Solvency & Financial Condition Report

Surestone Insurance dac
March 31 2019

Contents

SUMMARY 1

A BUSINESS AND PERFORMANCE 3

B SYSTEM OF GOVERNANCE 7

C. RISK PROFILE 23

D. VALUATION FOR SOLVENCY PURPOSES 29

E. CAPITAL MANAGEMENT 35

APPENDIX A - QUANTITATIVE REPORTING TEMPLATES (QRT) 39

SUMMARY

This document is the Solvency and Financial Condition Report (SFCR) for Surestone Insurance dac ('Surestone' or 'the Company').

The SFCR provides narrative information in quantitative and qualitative form including quantitative reporting templates (QRTs). The report covers the Business and Performance of Surestone, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

Section A – Business and Performance

Surestone is a non-life insurance company based in the Republic of Ireland and regulated by the Central Bank of Ireland. The Company specialises in developing purpose-built schemes, offering product expertise to its business partners by providing them with delegated authority and access to scheme management facilities that are not available in the traditional insurance market. Surestone's material lines of business during the year ended March 31, 2019 were property, liability and miscellaneous financial loss covering risks in Ireland and the UK.

Surestone made a loss for the year ended March 31, 2019 of £1.84m (2018: £2.95m). The result was impacted by adverse prior year claims development and large property losses. The Company is taking the necessary action to exit areas of the business that are loss making and focusing on growing its profitable relationships with its key partners.

Section B – System of Governance

The System of Governance section contains information on the organisational and operational structures of Surestone which support its strategic objectives and operations. The Board of Directors has established the governance structure in this section to ensure effective oversight of the activities of Surestone.

Governance changes during the current period included the appointment of a dedicated Head of Compliance and the outsourcing of the actuarial function.

Section C – Risk Profile

The Risk Profile details the underwriting, market, credit, liquidity, operational and other material risks relating to Surestone. For each of the material risks the Company performed stress testing as part of its most recent Own Risk and Solvency Assessment (ORSA). The stress and scenario testing highlighted that the solvency position is resilient to all individual stresses and only the extreme events would have the potential to cause the Solvency Capital Requirement (SCR) to fall below 100%.

The risk of a 'hard' Brexit has not diminished and under this scenario there is a material risk that the Company will not be able to continue writing into the UK from Ireland. To mitigate this risk Surestone has entered into the Prudential Regulation Authority's Temporary Permissions Regime .

Section D – Valuation for Solvency Purposes

The Valuation for Solvency Purposes outlines the difference between the Solvency II Valuation and the Financial Statements for Surestone. The Surestone financial statements are prepared on an Irish GAAP basis. There are no significant measurement differences between the two bases.

Section E – Capital Management

The Capital Management section outlines the Solvency Capital Requirement and Minimum Capital Requirement for Surestone which calculates capital using the Standard Formula. The solvency position is monitored on a regular basis to ensure compliance with the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). At March 31, 2019 the Solvency Capital Ratio was at 106.5% (2018: 110%). The Company's parent demonstrated its commitment to supporting the Company with a £2m capital contribution being made during the year ended March 31, 2019.

Additionally, since year end, the Company has received a further capital contribution of £0.9m (which equates to 4.6% of the SCR at March 31, 2019).

The table below provides a breakdown of the Company own funds by tier level at March 31, 2019:

	Tier 1 £'000	**Tier 2 £'000**	**Total £'000**
March 31, 2019	12,586	8,464	21,050
Eligible amount to cover the SCR	12,586	8,464	21,050
Eligible amount to cover the MCR	12,586	989	13,575

Surestone was compliant with the MCR and the SCR requirements throughout the year ended March 31, 2019.

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

Surestone Insurance dac (Surestone) is an authorised Insurance Company (No 340407) which is regulated by the Central Bank of Ireland. The Company commenced trading in 2002 and is based in Dublin, Ireland. Surestone currently has a Medium Low Impact PRISM rating under the Central Bank of Ireland's risk based framework.

Surestone's registered address is:

Merrion Hall, Strand Road, Sandymount, Dublin 4.

Central Bank of Ireland's address is:

PO Box 559, New Wapping St., North Wall Quay, Dublin 1.

The external auditors are Deloitte, whose address is:

29 Earlsfort Terrace, Dublin 2

Surestone occupies a niche within both the Irish and UK general insurance markets and specialises in developing purpose built schemes to meet the needs of its partners. Surestone offers product expertise, adding value to business partners by providing them with delegated authority and access to scheme management facilities that are not available in the traditional insurance market.

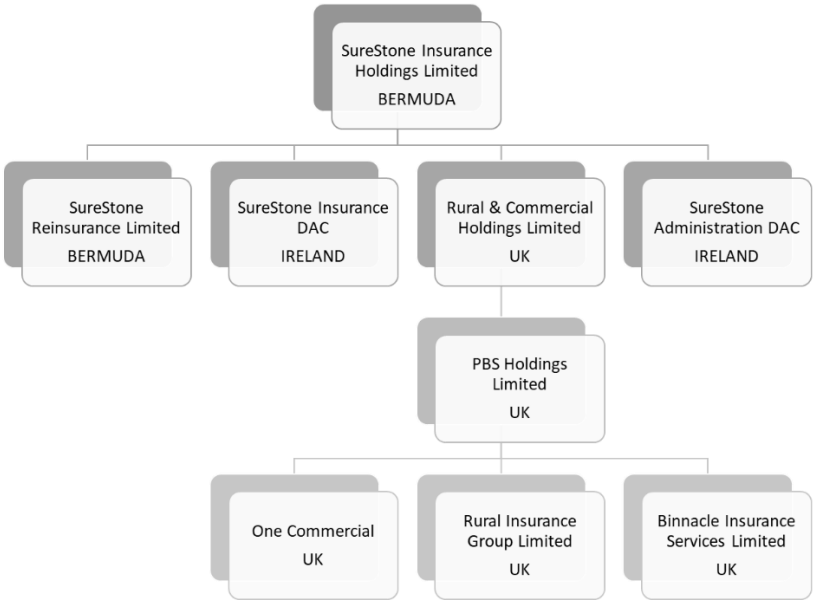
Surestone has designed bespoke schemes across a wide variety of industry sectors including:

- Commercial Lines
- Home Products
- Pecuniary Products
- Motor related Products

Surestone's material lines of business during the year ended March 31, 2019 were property, liability and miscellaneous financial loss covering risks in Ireland and the UK.

Surestone is part of Surestone Insurance Holdings Limited (the Group). Its ultimate parent is Primary Group 1 Holdings Limited (PGHL). PGHL is the investment holding company of the Primary Group, a group of predominantly small to medium size businesses engaged in insurance and other financial distribution activities in the UK and in other jurisdictions. The ultimate controlling party of PGHL is Mr P W H James.

The organization chart below shows all material related undertakings within the Group:



A.1.1 Significant business and other events

There were no significant business or other events that occurred over the reporting period that have had a material impact on the Company.

A.2 UNDERWRITING PERFORMANCE

Line of Business

£'000	Income Protections 2019	Fire & other damage to property 2019	General liability 2019	Assistance 2019	Misc. financial loss 2019	Total 2019
Earned premiums, net of reinsurance	-	5,136	2,282	-	1,764	9,182
Net claims incurred	(62)	(5,244)	(961)	(16)	(1,090)	(7,373)
Expenses incurred	-	(2,302)	(1,202)	(7)	(817)	(4,328)
Net underwriting income (loss)	(62)	(2,410)	119	(23)	(143)	(2,519)

£'000	Income Protections 2018	Fire & other damage to property 2018	General liability 2018	Assistance 2018	Misc. financial loss 2018	Total 2018
Earned premiums, net of reinsurance	5	4,878	1,506	4	2,290	8,683
Net claims incurred	(27)	(3,357)	(2.390)	34	(2,002)	(7,742)
Expenses incurred	(2)	(1,938)	(607)	(6)	(1,653)	(4,206)
Net underwriting income (loss)	(24)	(417)	(1,491)	32	(1,365)	(3,265)

Geographic Area

£'000	Ireland 2019	UK 2019	Other EEA 2019	Total 2019
Earned premiums net of reinsurance	7,343	1,839	-	9,182
Net claims incurred	(6,611)	(762)	-	(7,373)
Expenses incurred	(3,444)	(884)	-	(4,328)
Net underwriting income (loss)	(2,712)	193	-	(2,519)

£'000	Ireland 2018	UK 2018	Other EEA 2018	Total 2018
Earned premiums net of reinsurance	6,004	2,678	1	8,683
Net claims incurred	(6,317)	(1,455)	30	(7,742)
Expenses incurred	(2,361)	(1,839)	(6)	(4,206)
Net underwriting income (loss)	(2,674)	(616)	25	(3,265)

During the year ended 31 March 2019, net earned premium increased 5% on the previous year following a 12% increase in Gross Written Premium, as the Company developed its relationships with its key MGA partners further. The result was impacted by a greater than expected level of large fire claims incurred during the year. The Company has invested in the resources required to run a successful insurance company and is making good progress on achieving the necessary profitable and measured growth it requires to cover its cost base. The Company will continue to focus on supporting quality MGA partners, ensuring that the business that it writes meets the needs of its customers as well as maintaining its underwriting discipline.

A.3 INVESTMENT PERFORMANCE

Investment income and charges for the years ended March 31, 2019 and 2018 were as follows:

	2019 £'000	2018 £'000
Interest on loan to parent	745	702
Investment expenses	-	-
Net investment income	745	702

There are no gains and losses recognised directly in equity. There are no investments in securitisation.

A.4 PERFORMANCE OF OTHER ACTIVITIES

There were no other material income and expenses for the year ended March 31, 2019 or 2018.

The Company does not have any material financial and operating leases.

A.5 ANY OTHER INFORMATION

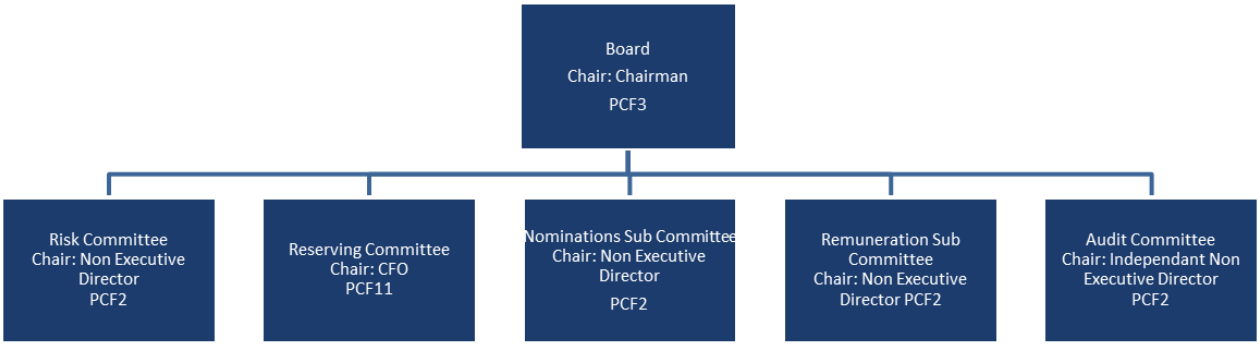
Surestone does not have any other material information regarding the business and performance for disclosure, other than that disclosed above.

B SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Surestone maintains organisational and operational structures aimed at supporting its strategic objectives and operations. The Board has primary responsibility for corporate governance and has put in place the following governance structure to ensure effective oversight of the activities of Surestone.

The high-level governance structure in place within Surestone at March 31, 2019 was as follows:



Terms of Reference are in place, setting out the respective roles and responsibilities of each element.

B.1.1 Role and responsibilities of the Board and Sub-Committees

The key role and responsibilities of the Board and each Board sub-committee are as follows;

Board:

The Board is responsible for the effective, prudent and ethical oversight of Surestone. The Board is responsible for:

- Setting the business strategy;
- Setting the amounts, types and distribution of capital to cover the risks of the Company;
- Setting the strategy for the ongoing management of material risks;
- Embedding and overseeing a robust and transparent organisation structure with effective communication and reporting channels;
- A remuneration framework that is in line with the risk strategies of the Company; and
- Installing and overseeing an adequate and effective internal control framework, that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.

Audit Committee:

The objective of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for financial reporting, the system of internal control and the audit process. The responsibilities of the Audit Committee include:

- Monitoring the effectiveness and adequacy of the Company's internal control, internal audit and IT systems;
- Quarterly review of the completed audits and any remediation required;
- Assurance to the Board that mitigating actions are being taken to support achievement of the Company's strategic Business Plan;
- Identifying any requirements for escalation to the Board as a result of completed audits;
- Liaising with the external auditor particularly in relation to their audit findings;
- Reviewing the integrity of the Company's financial statements ;
- Reviewing any financial announcements and reports and recommending to the Board whether to approve the Company's annual accounts; and
- Assessing auditor independence and the effectiveness of the audit process.

Risk Committee:

The responsibilities of the Risk Committee include:

- Oversight and advice to the Board on the current risk exposures of the Company and future risk strategy;
- Advising the Board on risk appetite and tolerance for future strategy, taking account of:
    - the Board's overall risk appetite;
    - the current financial position;
    - drawing on the work of the audit committee and the external auditor; and
    - the capacity of the Company to manage and control risks within the agreed strategy.
- Overseeing the risk management function, which is managed on a day to day basis by the CRO;
- Liaising regularly with the CRO to ensure the development and on-going maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business;
- Advising the Board on the effectiveness of strategies and policies with respect to maintaining, on an on-going basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Company;
- Quarterly review of the Company's material risks as recorded on the risk register and the actions being taken to mitigate the risks;
- Assurance to the Board that mitigating actions are being taken to support achievement of the Company's strategic business plan; and
- Identifying and overseeing the implementation of proactive & proportionate risk mitigation actions.

Reserving Committee:

The Reserving Committee is responsible for:

- On a quarterly basis to review the adequacy of reserves and to recommend to the Board the level of Best Estimate for inclusion in the financial statements;
- The review of the adequacy of Solvency II Technical Provisions and recommend for inclusion in regulatory returns;
- The review of all reports of the Head of Actuarial Function as to the adequacy of reserves and reporting to the Board of Directors thereon;
- On an annual basis, the review of the Margin for Uncertainty Report produced by the Head of Actuarial Function;
- The review of all reports of the external auditors;
- Agreement of the risk appetite for reserving risk for recommendation to the Board

Remuneration Committee:

The objective of the Remuneration Committee is to establish remuneration policies and procedures. Its responsibilities include:

- Determining and agreeing the policy for remuneration of the Company's Chairman, non-executive directors, executive directors, senior managers and employee;
- Reviewing the on-going appropriateness and relevance of the remuneration policy;
- Approving the design of, and determining targets for, any performance related pay schemes; and
- Providing recommendations to the Board on scope and required amendments to the remuneration policy as appropriate.

Nominations Committee:

The objective of the Nominations Committee is to ensure that the Board and its committees are made up of individuals with the necessary skills, knowledge and experience. Its responsibilities include:

- Reviewing structure, size and composition required of the Board;
- Making recommendations for any changes to the Board;
- Identifying and nominating to the Board, candidates to fill Board vacancies;
- Analysing strategic issues and commercial changes which may affect the Company; and
- Succession planning for Directors and other senior executives.

B.1.2 Role and responsibilities of key control functions

Surestone maintains the following key control functions: Risk Management, Compliance, Internal Audit and Actuarial. The roles and responsibilities of each function are as follows:

B.1.2.1 Risk Management Function

The Risk Management Function is performed by the Chief Risk Officer (CRO). The CRO reports to Surestone's Chairman of the Risk Committee and the Board. The Risk Management Function's activities are:

- ensuring that the insurance undertaking has effective processes in place to identify and manage the risks to which Surestone is or might be exposed.
- maintaining effective processes to monitor and report the risks to which Surestone is or might be exposed.
- promoting sound and effective risk management.
- facilitation of the setting of the risk appetite by the Board.
- providing comprehensive and timely information on Surestone's material risks which enables the Board to understand the overall risk profile of the insurance undertaking.

B.1.2.2 Compliance Function

The Compliance Function is performed by the Head of Compliance. The Head of Compliance reports to Surestone's Chairman of the Risk Committee and the Board. The Compliance Function's activities are:

- To be responsible for compliance with the internal control system.
- To identify and communicate throughout Surestone the laws, regulations and codes of conduct to which Surestone is subject. The Compliance Function will seek to embed compliance with these laws, regulations and codes of conduct in the way that Surestone does business.
- To maintain 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 Surestone.
- Any violation of the law will be investigated and followed up by the Compliance Function and reported to the Board, and in certain circumstances to outside bodies such as the Central Bank of Ireland.
- To consider possible future changes in the legal environment and their potential effect on Surestone.
- Present an annual Compliance Plan to the Board outlining specific areas which it will focus on during a particular year.
- To promote a culture of compliance throughout Surestone.

B.1.2.3 Internal Audit Function

The Internal Audit function is performed by the Head of Internal Audit. The Head of Internal Audit reports to Surestone's Chairman of the Audit Committee. Surestone requires that the internal audit function:

- Establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of Surestone;
- Take a risk-based approach in deciding its priorities;
- Report the audit plan to the Board;
- Issue an internal audit report to the Board based on the result of work carried out in accordance with above, which includes findings and recommendations to the Board including the envisaged period of time to remedy the shortcomings and the persons responsible for doing so, and information on the achievement of audit recommendations;
- Submit the internal audit report to the Board on at least an annual basis; and
- Verify compliance with the decisions taken by the Board on the basis of those recommendations referred to in the points above.

B.1.2.4 Actuarial Function

The Actuarial Function is performed by the Head of Actuarial Function (HOAF). Surestone ensures that the actuarial function:

- undertakes the tasks as set out in Article 48(1) of the Solvency II Directive. The Company also takes appropriate measures to address the potential conflicts of interests, if the Company decides to add additional tasks or activities to the tasks and activities of the actuarial function.
- identifies any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and proposes corrections as appropriate and explains any material effect of change of data, methodologies or assumptions between valuation dates on the amount of Technical Provisions.
- assesses the consistency of the internal and external data used in the calculation of Technical Provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the actuarial function will make recommendations on internal procedures to improve data quality so as to ensure that Surestone is in a position to comply with the related Solvency II requirements.
- when providing its opinion on the underwriting and reinsurance risk policy, to take into consideration the interrelations between these and the Technical Provisions.
- reports in writing at least annually to the Board. The reporting documents all material tasks that have been undertaken by the actuarial function, their results, clearly identifying any deficiencies and giving recommendations as to how such deficiencies could be remedied.

B.1.3 Changes to the System of Governance

There were no material changes in the system of governance during the year ended March 31, 2019.

B.1.4 Remuneration policy

Surestone has established a remuneration policy for directors and employees. The objectives of the Remuneration Policy are to ensure:

- that remuneration policy and practices are aligned with Surestone Strategy, Risk Management Strategy and Risk Appetite, objectives, values and long-term interests of the Company;
- that the policy applies to Surestone as a whole in a proportionate and risk focused way, taking into account the respective roles of the personnel responsible for key functions or who make or participate in making decisions that affect the whole, or a substantial part of Surestone's business, including members of the Board;
- that the remuneration policy does not foster practices adverse to the policyholders' interests;
- that a clear, transparent and effective governance structure around remuneration is in place;
- that Surestone can attract and retain highly qualified Board members and employees with skills required to effectively manage Surestone;
- that Board members and employees are compensated appropriately for the services they provide to Surestone; and
- that the remuneration motivates Board members and employees to perform in the best interests of Surestone and its stakeholders.

Directors, who do not perform executive functions in the Company or in Group companies, receive a fixed sum as remuneration.

Directors, who also perform executive functions in Group companies or perform duties as part of an outsourced service provision, will not receive individual remuneration from the Company.

Surestone provides a range of benefits to employees including a discretionary bonus scheme, a defined contribution pension plan and a group health insurance scheme.

B.1.5 Material transactions

The following material transactions took place with the Parent company during the years ended March 31, 2019 and 2018(£'000):

	2019	**2018**
(Decrease)/Increase in intercompany loan:	176	(346)

B.1.6 Adequacy of the System of Governance

The system of governance of Surestone is considered adequate and effective and is proportionate to the nature, scale and complexity of the risks inherent in its business.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 Fitness and probity policy

Surestone's Fitness and Probity policy ensures:

- that all persons who effectively run the Company or are responsible for other key functions at all times possess the professional qualifications, knowledge and experience to enable sound and prudent management;

- that all persons who effectively run the Company or are responsible for other key functions at all times are of good repute and integrity;

- that the members of the administrative, management or supervisory body shall, collectively, be able to provide for the sound and prudent management of the Company;

- the appropriate notification of the Central Bank of Ireland of all appointments, replacements and changes, including all information required to assess whether any relevant persons are fit and proper.

Assessments of a person's fitness and propriety must be made:

- before the person is appointed
- on at least an annual basis following appointment,
- upon the event of material information adverse to the assessment becoming known to Surestone or any other circumstances whereby the fitness or propriety of responsible persons may be adversely affected.

B.2.1 Fitness and probity process

Surestone has the following process for assessing the fitness and the propriety of the persons who effectively run Surestone or have other key functions:

The Board obtains when relevant, the necessary information for each initial fit and proper assessment of a candidate for a responsible person position which will allow the Board to adequately assess whether the candidate satisfies the following criteria:

- possesses the necessary skills, knowledge, expertise, diligence, relevant qualification and soundness of judgment to undertake and fulfill the particular duties and responsibilities of the particular position.

- has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously in their professional career.

- it is prudent for the Company to conclude that the person possesses the competence, character, diligence, honesty, integrity and judgment to perform properly their duties.

- the person does not have a conflict of interest in performing the duties.

- has not been reprimanded, or disqualified, or removed, by a professional or regulatory body in relation to matters regarding the person's honesty, integrity, or business conduct;

- has not been the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, and which reflected adversely on the person's competence, diligence, judgment, honesty or integrity.

- has not been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management.

- have sufficient time to devote to the role and associated responsibilities

In the case of directors, the following additional criteria must be satisfied:

- that the number of directorships held by any director does not exceed those specified by various regulatory bodies.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT ("ORSA")

B3.1 Risk management system

The Risk Management System comprises the Risk Management Framework which seeks to;

- Identify particular events or circumstances relevant to the Company's objectives
- Assess them in terms of likelihood and scale of potential impact
- Determine a risk management response strategy
- Monitor the risks closely
- Modify actions and mitigation accordingly

The main purpose of this Framework is to ensure that Surestone can achieve its strategic objectives by promoting a pro-active and risk based approach to managing and mitigating risks associated with the business.

B3.1.1 Objectives and principles

The specific objectives of the Framework are to:

- Ensure that all the current and future material risk exposures are identified, measured, managed, monitored and reported in accordance with the Company's Risk Appetite statement and key tolerance limits;
- Introduce a governance & control framework for the Company's risk management processes
- Ensure all stakeholders are aware of the Framework and clear on their respective roles and responsibilities
- Facilitate compliance within relevant regulatory and legislative guidelines.

For the Framework to be effective, the following key principles are important:

- The Framework is accepted by senior management as a mechanism to assist and help protect the Company from uncertainties and consequent losses

- Company decisions will be made with the key information available to make decisions on the acceptance of risk in accordance with the Risk Appetite
- Senior management are committed to the Framework's risk mitigation actions and also the need to ensure they are fully embedded in the business processes of the Company
- Risk Appetite and key tolerances will be regularly reviewed and updated to best reflect the Company's Business Plan and strategic objectives
- The occurrence, progress and status of all risks will be promptly reported and appropriate actions taken
- All employees will be made aware of the Framework and have clarity on their respective roles and responsibilities for delivering effective risk identification and mitigation

B3.1.2 Assessment of Risk

Within the Framework, risk assessment and mitigation is undertaken as follows;

Identify: All employees are expected to identify risks through the normal course of business. A key mechanism for identifying new and emerging risks will be through the quarterly Management Risk & Compliance Committee and Risk Committee.

Measure: Risks are measured on a residual basis with the likelihood of the event and potential financial impact of the event the main measures. Key Risk Indicators are monitored to identify trends or changes in risk exposures.

Manage: Inherent risk exposures are mitigated through controls. Should the residual risk be outside the Risk Appetite or key tolerances, an action plan will be agreed and implemented to return the exposure to an acceptable level.

Monitor: Risk exposures will be continuously monitored.

Report: All identified risks and controls will be reported to the relevant committees.

B3.1.3 Roles and Responsibilities

The Framework applies to all individuals working at all levels, including the Board, Senior Management, employees (whether permanent, fixed term or temporary), outsourced Service Providers, business consultants or contractors, or any other person associated with the Company.

The Risk Committee on behalf of the Surestone Board is responsible for the approval of this Framework and for the oversight of the management of risks. Various other Committees and Sub Committees are in place to ensure effective monitoring and reporting of risk management.

The Board is responsible, through the receipt of effective management information data for;

- Monitoring the effectiveness of the Framework
- Ensuring that the Framework is in line with the Company Risk Appetite

The Risk Committee is responsible, through the receipt of effective management information data for;

- The identification and assessment of material risks in the Company Risk Register
- Ensuring the material risks are being adequately managed, controlled and monitored

Senior Management is responsible, through the receipt of effective management information data for;

- Implementing the risk controls on a day-to-day basis
- Reporting to the Risk Committee on the assessment of material risks identified in the Company Risk Register
- Reporting to the Board and Risk Committee on deviations of risk from the agreed Risk Appetite and key tolerances

B.3.1.4 Reporting

The Risk Committee will report to the Board:

- Annually: On the operational effectiveness of the Risk Management Framework.
- Quarterly: Any deviations of risks from the approved Risk Appetite and key risk tolerances that are considered to pose a threat to the achievement of the Company's objectives

The Board will:

- Review the information and provide direction to the Risk Committee as appropriate in ensuring the effectiveness of the Framework to manage and mitigate risk for the Company.

B3.2 ORSA

The ORSA Process delivers the required output for internal and external purposes. The capital and solvency assessments will inform all significant decision-making and risk management processes, and will be used for decision making in the business.

The assessment of the overall solvency needs is the primary process to be carried out as part of the ORSA. The steps of the process are as follows:

- All risks that Surestone is exposed to are identified. This is performed in line with the processes and procedures in the risk management framework. The risk register is the primary source of risks facing Surestone in the first instance.

- For each quantifiable risk identified, consideration is given to whether the risk is mitigated through management action or capital is allocated to address materialisation, or a mixture of both. This assessment takes into consideration the risk appetite in respect of each standalone risk as well as risks in aggregation.

- The data used in the ORSA process must be comprehensive, valid, accurate, relevant and timely. Specific control activities are embedded in the Internal Control System to ensure the highest possible data quality.

- As part of the ORSA process, Surestone uses the standard model in calculating its regulatory capital.

- An initial assessment of current solvency needs is made to determine if Surestone has sufficient financial resources to meet the capital calculated for its initial assessment of risks.

- A comparison of the risk profile of current and future business to the Risk Appetite Policy and the approved Risk Appetite Statement is undertaken. Where there is a discrepancy further investigation is carried out into the reasons for being outside risk appetite.

- Stress testing and scenario analysis is carried out to understand key risk exposures. The range of the stresses and scenarios considered reflects the nature, scale and complexity of the risks inherent to the business. Management Actions following the materialisation of a stress or scenario are considered and the impact defined.

- The economic balance sheet (including available capital (own-funds)) and capital requirement on a regulatory basis is calculated for each future year of the business planning period (3 years).

- The results of the previous steps are used to consider if any action plans are necessary.

- An overall opinion on the ORSA will be requested from the HoAF and feedback incorporated accordingly.

- The ORSA will be challenged and signed off by the Board.

The results of each ORSA Process are recorded in detail. The record of each ORSA Process includes:

- The individual risk analysis, including a description and explanation of risks;
- A description of how each risk will be managed;
- Detail of data quality is documented;
- Any discrepancies between the risk profile and risk appetite is documented along with the planned course of action to remediate the situation;
- The results and conclusions about overall solvency needs over a one-year-period;

- A description of stress tests and scenario analysis employed. This will include the rationale for selecting a particular stress test or scenario analysis as well as the methodology and assumptions underlying the calculation;
- The results of the validation activity are documented;
- The results of the ORSA and regulatory capital calculations and conclusions about overall solvency needs over each of the years in the business planning period. A description of what internal and external factors were taken into consideration in the forward-looking perspective. Details of any planned relevant management actions, including an explanation and a justification for these actions, and their impact on the assessment;
- Action plans arising from the assessment and the rationale for them. This requires the documentation to cover any strategies for raising additional own funds where necessary and the proposed timing for actions to improve the Company's financial condition, and clearly allocate actions identified to specific people;
- A record of the challenge process performed by the Board;
- The identification and explanation of the differences established from the comparison of the Company's risk profile with the assumptions underlying the calculation of the SCR. In case the deviations are considered to be significant in either direction, the internal documentation addresses how Surestone will react; and
- A record of the review and validation of the ORSA Process.

The exercise to perform the ORSA process and the documentation thereof will be done at least annually and will cover the period since the previous ORSA.

The Annual ORSA will be performed in conjunction with Surestone's annual business plan to help ensure:

- it remains an integral part of the business strategy;
- it is taken into account on an on-going basis in any strategic decisions; and
- the current ORSA accounts for the most up-to-date plans and strategies of Surestone.

An ORSA outside the annual cycle will be performed when there is a material change in the risk profile or external environment of Surestone.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Description of the internal control system

Surestone's internal control system encompasses the policies, procedures, processes, tasks, and behaviours that**:**

- facilitate effective and efficient operations by enabling Surestone to respond to its significant risks;
- assist in ensuring the quality of internal and external information and reporting;
- assist in compliance with applicable laws, regulations and internal policies and procedures; and
- provide the Board with the capability to monitor and assess the level of compliance with internal controls.

The Company ensures that appropriate levels of Internal Control are present within the organisational structure. Surestone operates a three lines of defence oversight and controls model. This is achieved by:

- Ensuring the presence and application of individual internal policies, procedures and guidelines for each of the critical functions and activities of Surestone;
- Ensuring that adequate approval procedures, authorities, verification, reconciliations, and review procedures are in place for each function or activity and are adequately documented and verified;
- Ensuring that adequate controls are in place to safeguard the integrity and protection of information;
- Ensuring sufficient monitoring mechanisms are in place to facilitate assessments of the effectiveness of the controls in place;
- The activities of the Compliance function, the application of the Compliance Policy and the implementation of the Compliance Plan.

B.4.2 Implementation of the compliance function

The compliance function identifies and communicates, throughout Surestone, the laws, regulations and codes of conduct to which Surestone is subject and seeks to embed compliance with these laws, regulations and codes of conduct in the way Surestone does business. The compliance function promotes a culture of compliance throughout Surestone.

The compliance function maintains 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 Surestone. Through this system it identifies, assesses, controls, measures and reports compliance risks across Surestone as part of its oversight and administration of the Compliance Plan.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 Implementation of the internal audit function

The Internal Audit function, on a regular basis, develops a plan of audit activities and operations and submits to the Audit Committee for approval. The annual audit plan includes identification of each audit to be conducted in terms of the programmes, functions and activities to be audited. The plan may be amended during the year with the approval or at the direction of the Audit Committee. Audits are conducted in compliance with Generally Accepted Auditing Standards.

The Internal Audit function provides Surestone with an efficient, proactive and comprehensive internal audit programme through the conduct of:

i) Internal control audits to determine that required internal controls are in place, are current and are working efficiently and effectively to minimise the operational and other risks faced by Surestone;

ii) Compliance audits to ensure conformance with the requirements of the various laws, regulations and standards which effect the business of Surestone;

iii) Information/data audits to ensure that all data collected by Surestone is stored, updated and destroyed in accordance with all applicable data protection legislation; and

iv) Special reviews of various areas of the business as may be required from time to time.

The internal audit function is outsourced to Mazars Ireland.

B.5.2 Independence of the internal audit function

Surestone's internal audit function is independent of the activities audited and must also be independent from the everyday internal control process. The following guidelines describe how the internal audit function maintains its independence and objectivity from the activities it reviews:

- The Board authorises the Internal Audit function to exercise its assignment on its own initiative in all departments, establishments and functions of Surestone and of all relevant sections of entities providing outsourced services to the Company.

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

- The Chairman of the Audit Committee communicates directly, and on his/her own initiative, to the Board as a whole, the chairman of the Board of directors, or the external auditors where appropriate. This reporting line is particularly important where the Internal Audit function, as part of its work, uncovers decisions or practices which are contrary to the letter and or spirit of legal or regulatory provisions or internal policies employed by or applicable to Surestone.

- The compensation scheme for those who are involved in discharging the responsibilities of the Internal Audit function is consistent with the objectives of the Internal Audit.

- The Internal Audit function is objective and impartial. All individuals (e.g. directors and staff and all entities providing outsourced services to Surestone) co-operate fully and on a proactive basis with the work of the Internal Audit function.

- All individuals involved in the work of the Internal Audit function seek to avoid any conflict of interest, real or perceived, with their duty to discharge the responsibilities of the Internal Audit function.

- Those involved in discharging the duties assigned to the Internal Audit function are not involved in the operations of Surestone or in selecting or implementing internal control measures.

B.6 ACTUARIAL FUNCTION

The Head of Actuarial Function (HoAF) has responsibility for the actuarial function and supporting the setting of the risk appetite by the Board and for providing comprehensive information on Surestone's underwriting performance and reserves which enable the Board to understand the overall risk profile of the Company. The HoAF maintains oversight communication with the Directors as appropriate.

Key duties and responsibilities include the following:

(a) coordinate the calculation of technical provisions;

(b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;

(c) assess the sufficiency and quality of the data used in the calculation of technical provisions;

(d) compare best estimates against experience;

(e) inform the Board of the reliability and adequacy of the calculation of technical provisions;

(f) oversee the calculation of technical provisions in the cases set out in Article 82;

(g) express an opinion on the overall underwriting policy;

(h) express an opinion on the adequacy of reinsurance arrangements; and

(i) contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The Head of Actuarial Function (HoAF) supports the ongoing compliance with Solvency II by performing the following key responsibilities:

- Contributing to the Risk Management Function and ORSA
- Opinion on ORSA to include range of risks considered, adequacy of stresses performed, appropriateness of Financial projections and continuous compliance with technical provisions
- SCR Calculation Review - full independent calculation of the main constituent parts of the calculation together with a review of the inputs for reasonableness

The actuarial function is outsourced to Allied Risk Management.

B.7 OUTSOURCING

B.7.1 Outsourcing policy

Surestone's outsourcing policy establishes the requirements for identifying, justifying, and implementing outsourcing arrangements for critical or important functions or activities. The policy is designed to ensure that critical outsourcing arrangements are managed effectively throughout the duration of the relationship and on termination.

The Board is ultimately responsible for the approval of and termination of all material outsourced arrangements and delegates authority to its Risk Committee for:

- Approval of material Outsourcing
- Termination of material Outsourcing
- Reviewing the performance of outsourced Service Providers against the agreed contract.
- Assessing and monitoring the risks associated with material outsourced functions and activities.

The following risks and related mitigations available are considered as part of the approval process:

- The financial, reputational, and operational impact on Surestone of the failure of a Service Provider to adequately perform the activity;
- The financial, reputational, and operational impact on Surestone of Service Provider failure;
- Potential losses to Surestone's stakeholders in the event of Service Provider failure; and
- The risk associated with increased complexity in Business Continuity Planning (BCP).

The outsourcing of any activity by Surestone does not diminish its obligations and those of its Board, who have the ultimate responsibility for the outsourced activity. Surestone is therefore responsible for the actions of their Service Providers. Surestone retains full control of the ultimate activity and retains effective access to all data related to outsourced activities. Surestone considers all relevant laws, regulations and guidelines when completing its due diligence on potential Service Providers.

The outsourcing policy ensures that:

- Prior to the appointment or renewal of an outsourcing provider's services, appropriate due diligence is performed to assess the Service Provider's capability to meet the business activity.
- All material outsourcing arrangements are notified to the Central Bank of Ireland at least 6 weeks prior to commencing operations.
- All material outsourcing arrangements are undertaken using a written, legally binding contract. The contract must document all components of the outsourcing arrangement between the parties.
- The performance of the Service Provider is reviewed at least on an annual basis and compared against the performance targets as prescribed in the agreed Contract.
- The Company maintains adequate contingency plans for outsourcing arrangements to ensure business interruption for both Surestone and policyholders are minimised.
- The Risk Committee reports regularly to the Board on the assessment of the risks associated with the outsourcing of the various functions and activities as appropriate.

B.7.2 Outsourcing of critical or important operational functions

Function	**Location**
Internal audit	Ireland
Actuarial	Ireland
Underwriting support services	UK & Ireland
Claims administration services	UK & Ireland

B.8 ANY OTHER INFORMATION

Surestone does not have any other material information regarding the system of governance of the insurance or reinsurance undertaking.

C. RISK PROFILE

Surestone has established its risk management framework to ensure that all the current and future material risk exposures are identified, measured, managed, monitored and reported in accordance with the Company's risk appetite statement and key tolerance limits.

Risks are measured on a residual basis with the likelihood of the event and potential financial impact of the event the main measures. Key Risk Indicators are monitored to identify trends or changes in risk exposures. Inherent risk exposures are continually monitored and are mitigated through controls.

Surestone's material risks are captured within the ORSA process and are considered to be appropriately reflected within the standard formula and Surestone's own solvency needs.

C.1 UNDERWRITING RISK

Underwriting risk relates to the uncertainty regarding the occurrence, amount or timing of insurance claim payments or reserves. Surestone currently provides insurance cover for property, liability and miscellaneous financial loss risks. The Company manages these risks through its risk policies (underwriting, reserving, outsourcing and reinsurance).

C.1.1 Underwriting

Surestone's underwriting objective is to profitably grow the business by underwriting selected insurance risks within the risk appetite of the Company. Surestone seeks to diversify the type of insurance risks written and uses reinsurance arrangements to mitigate risk by capping risk exposure to within the Company's risk appetite.

Underwriting risk is mitigated by underwriting due diligence and actuarial review of pricing and reserving prior to on-boarding of new business. Financial arrangements are subject to variable terms to align interests and ensure business partners have an incentive to target profitable business and monitoring controls are in place to ensure that business is written in accordance with approved pricing.

Surestone has a risk of exposure to large individual losses due to the size of the current underwriting portfolio. This risk is mitigated by reinsurance arrangements to protect the Company's net retained account against a single risk or an accumulation of similar exposures.

Surestone has a risk that outsourced providers of underwriting support services write business that is not in accordance with contractual arrangements. This risk is mitigated by due diligence over the outsourced arrangements and regular underwriting reviews and audits.

C.1.2 Reserving

Surestone establishes provisions for outstanding claims which represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs). The reserves include provisions for claims incurred but not reported (IBNR). IBNR is largely an estimate of loss and claim adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. This pattern is used to estimate IBNR amounts and the timing of those amounts.

Surestone is exposed to the risk that reserves are insufficient to cover ultimate claim costs. This risk is mitigated by actuarial review, data accuracy guidelines and on-going monitoring and review of losses.

C.1.3 Reinsurance

Surestone purchases reinsurance protection to limit its exposure to single claims and the aggregation of claims from catastrophic events. Reinsurance is placed with companies that have a credit rating of A- or better.

Surestone has identified the risk of insufficient reinsurance protection as a material risk. Retentions and reinsurance strategy are reviewed on a regular basis to ensure that the existing programme structures and strategies continue to be appropriate considering Surestone's strategic objectives.

C1.3 Material risk concentrations

Surestone writes business in the UK and Ireland across property, liability and miscellaneous financial loss lines of business and so is not widely diversified. Surestone uses reinsurance to reduce the concentration risk within its underwriting portfolio. In the future, Surestone may consider diversification into motor lines of business and other territories which will reduce its concentration risk.

C1.4 Risk sensitivity for underwriting risks

Surestone carried out stress and scenario testing as part of the ORSA process, which included stress testing for the material underwriting risks, and the projected solvency position over the business planning period was re-calculated following adverse stresses.

The stress and scenario testing highlighted that the solvency position is resilient to a vast majority of underwriting risk stresses and only the extreme events would have the potential to cause the Solvency Capital Requirement (SCR) to fall below 100% following the £2.9 million capital injection which was received between November 2018 and the end of May 2019. There were no stress and scenario tests identified which caused the Minimum Capital Requirement (MCR) to fall below 100%.

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 value of assets held and value of liabilities. The objective of Surestone in managing its market risk is to ensure risk is managed in line with the Company's risk appetite. Surestone has established policies and procedures in order to manage risk and methods to measure it.

Surestone's most significant risk is its exposure to concentration risk on its loan to the Parent company. Surestone's investments comprise deposits with credit institutions and so it does not have a material exposure to other market risks.

C.2.1 Concentration risk

Concentration risk is the financial loss caused by a decrease in the value of assets corresponding to single name exposure. Surestone has a significant concentration risk due to the loan to the Parent company of £21.3 million at March 31, 2019.

C.2.2 Interest rate and spread 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. Spread risk is the risk that arises from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Surestone has minimal exposure to interest rate and spread risk on its deposits with credit institutions. It has a spread risk exposure on its loan to the Parent company.

C.2.3 Foreign exchange risk

Foreign exchange risk is the risk that arises from changes in the level or volatility of currency exchange rates. Surestone is exposed to foreign currency risk because it undertakes certain transactions denominated in foreign currencies. The Company has minimal exposure to currency risk as Surestone's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

C.2.4 Prudent person principle

Surestone applies the "Prudent Person Principle" in relation to investing its assets. It has taken a prudent investment approach by investing in cash deposits. The Company recognises that it has a significant exposure to the Parent company. This risk is monitored to ensure that it continues to be within risk appetite. Annual monitoring procedures have been established under the prudent person principle to assess security and quality of the asset.

C2.5 Material risk concentrations

As noted in C.2.1 above Surestone has a material risk concentration from the Parent company for the loan. In addition, the Company is exposed to concentration risk with credit institutions. Surestone manages these risks through its risk appetite monitoring.

C2.6 Risk sensitivity for market risks

Surestone's material market risk is exposure to its Parent company. Reverse stress testing was used in the ORSA to determine the level of default on the intercompany loan that Surestone could withstand before breaching the MCR. The results of the reverse stress indicated that the Company could withstand a default of between 58% and 67% of the intercompany loan over the planning period without breaching its MCR. The Company manages this risk by performing regular impairment reviews of the loan.

C.3 CREDIT RISK

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to Surestone. The key areas of exposure to credit risk are in relation to its loan to parent, reinsurance counterparties and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with Surestone's risk appetite. Surestone has established policies and procedures in order to manage credit risk and methods to measure it. Surestone monitors its credit risk in relation to its counterparties by monitoring external credit ratings for the investments and assets held by the

Company. Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating.

C.3.1 Material risk concentrations

Credit risk exposure on all items except the loan to the Parent company is currently not material. Exposure to risk of default on the loan is included in market concentration risk in section C.2.1 above.

C3.2 Risk sensitivity for credit risks

Surestone's material credit risk is exposure to its loan to the Parent company. Reverse stress testing on the intercompany loan was included in the material market risk sensitivity analysis described in C2.6 above.

C.4 LIQUIDITY RISK

Liquidity risk is the risk that Surestone cannot meet its obligations associated with financial liabilities as they fall due. Surestone has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. Surestone manages liquidity risk by maintaining banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of assets and liabilities. Surestone is exposed to liquidity risk arising from clients on its insurance contracts. In respect of catastrophic events, there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that Surestone has sufficient access to funds necessary to cover claims, surrenders, withdrawals and maturing liabilities.

Surestone maintains its financial assets (excluding the intercompany loan) in cash and cash equivalents and deposits with credit institutions to minimise liquidity risk.

The total amount of the expected profit included in future premiums at March 31, 2019 was £0.

C.4.1 Material risk concentrations

Surestone considers that there are currently no material liquidity risk concentrations.

C4.2 Risk sensitivity for liquidity risks

Given that liquidity is not a material risk for Surestone, no specific risk sensitivity was performed.

C.5 OPERATIONAL RISK

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems or from external events. For Surestone, operational risks include for example, information technology, information security, human resources, outsourcing and regulatory risks.

Surestone is exposed to a number of operational risks:

Outsourcing risk

Surestone is exposed to the risk that outsourced service providers fail to provide services in line with expectations resulting in financial loss. This risk is mitigated by due diligence prior to onboarding of new outsourced service providers and at regular intervals, service level agreements and monitoring against agreed performance and requirements and regular audits.

Loss of key personnel

Surestone is dependent upon the quality, ability and commitment of key personnel in order to sustain and develop its business and to meet regulatory requirements. There can be no assurance that the Company will be able to retain all of its key employees. This risk is mitigated by notice period in contracts, role handover procedures and availability of Group staff in the UK.

Information technology risks

Surestone relies on information technology to support the business and as such may be susceptible to risks associated with information security, be that through security breaches, cyber-attacks or other failures or malfunctions. Information technology controls are in place, to mitigate such risks.

Regulatory risk

The Company is exposed to the risk of non-compliance with the Solvency II requirements. The Company has updated its system of governance and monitors compliance with the solvency capital requirements through its risk appetite monitoring. The Company prepares compliance schedules and resource planning to ensure that all regulatory returns are submitted on time.

The Company has a material exposure to conduct risk to regulatory authorities in the UK and Ireland. This risk is mitigated by due diligence reviews of consumer protection policies and controls in place at outsourced service providers prior to onboarding and reviews of monthly complaints information and follow up audits.

Data and management information risk

The Company is very dependent on outsource providers to provide appropriate data and management information (MI) to the Company. In addition the Company needs effective systems to ensure that the appropriate data and MI is available for financial and statutory reporting, exposure management and to support decision making. The Company has a project plan to automate its production of management information.

The Company is also exposed to the risk of non-adherence with Data Protection regulations, including the GDPR requirements which was effective from May 2018. The Company performs due diligence on all MGAs prior to on-boarding and on an annual basis to ensure that they have effective data protection policies in place. The Company has implemented its own data protection policies and completed a GDPR plan to ensure adherence with the new requirements.

C.5.1 Other material risk concentrations

Surestone considers that there are currently no material operational risk concentrations.

C5.2 Risk sensitivity for operational risks

There was no operational risk stressed scenario which, if it occurred in isolation, would materially reduce the projected capital ratios.

C.6 OTHER MATERIAL RISKS

Under a 'hard' Brexit there is a material risk that the Company will not be able to continue writing into the UK from Ireland. The UK Government has established a Temporary Permissions Regime (TPR) for inbound passporting EEA firms. Surestone applied for the TPR and received notification for entry into the regime from the Prudential Regulatory Authority (PRA). This regime will allow Surestone to continue to carry out regulated business in the UK, if the UK leaves the EU without an implementation period in place. Prior to the expiry of the TPR period Surestone will put in place measures to make the necessary application for authorisation to continue to write business into the UK.

The Company has also identified that In the event of a 'hard' Brexit the UK will become a third country and will not have an adequacy decision from the EU to permit data transfers in compliance with GDPR. In order to continue to make transfers to the UK the Company will include Model Clauses in agreements with any UK data processors or joint controllers in the event of a 'hard' Brexit. These Model Clauses are provided by the EU Commission for agreements with UK parties to ensure that any personal data leaving the EEA will be transferred in compliance with EU data protection law.

C.6.1 Off-balance sheet positions

Surestone does not have off-balance sheet positions and does not use special purpose vehicles.

C.7 ANY OTHER INFORMATION

Surestone does not have any other material information regarding their risk profile for disclosure, other than as disclosed above.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The following table provides a breakdown of the Company's assets as reported under Solvency II and Local GAAP as at March 31, 2019.

Assets	Local GAAP £'000	Reclassification £'000	Valuation difference £'000	Solvency II value £,000
Deferred acquisition costs	1,097	-	(1,097)	-
Other loans and mortgages	21,316	-	-	21,316
Deposits other than cash equivalents	8,886	-	-	8,886
Reinsurance recoverables	1,233	(844)	-	389
Insurance & intermediaries receivable	4,026	(3,533)	-	493
Reinsurance receivables	70	-	-	70
Cash & cash equivalents	3,516	2,452	-	5,968
Any other assets	224	159	-	383
Total assets	**40,368**	**(1,766)**	**(1,097)**	**37,505**

The information below provides a description of the bases, methods and main assumptions used for the valuation for solvency purposes for material assets. A quantitative and qualitative explanation of material differences for the valuation between local GAAP and Solvency II is also provided.

D.1.1 Deferred acquisition costs (DAC)

Deferred acquisition costs relate to acquisition costs for contracts in force at the balance sheet date which are deferred, subject to recoverability, and amortised over the period in which related premiums are earned. Deferred acquisition costs are valued at nil for Solvency II purposes.

D.1.2 Other loans and mortgages

Other loans and mortgages comprise the loan to Parent company. The loan has been valued at cost which approximates fair value under Solvency II.

D.1.3 Deposits other than cash equivalents

Bank Deposits represent amounts of term deposits with local financial institutions. The maturity dates are less than six months and are carried at face value in the local GAAP balance sheet as best representing their fair value. Therefore, such balances are considered to be held at fair value for Solvency II purposes.

D.1.4 Reinsurance recoverables

See section D.2.6.

D.1.5 Insurance and intermediaries receivables

Insurance & intermediaries receivables consist mainly of premium receivable from insurance contracts. Under local GAAP insurance & intermediaries receivables are valued at cost while the Solvency II balance sheet values them at fair value. No adjustment is required to these valuations as the amounts held under local GAAP measurements principles are deemed to be approximations for fair value. As these are insurance balances for Solvency II purposes they have been re-classified to the Technical Provision balance.

D.1.6 Reinsurance receivables

Reinsurance receivables consist mainly of claims receivable from outward reinsurance contracts. A recalculation of the local GAAP value is required under Solvency II as part of the calculation of the technical provisions.

D.1.7 Cash and cash equivalents

Cash and cash equivalents represent amounts of cash on hand and short term deposits. Cash and cash equivalents are carried at face value in the local GAAP balance sheet as best representing their fair value. Therefore, such balances are considered to be held at fair value for Solvency II purposes.

D.1.8 Any other assets

This Solvency II balance represents accrued investment income generated by the loan to Parent and intercompany receivable balances from related parties. The intercompany receivable balances have been reclassified from insurance and intermediary balances receivable in local GAAP. Given that these assets are relatively short term, the Company has determined that their realisable value reasonably approximates fair value.

D.2 TECHNICAL PROVISIONS

D.2.1 Technical provisions by material line of business

Technical provisions by material line of business as at March 31, 2019 were (£000s):

Line of Business	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Income protection insurance	-	-	-	-
Fire and other damage to property insurance	6,504	254	(82)	6,840
General liability insurance	6,703	315	459	6,559
Assistance	37	1	8	30
Miscellaneous financial loss	2,081	114	4	2,191
Total	**15,325**	**684**	**389**	**15,620**

D.2.2 Level of uncertainty associated with the technical provisions

The uncertainty surrounding the Technical Provisions is slightly higher than might be the case for a typical non-life insurer.

As Surestone's portfolio is comparatively small, it may not achieve the same level of diversification as other property and liability insurers and so Surestone is more susceptible to the impact of large single losses. Additionally, as the portfolio is small, Surestone places a greater reliance on benchmark data when calculating the Technical Provisions than may typically be the case. This exposes Surestone to a basis risk.

However, there are several mitigating factors which offset the risks described above. Specifically, the Company has Excess of Loss protection in place which cap the Company's exposure to any single loss. Additionally, the Company achieves diversification by writing different lines of business through different distribution channels, benefiting from diversification between these channels.

D.2.3 Technical provision bases, methods and main assumptions

The approach to the calculation of the Technical Provisions varies by programme. For newer programmes there are no notified claims and so Expected Loss Ratio methods are used.

Line of Business	Method for calculation of Claim Provisions	Methods used for calculation of Premium Provisions
Income Protection	Chain Ladder applied to Paid and Incurred loss triangles	Expected Loss Ratio applied to Unearned Premium
Fire & Other Damage to Property	Bornhuetter Ferguson and Chain Ladder applied to Paid and Incurred loss triangles	Expected Loss Ratio applied to Unearned Premium
General Liability	Bornhuetter Ferguson and Chain Ladder applied to Paid and Incurred loss triangles. Claim by claim analysis for large and/or complex claims	Expected Loss Ratio applied to Unearned Premium
Assistance	Bornhuetter Ferguson and Chain Ladder applied to Paid and Incurred loss triangles	Expected Loss Ratio applied to Unearned Premium
Miscellaneous Financial Loss	Bornhuetter Ferguson and Chain Ladder applied to Paid and Incurred loss triangles	Expected Loss Ratio applied to Unearned Premium

D.2.4 Reconciliation to the GAAP technical provisions

Technical Provisions	**Local GAAP £'000**	**Reclassification £'000**	**Valuation difference £'000**	**Solvency II value £,000**
Unearned premium	4,730	(4,730)	-	-
Technical provisions	12,147	4,392	(530)	16,009
Total technical provisions	16,877	**(338)**	**(530)**	**16,009**

D.2.4.1 Unearned premium

A reclassification of the local GAAP value is required under Solvency II as unearned premium is part of the calculation of the technical provisions.

D.2.4.2 Technical provisions

There are no differences between the bases, methods and main assumptions used by Company for the valuation of the Claim Provisions for solvency purposes and those used for their valuation in financial statements. For all lines of business, the Company uses the undiscounted Best Estimate Claims Provision as a floor for the Technical Provisions booked in its Financial Statements, with an appropriate margin for prudence added to this figure.

D.2.5 Adjustments to the calculation of technical provisions

Surestone has not applied the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or the transitional deduction in calculating its technical provisions.

D.2.6 Recoverables from reinsurance contracts

Recoverables from reinsurance contracts are as follows:

- Excess of loss recoverables on liability business – there is one recovery, the value of which is calculated by application of the reinsurance treaty terms to the outstanding claim; this calculation has been reviewed by the Head of Actuarial Function and subject to external audit;
- Quota share recoverables on various programmes – this is a straightforward application of the ceded percentage;
- Reinsurance balances payable and receivable – under Article 28 of the Delegated Acts and in accordance with market practice these are included in Solvency II Technical Provisions (to the extent that receivables are not past due).

D.2.7 Material changes in relevant assumptions

There have been no material changes in the relevant assumptions made in the calculation of technical provisions compared to the prior year.

D.3 OTHER LIABILITIES

The following table provides details of Surestone's material other liabilities as at March 31, 2019 as presented in Surestone's GAAP financial statements and under Solvency II.

Other Liabilities	Local GAAP £'000	Reclassification £'000	Valuation Difference £'000	Solvency II value £'000
Insurance & intermediaries payables	946	(896)	-	50
Payables (trade, not insurance)	17	221	-	238
Derivatives	-	-	-	-
Reinsurance payables	650	(492)	-	158
Subordinated liabilities	8,464	-	-	8,464
Other accruals	261	(261)	-	-
Total	**10,338**	**(1,428)**	**-**	**8,910**

D.3.1 Insurance & Intermediaries payables

Insurance & intermediaries payable consists mainly of claims payable from insurance contracts. Under local GAAP insurance & intermediaries payable are valued at cost while the Solvency II Balance Sheet values them at fair value. No adjustment is required to these valuations as the amounts held under local GAAP measurements principles are deemed to be approximations for fair value. As these are insurance balances for Solvency II purposes they have been reclassified to the Technical Provision balance.

D.3.2 Payables (trade, not insurance)

Payables (trade, not insurance) are made up of all non-insurance related debts, unsettled transactions or other monetary obligations owed by the Company to its creditors. Under local GAAP other payables comprise short-term payables which are recorded at cost and are an approximation to the fair value of these liabilities.

D.3.3 Ceded DAC

Ceded DAC comprise acquisition costs for ceded insurance contracts in force at the balance sheet date arising from the unexpired period of risk at the reporting date but which relate to a subsequent reporting period and are carried forward to subsequent reporting periods. Ceded DAC are valued at nil for Solvency II purposes.

D.3.4 Reinsurance payables

Reinsurance payables comprise reinsurance premiums payable. Under Local GAAP these are valued at cost while the Solvency II Balance Sheet values them at fair value. No adjustment is required to these valuations for the valuation for solvency purposes as the amounts held under local GAAP measurements principles are deemed to be approximations for fair value. As these are reinsurance balances for Solvency II purposes they have been reclassified to the reinsurance recoverables balance.

D.3.5 Subordinated liabilities

Subordinated liabilities comprise a floating rate subordinated loan note that is due in 2035. The loan note of GBP 6.8 million (EUR 10 million) was issued on 20 January 2006. Net proceeds of this issue were GBP 6.55 million (EUR 9.62 million). Subordinated liabilities are included at Par in both the GAAP balance sheet and the Solvency II balance sheet.

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 material information to disclose regarding the valuation of assets and liabilities for solvency purposes other than what has been disclosed above.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

Surestone has a capital management policy to ensure that there are own fund items available to meet the capital requirements and that processes are in place to ensure the appropriateness of the own fund items. Surestone has developed a medium-term capital management plan. This plan is reviewed at least annually following the completion of the ORSA and specifically addresses any capital needs that are identified. Surestone's capital needs and stresses are considered in the ORSA over a 3 year planning period. The capital position of the Company is considered monthly as part of the risk appetite monitoring process.

The table below provides a breakdown of the Company own funds by tier level. The table also sets out the movement in own funds between 1st April 2018 and 31st March 2019.

	Tier 1 £'000	**Tier 2 £'000**	**Total £'000**
April 1, 2018	12,856	8,605	21,461
Movement during year	(270)	141	(411)
March 31, 2019	12,586	8,464	21,050
Eligible amount to cover the SCR	12,586	8,464	21,050
Eligible amount to cover the MCR	12,586	989	13,575

At March 31, 2019 Tier 1 funds include £447,000 of ordinary share capital and the reconciliation reserve of £12,139,000. The ordinary share capital does not have any special terms or conditions attached to it and is fully available to absorb losses. A breakdown of the parts of the reconciliation reserves is provided in section E1.1 below.

Tier 2 funds include a subordinated loan note. On 20 January 2006 the Company issued a €10 million (£6.8 million) floating rate subordinated loan note due in 2035 which is fully available to absorb losses and in the case of winding up, ranks behind all policyholders and beneficiaries and non-subordinated creditors. This subordinated loan note satisfies all the requirements of Tier 2 own funds as set out in article 73 of the Commission Delegated Regulations (EU) 2015. Its value is subject to the eligibility limits per art. 82 of the Regulations as shown below.

Criteria to satisfy the SCR:

- the proportion of Tier 1 must be at least equal to 50% of the SCR;

Criteria to satisfy the MCR:

- the share of Tier 1 capital must be at least equal to 80% of the MCR;

E.1.1 RECONCILIATION RESERVE

The following table provides a breakdown of Surestone's reconciliation reserve as at March 31, 2019:

Reconciliation Reserve	Amount £'000	Description
Net deferred acquisition costs (DAC)	(1,097)	Elimination of DAC for Solvency II valuation
Net technical provisions	530	Adjustment for Solvency II valuation difference
Revenue reserves	10,706	
Total	10,139	

E.1.2 Solvency II excess assets over liabilities and financial statement equity reconciliation

The following table provides a reconciliation of equity shown in the financial statements to the Solvency II value of excess assets over liabilities:

	March 31, 2019 £'000
Equity per financial statements	13,153
Net DAC elimination	(1,097)
Technical provisions valuation difference	530
Solvency II value of excess assets over liabilities	12,586

E1.3 Transitional Arrangements

There are no own funds items subject to transitional arrangements.

E1.4 Ancillary own funds

Surestone has no ancillary own funds.

E1.5 Analysis of material changes in each Tier

The decrease in Tier 2 funds of £141,000 is due to a foreign exchange devaluation of £150,000 and capitalisation of loan fees of £9,000.

E.2 SOLVENCY CAPITAL REQUIREMENT & MINIMUM CAPITAL REQUIREMENT

Surestone's Solvency Capital Requirement (SCR) has been calculated using the standard formula. The SCR and Minimum Capital Requirement (MCR) are shown below:

	March 31, 2019 £'000	April 1, 2018 £'000
Solvency Capital Requirement	19,775	19,511
Minimum Capital Requirement	4,944	4,878

E.2.1 Solvency Capital Requirement

The following table provides a summary of the SCR split by risk modules:

	March 31,2019 £'000
Market Risk	15,481
Counterparty Risk	1,442
Health Underwriting Risk	-
Non-Life Underwriting Risk	7,294
Diversification Benefit	(4,902)
Basic SCR	19,315
Operational Risk	460
SCR	**19,775**

Surestone calculates the SCR using the standard formula. The Company does not use simplifications or undertaking specific parameters when calculating the risk modules and sub-modules of the standard formula.

E.2.2 Minimum Capital Requirement

The following table provides the information on the inputs used to calculate the MCR:

	March 31, 2019 £'000
Linear MCR	2,627
SCR	19,775
Combined MCR	4,944
Minimum Capital Requirement	4,944

The basis of the MCR calculation is set out in the Delegated Regulations. The result of the MCR calculations is such that the basis MCR for the Company is currently determined as 25% of the SCR.

There have been no material changes in the SCR or MCR over the reporting period.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company is not using the duration-based equity risk sub-module for the calculation of the SCR.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company calculates its SCR in accordance with the Standard Formula.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Surestone was compliant with the MCR and the SCR requirements throughout the year ended March 31, 2019.

E.6 ANY OTHER INFORMATION

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

APPENDIX A - QUANTITATIVE REPORTING TEMPLATES (QRT)

The following QRT templates, applicable to the Company, are required for the Solvency and Financial Condition Report. The reporting currency is GBP rounded to the nearest £000.

Template ref	**Template Name**
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
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**	**8,886**
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	8,886
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	**21,317**
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	21,317
Reinsurance recoverables from:	**R0270**	**389**
Non-life and health similar to non-life	R0280	389
Non-life excluding health	R0290	389
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	493
Reinsurance receivables	R0370	70
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	5,968
Any other assets, not elsewhere shown	R0420	382
Total assets	**R0500**	**37,505**

Liabilities		
Technical provisions – non-life	R0510	16,009
Technical provisions – non-life (excluding health)	**R0520**	**16,009**
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	15,325
Risk margin	R0550	684
Technical provisions - health (similar to non-life)	**R0560**	**-**
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	50
Reinsurance payables	R0830	158
Payables (trade, not insurance)	R0840	238
Subordinated liabilities	R0850	8,464
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	8,464
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**24,919**
Excess of assets over liabilities	**R1000**	**12,586**

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations					Total
		Income protection insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	
		C0020	C0070	C0080	C0110	C0120	C0200
Premiums written							
Gross - Direct Business	R0110		6,406	2,878		1,627	10,911
Gross - Proportional reinsurance accepted	R0120						
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	-	409	401	-	-	810
Net	R0200	-	5,997	2,477	-	1,627	10,101
Premiums earned							
Gross - Direct Business	R0210		5,556	2,580		1,764	9,900
Gross - Proportional reinsurance accepted	R0220						
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240		420	298			718
Net	R0300	-	5,136	2,282	-	1,764	9,182
Claims incurred							
Gross - Direct Business	R0310	62	5,247	1,185	14	1,090	7,598
Gross - Proportional reinsurance accepted	R0320						
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340		3	224	- 2	-	225
Net	R0400	62	5,244	961	16	1,090	7,373
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		2,304	1,202	7	817	4,330
Other expenses	R1200						-
Total expenses	R1300						4,330

S.05.02.01

Premiums, claims and expenses by country		UNITED KINGDOM						
		Home country	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	9,212	1,699					10,911
Gross - Proportional reinsurance accepted	R0120	-	-					-
Gross - Non-proportional reinsurance	R0130	-	-					-
Reinsurers' share	R0140	810						810
Net	R0200	8,402	1,699					10,101
Premiums earned								
Gross - Direct Business	R0210	8,061	1,839					9,900
Gross - Proportional reinsurance accepted	R0220							-
accepted	R0230	-	-					-
Reinsurers' share	R0240	718						718
Net	R0300	7,343	1,839					9,182
Claims incurred								
Gross - Direct Business	R0310	7,092	506					7,598
Gross - Proportional reinsurance accepted	R0320	-	-					-
Gross - Non-proportional reinsurance	R0330	-	-					-
Reinsurers' share	R0340	481	- 256					225
Net	R0400	6,611	762					7,373
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	3,446	884					4,330
Other expenses	R1200							
Total expenses	R1300							4,330

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance					Total Non-Life obligation
		Income protection insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	
		C0030	C0080	C0090	C0120	C0130	C0180
Technical provisions calculated as a whole	R0010						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected l	R0050						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	R0060		2,085	662		56	2,803
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expecte	R0140						-
Net Best Estimate of Premium Provisions	R0150	-	2,085	662	-	56	2,803
Claims provisions							
Gross - Total	R0160		4,419	6,041	37	2,025	12,522
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expecte	R0240		- 82	459	8	4	389
Net Best Estimate of Claims Provisions	R0250	-	4,501	5,582	29	2,021	12,133
Total Best estimate - gross	R0260	-	6,504	6,703	37	2,081	15,325
Total Best estimate - net	R0270	-	6,586	6,244	29	2,077	14,936
Risk margin	R0280		254	315	1	114	684
Amount of the transitional on Technical Provisions							
TP as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
Technical provisions - total							
Technical provisions - total	R0320	-	6,758	7,018	38	2,195	16,009
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expect	R0330		- 82	459	8	4	389
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-	6,840	6,559	30	2,191	15,620

S.19.01.21

Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	Z0010	Underwriting year [UWY]

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

		Development year												
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											131,923	-	131,923
N-9	R0160	-	491	322	27	18	1	-	4	1	-		-	864
N-8	R0170	21	1,047	636	210	321	64	114	- 0	10			10	2,423
N-7	R0180	1,726	1,060	1,226	452	363	227	422	290				290	5,766
N-6	R0190	1,217	5,790	2,503	354	148	320	15					15	10,347
N-5	R0200	1,410	3,396	1,077	365	163	119						119	6,530
N-4	R0210	1,358	4,362	1,912	605	343							343	8,580
N-3	R0220	1,122	4,624	2,730	1,080								1,080	9,556
N-2	R0230	817	2,155	1,682									1,682	4,654
N-1	R0240	139	2,842										2,842	2,981
N	R0250	398											398	398
Total	R0260												6,779	184,021

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year											
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											36	36
N-9	R0160								-	626	0		0
N-8	R0170							62	6	- 0			- 0
N-7	R0180						626	334	190				190
N-6	R0190					692	469	407					409
N-5	R0200				783	1,144	1,467						1,471
N-4	R0210			1,483	1,676	1,795							1,801
N-3	R0220		4,483	3,507	934								936
N-2	R0230	3,338	3,094	1,182									1,180
N-1	R0240	1,960	3,873										3,874
N	R0250	2,622											2,624
	R0260												12,522

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 2015/35						
Ordinary share capital (gross of own shares)	R0010	447	447			
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	10,139	10,139			
Subordinated liabilities	R0140	8,464			8,464	
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	2,000	2,000			
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	21,050	12,586		8,464	
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	21,050	12,586		8,464	
Total available own funds to meet the MCR	R0510	21,050	12,586		8,464	
Total eligible own funds to meet the SCR	R0540	21,050	12,586		8,464	
Total eligible own funds to meet the MCR	R0550	13,575	12,586		989	
SCR	R0580	19,775				
MCR	R0600	4,944				
Ratio of Eligible own funds to SCR	R0620	106.5%				
Ratio of Eligible own funds to MCR	R0640	274.6%				

S.23.01.01

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	12,586
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	2,447
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	10,139
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

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	15,481		-
Counterparty default risk	R0020	1,442		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	-
Non-life underwriting risk	R0050	7,294	-	-
Diversification	R0060	4,902		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	19,315		

		C0100
Operational risk	R0130	460
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	19,775
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	19,775
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

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	2,627

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	6,587	5,997
General liability insurance and proportional reinsurance	R0090	6,245	2,477
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	29	
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,076	1,627
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Overall MCR calculation

		C0070
Linear MCR	R0300	2,627
SCR	R0310	19,775
MCR cap	R0320	8,899
MCR floor	R0330	4,944
Combined MCR	R0340	4,944
Absolute floor of the MCR	R0350	3,190
Minimum Capital Requirement	R0400	4,944