best estimate - gross	R0260					13,156
Total Best estimate - net	R0270					13,156
Risk margin	R0280					981
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					14,137
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					14,137

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

Gross Claims Paid (non cumulative absolute amount)

		0	1	2	3	4	5	6	7	8	9	10+	Current year	All years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100													
N-9	R0160	59	505	114	181	5	10							874
N-8	R0170	16	160	185	57	379	1	2	3	2			2	805
N-7	R0180	0	134	10	(1)	3	4	1	7				7	158
N-6	R0190	192	909	661	393	72	46	-					-	2,273
N-5	R0200	107	282	257	12	27	4						4	689
N-4	R0210	84	498	188	16	1							1	787
N-3	R0220	467	685	183	250								250	1,585
N-2	R0230	216	628	1,855									1,855	2,699
N-1	R0240	491	778										778	1,269
N	R0250	503											503	503
												Total	3,400	11,642

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

		0	1	2	3	4	5	6	7	8	9	10+	Year End (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100												
N-9	R0160							48	39	66	55		49
N-8	R0170						164	127	144	123			111
N-7	R0180					45	37	156	123				110
N-6	R0190				643	404	98	76					69
N-5	R0200			1,021	681	144	113						105
N-4	R0210		1,854	1,140	261	171							159
N-3	R0220	3,317	2,314	1,205	318								298
N-2	R0230	3,658	2,549	1,873									1,769
N-1	R0240	4,128	2,085										1,970
N	R0250	4,008											3,752
												Total	8,392

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,050	1,050			
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	72,719	72,719			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	12				12
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	10				
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	73,771	73,759			12
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					

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	73,771	73,759			12
Total available own funds to meet the MCR	R0510	73,759	73,759			
Total eligible own funds to meet the SCR	R0540	73,771	73,759			12
Total eligible own funds to meet the MCR	R0550	73,759	73,759			
SCR	R0580	17,985				
MCR	R0600	4,496				
Ratio of Eligible own funds to SCR	R0620	4.101897082				
Ratio of Eligible own funds to MCR	R0640	16.40484531				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	73,781
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,062
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	72,719
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

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

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0100
Market risk	R0010	9,395		
Counterparty default risk	R0020	29		
Life underwriting risk	R0030			
Health underwriting risk	R0040	423		
Non-life underwriting risk	R0050	12,544		
Diversification	R0060	(4,863)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	17,528		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	457
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	17,985
Capital add-on already set	R0210	
Solvency capital requirement	R0220	17,985
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - MCR (In thousands of USD)

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	2,773

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	160	100
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	664	450
Motor vehicle liability insurance and proportional reinsurance	R0050	1,173	825
Other motor insurance and proportional reinsurance	R0060	370	800
Marine, aviation and transport insurance and proportional reinsurance	R0070	234	
Fire and other damage to property insurance and proportional reinsurance	R0080	11	
General liability insurance and proportional reinsurance	R0090	10,544	9,772
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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

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

Overall MCR calculation		C0070
Linear MCR	R0300	2,773
SCR	R0310	17,985
MCR cap	R0320	8,093
MCR floor	R0330	4,496
Combined MCR	R0340	4,496
Absolute floor of the MCR	R0350	4,149
Minimum Capital Requirement	R0400	4,496