

Acadia International Insurance DAC (“Acadia”)

Solvency & Financial Condition Report (SFCR)

June 30, 2020

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INTRODUCTION

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

SUMMARY

This Report refers to the business of Acadia International Insurance DAC, a captive insurer, authorised and supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for the reporting period ended 30 June 2020.

The Board has identified the key risks to which Acadia is exposed and established appropriate corporate governance, risk management and reporting mechanisms to ensure that the identified risks remain relevant, and that they are managed and reported on with appropriate levels of detail and frequency. The Company has established a comprehensive suite of risk policies and implemented a series of internal controls to ensure that Acadia can be managed in accordance with its governance and risk management systems. Documented escalation mechanisms are in place to ensure that any breaches in risk limits and tolerances, internal controls and governance requirements can be reported promptly to the appropriate individuals.

Risks to which the Company is exposed are well understood and are used to determine the level of solvency and capital required over a forward looking three-year business planning period. The results of this exercise are used to better inform decision making within the Company.

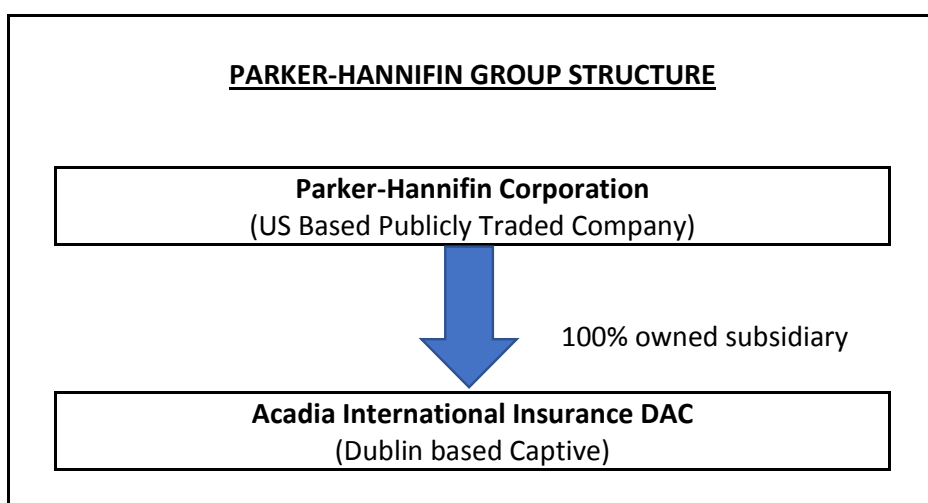
As at 30 June 2020, the Company had eligible own funds of US\$24.66m available to meet its Solvency Capital Requirement (SCR) of US\$12.37m; resulting in a Solvency Ratio of 199.33% which is considerably higher than the Company's risk appetite of 120%. The Board of Directors is satisfied that the Company has adequate and appropriate capital to support its business plans. The Minimum Capital Requirement (MCR) of US\$4.14m was also satisfactorily met at the period-end. There were no instances of non-compliance with the capital requirements during the period. The Company's profit after tax for the period was US\$1.88m.

During the period, there were no material changes to the Company's business/performance, system of governance, risk profile, valuation for solvency purposes or capital management.

A. BUSINESS & PERFORMANCE

A.1 Business

Acadia International Insurance DAC (“Acadia” or “The Company”) is a Captive Insurance Company regulated by The Central Bank of Ireland (“CBI”). The insurance supervision division at the CBI may be contacted at their offices in New Wapping Street, North Wall Quay, Dublin 1, Ireland. The Company is engaged exclusively in the underwriting on an insurance and reinsurance basis of property, liability, marine and aviation liability risks, providing coverage to Parker-Hannifin entities worldwide, particularly in the United States of America, Germany and France. The Company is a wholly-owned subsidiary of Parker-Hannifin Corporation, 6035 Parkland Blvd, Cleveland, Ohio 44124-4141, which is incorporated in the United States of America.



As a captive insurer, the main trends and factors that contribute to Acadia’s performance and financial position over the business planning period are aligned to the overall risk appetite and risk management practices of the Parker-Hannifin group. Acadia is a strategic element within Parker-Hannifin’s global insurance arrangements. Decisions on the nature and quantum of risks to be underwritten are made by the Company’s Board of Directors based on Acadia’s own risk appetite and an economic evaluation of those risks from the perspective of profitability, capital and solvency requirements. Claims volatility is managed by the Company through the purchase of appropriate levels of reinsurance taking account of both claims severity and frequency.

There were no significant legal or regulatory issues impacting the Company during the period.

External Audit services are provided to Acadia by Mazars, Harcourt Centre, Block 3 Harcourt Road, Dublin 2, Ireland, and the signing partner is Mr. Rob Hamill.

In respect of relevant quantitative information for this report please see the Annual QRT extract in Appendix 1.

A.2 Underwriting Performance

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

The Group strategy is to maintain a level of risk within Acadia that provides Parker-Hannifin with an optimal insurance structure. It is therefore accepted that, in accordance with its business plan, the best strategic operating options available are for Acadia to write a number of lines of insurance business, insuring Parker Hannifin:

- Property Damage/Business Interruption
- General Liability
- Annual Aggregate Deductible Marine (not renewed during 2019/20)
- Aviation Products Liability
- Directors' and Officers' Liability

All policies are subject to original policy deductibles, sub-limits and individual aggregates. There are also reinsurance layers for the General Liability programme, with the excess layers of the programme 100% reinsured, and the Property Damage/Business Interruption programme, of which Acadia retains a portion. Reinsurance for 100% of the programme is also purchased for the Aviation Products Liability line of business. It should be noted that, during the year, Parker Hannifin Corporation made an acquisition and this entity was incorporated into the Company's insurance programmes, effective 28 October 2019.

Claims are paid by Acadia up to agreed single loss limits and aggregates, in excess of deductibles.

Premiums written relate to business incepted during the financial year.

Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers.

The Company's underwriting performance for the underwritten lines of business for the reporting period ended 30 June 2020 and the comparative period is set out below. Amounts are presented in US Dollars (USD), which is the Company's functional currency:

In US\$'000	30 Jun 2020	30 Jun 2019
Gross premiums earned	17,476	15,192
Outward reinsurance premiums earned	(15,092)	(12,829)
Net premiums earned	2,384	2,363
Gross claims paid	(6,097)	(3,954)
Claims Recovered/Recoverable from reinsurers	7,702	6
Net claims paid	1,605	(3,948)

Change in gross provision for claims	(3,263)	(5,077)
Provision for claims – recoverable from reinsurers	1,508	6,937
Change in net provision for claims	(1,755)	1,860
Net operating expenses	(568)	(799)
Underwriting profit	<u>1,695</u>	<u>(482)</u>

Gross premiums earned comprise related party liability, marine, property damage and business interruption, and aviation products liability risks located worldwide. All premiums resulted from contracts of insurance concluded in the Republic of Ireland. Gross premium written for the period ended 30 June 2020 amounted to US\$20.26m (2019: US\$16.89m).

Gross premium written split by line of business:

In US\$'000	30 Jun 2020	30 Jun 2019
Gross premiums written		
Fire and Other damage to Property	10,687	7,916
Marine, Aviation and Transport	-	45
General Liability	9,575	8,929
Total	<u>20,262</u>	<u>16,890</u>

Premium pricing is re-assessed annually based upon market pricing. This takes account of the underlying risks to be insured, historical claims performance, the pricing of reinsurance in the market and the relevant costs associated with the administration of the programme. The increase in premium in the 2019/20 underwriting year can be attributed to insurance market conditions, resulting in a reduction in available capacity, combined with higher rates for the capacity that was available.

Gross claims paid during the financial year ended 30 June 2020 totalled US\$6.10m (2019: US\$3.95m), almost entirely attributable to the North Haven, USA property damage/business interruption claim, with net claims paid/payable of US\$1.61m (2019: US\$3.95m). As at 30 June 2020, the Company held gross claims provisions of US\$19.11m (2019: US\$15.84m), and net claims provision of US\$1.53m (2019: -US\$0.2m.)

Below table presents the gross claims and the provision for claims split by line of business:

Gross claims incurred	30 Jun 2020	30 Jun 2019
Fire & Other Damage to Property	(9,696)	(4,792)
General Liability	293	(4,212)
Marine	43	(27)
Total	<u>(9,360)</u>	<u>(9,031)</u>

Net operating expenses for the year amounted to US\$0.57m (2019: US\$0.80m).

Provision is made for notified losses on all underwriting years and calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers.

Profit after tax for the period ended 30 June 2020 amounted to US\$1.88m (2019: loss of US\$91k).

A.3 Investment Performance

The Company allocates its investment portfolio in three distinct portfolios, as detailed below; BlackRock Liquidity Fund: The Company invests in BlackRock's Institutional US Dollar Ultra Short Bond Fund. The custodian of the Fund is J.P. Morgan Bank (Ireland) plc. The Fund aims to generate income and a reasonable degree of liquidity consistent with low volatility of capital, through the maintenance of a portfolio of high quality short to medium term fixed income securities including money market instruments and securities which pay income according to a floating rate of interest and asset backed securities (ABS). The Fund's assets will be rated high quality at the time of purchase and it will only invest in securities which have a residual maturity of 2 years or less at time of purchase.

Cash Pooling Accounts: Since 2017 Acadia has participated in a cash pooling arrangement with Parker-Hannifin rather than investing in separate fixed deposits. The Company now receives monthly interest based on daily calculated balances on the funds it holds in its USD and Euro current accounts.

Intercompany Loan: Available funds are invested, as deemed prudent by the Board of Directors, in an intercompany loan with Parker Hannifin EMEA Sàrl, a wholly owned subsidiary of Parker-Hannifin Corporation. During 2020, Parker-Hannifin issued a parental guarantee in support of this loan.

The investment gain for the year to 30 June 2020 amounted to US\$449k (which includes interest income and unrealised gains on investments), compared to US\$614k in 2019.

The Company has no investments in securitised asset classes and all investment income is recognised in the Company's income statement.

A.4 Performance of other activities

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

A.5 Any other Information

The Board has considered possible material or adverse effects the current COVID-19 pandemic could have on the business and, in particular, the likelihood of any claims occurring as a direct result of the outbreak. Following a review of the policies currently in force, the directors have judged the risk of claims arising on either the Property Damage/Business Interruption and/or Products Liability policies to be low. For renewals that occurred after the declaration of the pandemic, consideration was given

to exclusions within the insurance policies issued to ensure that no new liabilities arose relating to COVID-19. Management will continue to monitor for any adverse developments and take corrective action where necessary.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

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

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

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

- 1) Governance Framework, aligned with the Company's strategic objectives, providing top level oversight by the Board, clear ownership and accountability for risks, as well as clear escalating and reporting channels.
- 2) Risk Management System which details the Company's strategic objectives in documented Risk Policies. For each risk, limits and operational checkpoints as well as functional identification mitigation and monitoring processes are documented.
- 3) A series of Internal Controls, defining the architecture of processes required to manage the Company in accordance with its Governance and risk management framework.
- 4) A Risk Register combining operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's global strategy objectives.

There have been no material changes to this structure in the period. Acadia implemented the above framework in advance of the inception of Solvency II to ensure compliance.

In order to achieve the Company's objectives, the Board has established a system of governance with the following core components:

- the Board of Directors is the focal point of the governance system and is ultimately accountable and responsible for the performance and conduct of the Company and, as such, must have at its disposal all required capabilities to achieve its duties;
- all authority emanates from the Board of Directors and responsibilities are delegated in such a manner so as to ensure that no one individual has unfettered powers of decision;
- an appropriate segregation of duties in order to enable the Risk Management, Internal Audit, Actuarial and Compliance Function to perform independent risk and business control mitigation, monitoring and reporting tasks;
- a meaningful and practical approach in documenting policies and strategies to formalise all processes in an efficient and fit-for-purpose manner; and
- structured reporting processes to enable an appropriate escalation of risks and issues to the Board of Directors in order to ensure a clear and comprehensive information process

allowing the Board to conduct business in an efficient and prudent manner in line with the strategic objectives.

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

The Board undertakes responsibility for performing the equivalent function of an Audit Committee in relation to the reporting period ended 30 June 2020.

Key Functions

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

Remuneration and material transactions

Other than transactions which arise in the normal course of business, the Company had no other material transactions during the reporting period with members of the shareholder group and none with members of the Board of Directors.

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

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

B.2 Fit & Proper

The 'Fit and Proper' requirement is the standard required by the Central Bank of Ireland when appointing pre-approved controlled function holders. Acadia is satisfied that appointed individuals performing controlled functions meet all relevant regulatory requirements.

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

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

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

The Compliance function adopts appropriate controls in the registration of its individuals across the Group ensuring that identified individuals meet the regulators' fit and proper criteria at the point of registration.

Roles and Responsibilities Detail		
Key Roles	Outsourcing	Responsible
Board of Directors	No	Curtis Gross (Chairman) Oleg Williamson Graham Ellinor Jane de Barra Murphy Jane Young (Appointed 25 September 2019)
Risk Management Function	Yes (External)	Aon Insurance Managers (Dublin) Limited
	No	Graham Ellinor (Head of Risk Management Function)
Compliance Function	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations - Underwriting/Claims Management	Yes (External)	Aon Insurance Managers (Dublin) Limited in conjunction with Parker Hannifin
Operations - Finance and Accounting	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations – Investment	Yes (External)	Aon Insurance Managers (Dublin) Limited
Operations – Administration	Yes (External)	Aon Insurance Managers (Dublin) Limited
Internal Audit Function	Yes (External)	Aon Commercial Services Ireland Limited
	No	Oleg Williamson (Head of Internal Audit Function)
Actuarial Function	Yes (External)	Aon UK Actuarial & Analytics – Robert Record (Head of Actuarial Function)

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

The Company's Risk Management System:

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

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

In order to achieve these objectives, the Risk Management System of the Company has been clearly

documented and specified through risk management policies for each key risk category. The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

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

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

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

Own Risk and Solvency Assessment

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

Define the Stress Scenarios

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

As part of Own Risk Solvency Assessment process, the Company selects the appropriate stress and scenario tests as determined by the Board to be appropriate for the Company.

Stress the Financial Plan

Stress test scenarios are embedded into the projected financial plan under Solvency II GAAP. Related SCR (the amount of funds that Acadia is required to hold under the European Union's Solvency II directive in order to have a 99.5% confidence they could survive the most extreme expected losses over the course of a year) / (similar to SCR, but with a confidence level of 85%) and solvency ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of validated scenarios. The tasks of this process are conducted by the Actuarial Function and validated by the Risk Management Function.

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

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the Stress Scenarios. The main purpose of this stage is to identify and assess any relevant complementary control, mitigation actions or review of the Risk Appetite in order to match prospective solvency needs with capital position. Any remaining solvency gap will be covered through a relevant capital plan, i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

Produce the ORSA Report

The ORSA report will bring clarity over projected risk assessments and solvency needs to three different stakeholders

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

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

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

The capital risk appetite for Acadia is to sustain its capital at a level sufficient to meet the Solvency Capital Requirement at all times with a buffer of 20%. The Board of Directors maintains a prudent approach to capital to ensure that Acadia is in a comfortable position to meet its SCR obligation.

Should Acadia find itself in the position where capital would need to be replenished, Parker-Hannifin Corporation would provide additional capital to ensure that SCR compliance can be demonstrated. Parker-Hannifin Corporation is expected to continue to have ample capacity to provide this support to Acadia.

B.4 Internal Control System

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

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

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

Detailed Processes and Embedded Control Activities

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

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

As described each of the macro-process is detailed in key processes and workflow processes aimed at describing how the tasks and actions composing the given process are shared between the key functions of the Company and at clarifying related roles, responsibilities and embedded control activities.

There is no other material information regarding the system of governance of the Company to be noted.

Compliance Function

The Company has a dedicated Head of Compliance reporting directly into the Board of Directors.

- The Compliance Function is an integral component part of the internal control system of the Company and is responsible for compliance with the internal control system. The elements of the internal control system are laid out in the Corporate Governance Framework document.
- The Compliance Function will identify and communicate throughout the Company the laws, regulations and codes of conduct to which the Company is subject. The Compliance Function will seek to embed compliance with these laws, regulations and codes of conduct in the way the Company does business.
- The Compliance Function will 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 the Company.
- Any violation of relevant law by the Company 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.
- The Compliance Function will consider possible future changes in the legal environment and their potential effect on the Company.
- The Compliance Function will present an annual Compliance Plan, outlining specific areas which it will focus on during a particular year.
- Finally, the Compliance Function will promote a culture of compliance throughout the Company.

B.5 Internal Audit Function

Purpose & Objectives

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

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

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

Independence and Impartiality

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

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

B.6 Actuarial Function

The Actuarial Function is carried out by Aon UK Actuarial & Analytics who provides a nominated individual to act as Head of Actuarial Function.

Role and Responsibilities of the Actuarial Function include:

- Coordination of the calculation of technical provisions;
- Identify any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- Explain any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions if already calculated on a Solvency II basis;
- Assess the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the Actuarial Function should provide recommendations on internal procedures to improve data quality so as to ensure that the undertaking is in compliance with the relevant Solvency II requirements;
- The Actuarial Function, when providing its opinion on the Underwriting Policy and the reinsurance arrangements, to take into consideration the interrelations between these and the technical provisions;
- Report in writing at least annually to the Board of Directors of the undertaking. This report should document 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, in particular:
 - i. Technical Provisions Coordination of calculation
 - ii. Methodologies & assumptions
 - iii. Data sufficiency & quality
 - iv. Experience analysis
 - v. Report to the Board on reliability & adequacy
 - vi. Opinion on Underwriting policy
 - vii. Opinion on Reinsurance arrangements.
- Contribute to the effective implementation of the Risk Management System, in particular:
 - i. With regard to risk modelling underlying the calculation of the SCR (defined previously) and MCR;
 - ii. Contributing to the ORSA process.
- Think critically and organize the execution of actuarial approaches; and
- Provide an actuarial opinion to the Board of Directors in respect of the ORSA

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

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

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

The HoAF reports to the Board of Directors and issues a report in writing at least annually documenting all of the material tasks that have been undertaken by the Actuarial Function during the reporting period.

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

B.7 Outsourcing

All functions and activities of the Company are eligible to be outsourced provided that specific criteria are satisfied in each instance.

The Board is responsible for the approval and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions relating to the Company's System of Governance and all functions within the Company that are fundamental to carry out its core business. The Board is responsible for ensuring notification to the CBI is made in a timely manner prior to the outsourcing of critical or important functions or activities, and thereafter where there have been material developments in relation to the service provider.

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

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

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

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

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

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

The Board is responsible for reviewing the performance of outsourced service providers against the agreed Service Level Agreements ("SLA").

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

Critical or important function	Outsourced Service Provider	Jurisdiction
Underwriting administration	Aon Insurance Managers (Dublin) Limited ("AIMD")	Ireland
Claims administration	AIMD	Ireland
Finance and accounting	AIMD	Ireland
Compliance Function	AIMD	Ireland
Risk Management Function	AIMD, reporting to Graham Ellinor as Head of Function	Ireland
Actuarial Function	Aon UK Actuarial & Analytics	United Kingdom
Internal Audit Function	Aon Commercial Services Ireland Limited, reporting to Oleg Williamson as Head of Function	Ireland

B.8 Any other Information

Acadia has no other information to report in relation to System of Governance.

In respect of relevant quantitative information for this report please see the Annual QRT extract in Appendix 1.

C. RISK PROFILE

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

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

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

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

C.1 Underwriting Risk

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

Given the Company is providing insurance for losses directly above local deductibles, the primary risk mitigation technique utilised is the purchase of loss reinsurance as this provides balance sheet protection, from claims severity, in an economically and administratively efficient manner. The effectiveness of these reinsurance arrangements is assessed on a quarterly basis through the preparation of the Company's financial accounts and reviewed at an overall level as part of the considerations for premium pricing on an annual basis. The primary focus of the Company's reinsurance strategy is on the security and financial stability of reinsurers selected. It is expected that these arrangements will continue over the business planning period.

Annual support and certification is provided by an Actuarial Function. There have been no material changes to underwriting risk during the reporting period.

The sensitivity analysis below is performed for conservative movements in the ultimate loss ratios ("ULRs") used in the estimation of the claims reserve with all other assumptions held constant, showing the impact on gross and net claims reserve and Profit Before Tax (PBT) for the year.

In US\$'000	Adjusted Claims Reserve	Adjusted Net Claims Reserve	Adjusted PBT for the year	Adjusted Equity for the year
30 June 2020				
Increase in ULRs by 10%	21,017	1,687	1,983	24,019
Decrease in ULRs by 10%	17,195	1,381	2,289	24,325
30 June 2019				
Increase in ULRs by 10%	17,427	(243)	(69)	22,058
Decrease in ULRs by 10%	14,259	(199)	(113)	22,014

C.2 Market Risk

The Company's principal transactions are carried out in US Dollars and its exposure to foreign exchange risk arises primarily with respect to Euro with a small amount of GBP and other currencies. The main foreign exchange risk arises from the receipt of premium and Insurance Premium Tax (IPT) in other currencies. The Board has discussed options to mitigate foreign exchange rate fluctuations at recent meetings and has, in the past, considering participation in the parent company hedging program. There has been no material change to market risk during the reporting period other than the introduction of the parental guarantee in support of the intercompany loan.

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

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

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency which is US Dollars. The Company seeks to mitigate currency risk by matching the assets and liabilities which arise in different currencies in so far as is possible.

C.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company has identified credit risks associated with the cash and deposits it has placed with third

party financial institutions. All investments undertaken are in line with the Company's Investment Policy, which is regularly reviewed by the Board. The requirements of the Company's Investment Policy were met at all times during the financial year.

The Company also recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy and this strategy sets out the required security ratings of its reinsurers and the procedures to follow if a financial strength rating of a minimum of A- is not met.

C.4 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial obligations. The Company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the Company has all of its investments held in bank deposits, intercompany loan or within a liquidity fund managed by Blackrock Asset Management. The Blackrock liquidity fund invests primarily in commercial paper, floating rate notes, certificates of deposit, and fixed rate bonds and cash deposits. Investments in the fund follow the Company's investment guidelines.

C.5 Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Company cannot expect to eliminate all operational risk, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education, and assessment processes. The Company assessed the potential impact of the new General Data Protection Regulation (GDPR) before its introduction in May 2018.

C.6 Other Material Risk

Strategic Risk

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

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

- Review at least annually the appropriateness of the high level overall objectives for the Company; the major risks facing the Company; the Risk Appetite for each of these major risks identified. The Board of Directors will ensure continuing appropriateness, at least annually and revisions shall be affected where necessary.
- Ensure the Company Strategy is implemented correctly including approval, review and monitoring of agreed Key Performance Indicators for the Company.

- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total. Compare actual versus target performance on a regular basis (as defined for each objective) and produce a variance analysis explaining reasons for deviations.

Sensitivity Risk

Actuarial function assesses the impact of varying the underlying assumptions with respect to initial average severity and expected reported loss development on their Best Estimate of Acadia's unpaid claim liabilities and vary severity of -50%/+200% around the selected average severity as well as varying the paid and reported loss development patterns.

Concentration Risk

This risk module looks at the risk regarding accumulation of exposures with the same counterparty, where risk exposures in assets are grouped according to the counterparties involved. A concentration risk charge is generated if the exposure to a given counterparty is in excess of a defined proportion of total investable assets. The concentration risk threshold is based on asset type and credit rating. The excess exposure is then shocked by a factor, again based on asset type and credit rating, to generate the risk charge.

Acadia has one counterparty where the exposure is in excess of the concentration risk threshold. The table below illustrates this exposure;

In US\$000's

Counterparty	Market Value	Credit Rating*	Risk Charge
Parker Hannifin EMEA S.a.r.l.	13,332	AA-	3,520

*The credit rating applied is that of Parker-Hannifin Corporation due to the parental guarantee which has been provided in support of the intercompany loan.

No other material risks have been identified.

Further quantitative detail on the risk is assessed and outlined in the Annual QRT's as set out in Appendix 1.

C.7 Any Other Information

No other material risks have been identified.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

The recognition and valuation basis are in accordance with Solvency II Directives. The Company prepares its financial statements on a going concern basis in compliance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (hereafter referred to as “Irish GAAP”) and FRS 103, Insurance Contracts, issued by the Financial Reporting Council and promulgated for use by the Institute of Chartered Accountants Ireland. The Company is also subject to the requirements of the Companies Act 2014 and the European Union (Insurance undertakings: Financial Statements) (Amendment) Regulations 2016.

Acadia has the following classes of assets;

- Cash and cash equivalents
- Investments with credit institutions
- Intragroup Loan
- Reinsurance recoverables
- Insurance & intermediaries receivables
- Any “other assets” (referring to prepayments and/or corporation tax recoverable)

Cash and cash equivalents comprise cash at banks whereas investments with credit institutions comprise the investment in the BlackRock USD liquidity fund. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments. The intragroup loan is measured at the undiscounted amount receivable. These balances are stated at market value for both solvency and financial statement purposes, the only difference being the inclusion of accrued interest in the financial statements, disclosed as a separate line item in the financial statements.

The valuation of the reinsurers share of insurance liabilities (“reinsurance recoverable” above) is detailed in the subsequent section, “Technical Provisions.” Amounts due from reinsurers are held at the lower of cost or market value/realisable value.

Any other assets for the current year relates to prepayments, which are not allowed under Solvency II.

Acadia’s Solvency II balance sheet equity as of June 30, 2020 totals US\$24.66m. Provided on the next page is a reconciliation of Acadia’s FRS balance sheet equity as of June 30, 2020 totalling US\$23.92m and the Solvency II balance sheet equity.

Restatement of the Balance Sheet

Balance Sheet Items	Statutory Returns	Solvency II	Movement
Investment funds	8,817	8,817	-
Loans	13,332	13,368	36
Reinsurance recoverables	28,551	22,589	(5,962)
Insurance & Intermediaries receivables	2,412	2,758	346
Reinsurance receivables	3,428	-	(3,428)
Cash and cash equivalents	1,108	1,109	1
Any other assets	184	-	(184)
Assets	57,832	48,641	(9,191)
Technical Provisions	32,184	23,463	(8,721)
<i>Best Estimate</i>	-	22,726	22,726
<i>Risk margin</i>	-	738	738
Insurance & intermediaries payables	27	4	(23)
Reinsurance payables	544	-	(544)
Payables (trade, not insurance)	410	409	1
Deferred tax liability	-	106	106
Any Other Liabilities	750	-	(750)
Liabilities	33,915	23,981	(9,932)
Paid up share capital	1,000	1,000	-
Retained earnings including profits from the year	22,917	22,917	-
Reconciliation Reserve	-	743	743
Expected profits in future premiums	-	-	-
Basic Own Funds	23,917	24,660	743

D.2 Technical Provisions

Provision is made for notified claims reserves and future claims on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate net estimate being made of amounts recoverable from reinsurers. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out using actuarial evaluation.

Reserves for insurance contract liabilities and reinsurance assets are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of the Head of Actuarial Function. The reserves include estimates for both case reserves (and future claims handling expense) and losses incurred but not reported ("IBNR").

In arriving at these valuations, Acadia uses the following methodology and assumptions:

Best Estimate of Unpaid Claim Liabilities (IFRS)

The overall methodology for estimating Acadia's unpaid claim liabilities is based upon a combination of several actuarial valuation methods that, based on the Actuary's opinion, is believed to accurately reflect the reserve requirement for the individual policy year and line of business:

The Chain Ladder ("CL") Method: estimates the ratio by which cumulative claims to date will increase (or decrease) at annual intervals from the date of policy inception. The 12 to 24 month ratio (for example) is estimated by taking the average ratio observed in policies 24 months or more from their date of inception. This approach assumes the earliest year of origin to experience no future movement. Claims experience is not adjusted for past inflation.

The Loss Ratio Method: an exposure based expected loss approach that often applies the average ultimate loss ratio for earlier years of the portfolio to more recent exposures (e.g. turnover). It is sometimes referred to as the Initial Expected Loss Ratio ("IELR") method.

The Incurred Bornhuetter-Ferguson Method ("IBF"): a blended method of claims development where estimates of ultimate claims derived using a loss development (or Chain Ladder) method are blended with the estimates derived using alternative methods. It is often blended with estimates using the IELR method. A blended approach is preferred for recent, less-developed policy periods because using the chain ladder method in isolation can be particularly unstable. In addition the use of a blended approach helps provide a smooth and consistent transition from past policy periods to partially complete and future periods.

The Generalised Cape Cod Method ("GCC"): a Bornhuetter-Ferguson methodology in which the exposure based ultimate claims estimates are derived by considering the ratios of the Chain Ladder ultimates to exposure measures. An expected ratio is calculated for each policy period based on a weighted average adjusted for any significant trend, using a decay factor of 75%. The weights used reflect the exposure, the claims development and the proximity to the policy period in question. The proportions developed (Bornhuetter-Ferguson weights) are used to blend the Chain Ladder estimated ultimate claims with the exposure-based estimates.

The Exposure Method: estimates the ultimate value of claims in a given underwriting or accident year in proportion to the exposure measure in that year (e.g. premium or sum insured) compared to other similar years. This is most commonly done by applying an average of the ultimate loss ratio observed in earlier years. This approach gives no recognition to the current level of claims reported in the year under consideration. It is influenced only by claims experience and exposure levels in neighbouring years.

The Head of Actuarial Function estimates ground-up gross ultimates (the sum total of paid claims, case estimates, cost of claims function related overhead costs ("ULAE") and IBNR by policy year, allocating an IBNR and ULAE for each line of business and policy year for future claim development.

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

Key Assumptions

The actuary has identified the following assumptions as being the most significant assumptions underlying our methodology:

1. That the range analysis applied has been estimated by considering 50% and 200% of the best estimate prior loss ratio for the lower and upper reserves respectively, and that this range is significantly larger than what one may expect to see in a larger, more diversified insurance company;
2. The relatively few claims and lack of extensive development patterns add to the uncertainty of the Best Estimates;
3. That the Best Estimates are neither deliberately overstated nor deliberately understated, and that is equally likely for this to be understated as it is overstated;
4. That the employed techniques and assumptions employed are appropriate for the purpose of determining the Best Estimate, and that the actual amounts required to meet future claim payments may differ, due to the inherent uncertainty of insurance.

Solvency II Technical Provisions

Solvency II technical provisions are made up of the best estimate and risk margin.

The best estimate is calculated by considering all future cash inflows and outflows required to settle the existing (re)insurance obligations over their lifetime. It represents the mean outcome of all possible scenarios, taking account of how likely they are to occur and their potential variability. In this regard, the best estimate is a probability-weighted average of future cash flows. The best estimate should also allow for the time value of money. The Solvency II best estimate is calculated gross with any recoverables calculated separately following the same methodology. The gross best estimate is made up of a claim provision and a premium provision, relating to past and future exposures respectively.

The Solvency II claims provision is equivalent to the expected net present value of the best estimate claims reserve calculated, with additional allowances for a number of (re)insurance related cash flows, which are discussed in more detail below. The claims provision should also include all unpaid premium relating to earned exposures that are within payment terms.

Under the Solvency II contract boundary definition, any policies which have been bound, even if not incepted as at the valuation date, must be considered in the premium provision. The Solvency II premium provision is therefore equivalent to the expected net present value of the following cash inflows and outflows, relating to unearned exposure from incepted contracts and exposure from unaccepted contracts bound as at the valuation date:

- Cash flows from future premiums in relation to future claims;
- Cash flows arising from future claim events (e.g. claims payments);
- Cash flows arising from Allocated loss adjustment expenses and Unallocated loss adjustment expenses in respect of claims events occurring after the valuation date;
- Cash flows arising from the ongoing administration of policies in-force as at the valuation date; and
- Cash flows arising from salvage and subrogation.

For profit making business, the best estimate of premium provisions may be negative.

Estimates are “best estimates” in the sense that they are intended to be a probability-weighted average of all possible outcomes. Acadia has employed techniques and assumptions that are appropriate for the purpose of calculating its Solvency II technical provisions. The actual amounts required to meet future claim payments may differ from estimates for several reasons, such as model specification error, parameter error and random error due to the inherent uncertainty in insurance. External environment risk factors may cause material deviations in estimates of technical provisions, including persistent negative interest rates, inflation and currency exchange rate fluctuations.

Risk Margin

The Solvency II risk margin is intended to represent an amount that Acadia would be required to pay, in excess of the best estimate of the liabilities, for a third party to assume the risk of running off the existing liabilities. The actuarial calculation of the risk margin is consistent with the Solvency II regulations, applying a 6% cost of capital to the amount of capital required at the beginning of each year to support the run-off of the insurance obligations. These future costs of capital are then discounted to the valuation date and summed to calculate the amount of risk margin required.

Technical Provisions by Line of Business (US\$'000)

Line of Business	Best Estimate of Liability (Gross)	Best Estimate of Liability (Net)	Risk Margin	Total Technical Provisions
Motor vehicle liability insurance	31	31	6	37
Fire and other damage to property insurance	13,828	(1,408)	405	14,233
General liability insurance	8,867	1,514	327	9,194

Statutory Reserving and Conversion to Solvency II Basis

Claim Provision

The Solvency II claim provision is equivalent to the expected net present value of the best estimate claims reserve, with additional allowances for a number of (re)insurance related cash flows, which are discussed in more detail below. The claim provision should also include all unpaid premium relating to earned exposures that are within payment terms. The unpaid inwards premium relates to PDBI policies incepting on 1 April 2020. New payment terms were introduced for these policies in 2018 where the premium falls due 30 days after inception. These unpaid inwards premiums are therefore outside credit terms as at 30 June 2020 and the earned portion of these is not included in the claim provision.

Claims Provision	Gross	RI	Net
Year End Statutory Reserves (ex ULAE)	19,106	17,572	1,534
(\$'000)			
Prudence in Stat Reserves	(110)	4	(114)
SII Expenses	111	-	111
Allowance for ENIDs	237	217	20
Counterparty default	-	(18)	18
Unpaid premium refunds	344	(230)	574
Unpaid claims cash flows	-	3,428	(3,428)
Unpaid expense cash flows	23	-	23
Discounting	(72)	(70)	(2)
Net SII Claim Provisions	19,639	20,903	(1,264)

Premium Provision

The premium provision is the discounted best estimate of all future cash flows relating to future unexpired exposure arising from policies that the (re)insurer is legally obligated to at the valuation date. For profit making business, the best estimate of the premium provision may be negative if the premium is unpaid as it will more than offset the claim and expense payments.

As noted above, the unpaid inwards premiums are outside credit terms as at 30 June 2020 and the unearned portion of these is therefore not included in the premium provision.

Premium Provision	Gross	RI	Net
Year End Statutory Reserves	13,078	10,979	2,100
Adjustment to best estimate (incl ENIDs)	(6,868)	(5,752)	(1,117)
SII Expenses	102	-	102
Counterparty default	-	(8)	8
Unpaid premium cash flows	(3,181)	(3,495)	314
Unpaid other cash flows			
Discounting	(43)	(37)	(6)
Net SII Premium Provisions	3,088	1,687	1,401

Assumptions

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

The prior gross loss ratios from the statutory reserving element of this exercise were used, adding an allowance for ENID. The implicit assumption here is that the unearned exposures will experience similar losses to the historic exposures, with the Solvency II requirement to allow for ENIDs incorporated into the best estimate.

The loss ratios used in this analysis are shown in the table below.

Line of Business	BE Loss Ratio	ENID Loading	SII Loss Ratio
Property	35.2%	2.5%	36.1%
Aviation Product Liability	54.7%	2.5%	56.1%
General Liability - Primary	0.0%	2.5%	0.0%
Employment Practice Liability	100.0%	2.5%	102.5%
Global Excess General Liability	20.0%	2.5%	20.5%
Products Liability	50.0%	2.5%	51.3%
Auto Deductible Reimbursement	25.0%	2.5%	25.6%
Directors & Officers	85.1%	2.5%	87.2%
US Imports Liability	48.7%	2.5%	50.0%

Uncertainty Associated with Technical Provisions

Acadia has historically seen relatively low claim volumes; a result of this is that reserves can appear more volatile than with a larger book – just one extra claim either materialising or failing to materialise can have a relatively large impact. It also reduces the extent to which Acadia's data alone can be relied upon when making projections. In performing this analysis, actuaries have supplemented the claims data with market benchmarks. Particularly where no or few claims have been reported, the actuaries are forced to place greater weight on prior assumptions and external data.

The Actuaries' estimates are "best estimates" in the sense that they are the average of all possible outcomes.

In their judgement, they have employed techniques and assumptions that are appropriate for the purposes of this investigation, given the information currently available. The actual amounts required to meet future claim payments may differ from their estimates for several reasons, such as model specification error, parameter error and random error inherent uncertainty in insurance.

External environment risk factors may cause material deviations in our estimates of technical provisions. Significant external risk factors include:

- Persistent negative interest rates: negative rates could translate into deeper negative discounting factors for the calculation of Technical Provisions, which could distort any subsequent analysis of

these provision calculation results. Negative interest rates could also imply a negative interest income from the cash at bank.

- Inflation: any significant increase in the consumer price index could lead to the unallocated loss adjustment expenses (“ULAE”) increasing by more than what had originally been forecast. Claims inflation could translate into future claims being settled at a higher level than in the past, notably for the Liability lines of business.
- Currency exchange rates: part of the premium received by Acadia is not in USD, therefore it could significantly alter in USD terms (compared to original expectations) if the USD exchange rate were to move away from the business plan estimate.
- Sudden changes in business volumes: since Acadia is a captive, it is often the case that a new line of business is added to its insurance programme depending on the needs of its parent company. However, this would be carried out with a prior assessment by Acadia’s risk management function and approval by the Board of Directors.

D.3 Other Liabilities

Aside from Technical provisions, the valuation of which is detailed above, Acadia has the below other classes of liabilities;

- Insurance & other intermediaries payables
- Reinsurance payable
- Payables (Trade not insurance)
- Deferred tax liability
- Any other liabilities

Reinsurance payable relates to ceded premium payable and have been included with technical provisions.

Payables have discounted the future cash flow to derive a market value.

Deferred tax liability is a Solvency II adjustment in relation to the recognised profit when restating the balance sheet on a Solvency II basis.

For other liabilities the future cash flows have been discounted to derive a market value and the exposure related to commissions is not allowed under Solvency II.

D.4 Alternative Methods of Valuation

No alternative methods were used.

D.5 Any Other Material Information

There is no other information to report

In respect of relevant quantitative information for this report please see Annual QRT extract in Appendix 1.

E. CAPITAL MANAGEMENT

E.1 Own Funds

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

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

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

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

- Issued Share Capital; and
- Retained Earnings.

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

The payment of dividends is considered on an annual basis by the Board as part of its medium-term capital assessment. Potential dividends will be considered as part of the Company's ORSA process to ensure that the Company will continue to meet its solvency needs over the business planning period.

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

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

In US\$'000	30 Jun 2020	30 Jun 2019
Ordinary paid up share capital	1,000	1,000
Reconciliation reserve	23,660	22,132
Total Tier 1 capital	24,660	23,132
Total basic own funds	24,660	23,132

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

At the end of the current reporting period eligible own funds available to meet the Company's SCR are US\$24.66m comprised solely of Tier 1 capital. Eligible own funds available to meet the Company's MCR are US\$24.66m comprised solely of Tier 1 capital.

The equity position as shown in the Company's 2020 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

In US\$'000	30 Jun 2020
Equity per the Company's financial statements	23,917
Reinsurance Recoverables	(5,962)
Adjustment to technical provisions	8,721
Prepayments and other adjustments	(1,910)
Net deferred tax liability	(106)
Own funds (excess of assets over liabilities for solvency purposes)	<u>24,660</u>

Noted below are the main adjustments to convert Acadia's Statutory balance sheet to a Solvency II balance sheet:

1. Reinsurance recoverables: This reduction has been driven by the inclusion of profit on bound but unaccepted premiums and adjustments to statutory reserves to best estimate reserves (-\$8.9m). Also included are unpaid claims and premiums (\$2.9m). There are also Solvency II adjustments for RI counterparty default (-\$0.03m), discounting (-\$0.1m) and binary events (+\$0.2m).

2. Technical provisions: This reduction has been driven by the inclusion of profit on bound but unaccepted premiums and adjustments to statutory reserves to best estimate reserves (-\$10.2m) and allowance for discounting (-\$0.1m). These reductions have been partially offset by Solvency II adjustments for expenses (+\$0.2m), unpaid inward premiums (+\$0.3m) and ENID (+\$0.2m), and the addition of the risk margin (+\$0.7m).

3. Prepayments and other adjustments: This represents the net total of the following items; Reinsurance Recoverables (-\$3.4m), Reinsurance Payables (+\$544k) & IPT Payable (+23k) which are reallocated to Technical Provisions, Insurance Receivables (+\$346k) which are currently overdue and are discounted by half a year as they are expected to be received within a year, the exposure related to Prepayments (-\$145k) and Unearned Commission (+\$750k) is removed as it has no expected future cashflows and is therefore not included on the Solvency II Balance Sheet.

4. Net deferred tax liability: A deferred tax liability is recognised in relation to the recognised profit when restating the Balance Sheet to be on a Solvency II basis.

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

Solvency II own funds

Under Solvency II valuation principals, the eligible own funds available to meet the SCR and MCR is US\$24.66m. This is comprised solely of Tier 1 capital.

Acadia has no material ancillary own funds.

Capital management

The total capital of the Company as at 30 June 2020 consists of shareholder's equity of US\$23.92m (2019: US\$22.04m).

Management reviews capital on an on-going basis with a view to maintaining a level of capital sufficient to cover significant statement of financial position risks and regulatory requirements. As at 30 June 2020 the Company has adequate capital to meet these objectives.

E.2 Solvency Capital Requirement & Minimum Capital Requirement

Acadia's Solvency Capital Requirement ("SCR") as of June 30, 2020 totals US\$12.37m. Acadia's Solvency II recognized own funds totalling US\$24.66m is sufficient to meet its SCR and results in a Solvency Ratio of 199.33%. Acadia's Minimum Capital Requirement ("MCR") as of June 30, 2020 totals US\$4.14m. The MCR is calculated through a prescribed formula based on the net technical provisions (excluding the risk margin) and net written premium. It is also constrained to be between 25% and 45% of the SCR.

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

In US\$'000	30 Jun 2020
Linear MCR	425
SCR	12,371
Combined MCR	3,093
Minimum Capital Requirement	4,143

This is broken down into the various components of risk on the next page.

Capital Charges	
Market Risk	The US\$3.6m capital charge for market risk arises largely from the concentration risk charge of US\$3.5m, due to the intercompany loan “ICL” with the parent. Since the Company’s SCR as at June 30, 2019, a parental guarantee has been put in place on said intercompany loan, allowing Acadia to use the credit quality step of 3 for this loan. This has reduced the capital charge by US\$5.8m. The remainder is for currency risk US\$0.4m, spread risk US\$0.5m, Interest rate risk US\$0.01m and a diversification benefit of (US\$0.9m) which is driven by higher charges for the underlying modules.
Non-Life Underwriting Risk	The US\$7.3m capital charge for Underwriting Risk is primarily due to the US\$7.1m capital charge for catastrophe risk. This is calculated based on applying the prescribed factors within the Solvency II regulations incorporating the EEA Nat Cat risk using the sums insured. The remainder is made up of premium and reserve risk of US\$0.6m and US\$0.4m for Lapse risk. There is also a diversification benefit of (US\$0.8m) again driven by higher charges for underlying modules.
Counterparty Default Risk	The US\$4.3m risk charge is driven by the rating of each individual counterparty and the loss given on default of that counterparty. This risk module reflects the possible losses due to unexpected default or deterioration in the credit standing of counterparties.
Operational Risk	There is a small operational risk charge of US\$0.7m which takes into account earned premiums and technical provisions that are held in respect of (re)insurance obligations.

Acadia’s SCR has decreased by US\$2.5m relative to its SCR as of June 30, 2020. The decrease in results is predominantly attributable to the benefit of the parental guarantee in place on its intercompany loan arrangement.

Risk Charge In US\$'000	30 June 2020	30 June 2019	Movement
Premium/Reserve Risk	585	477	109
Catastrophe Risk	7,136	5,009	2,127
Lapse Risk	405	375	30
<i>Diversification Benefit</i>	<i>(811)</i>	<i>(698)</i>	<i>(112)</i>
Non-Life Underwriting Risk	7,316	5,163	2,153
Counterparty Default Risk	4,266	4,757	(491)
Interest Rate Risk	21	200	(179)
Spread Risk	462	539	(77)
Currency FX Risk	419	191	229
Concentration Risk	3,520	9,340	(5,820)
<i>Diversification Benefit</i>	<i>(833)</i>	<i>(907)</i>	74
Market Risk	3,589	9,363	(5,774)
<i>Diversification Benefit</i>	<i>(3,483)</i>	<i>(4,862)</i>	1,377
BSCR	11,687	14,421	(2,731)
Operational Risk	682	499	183
SCR	12,369	14,919	(2,550)
Available Capital	24,660	23,132	1,528
Surplus/Deficit	12,291	8,213	4,078
Solvency Ratio	199%	155%	44%

Data

Estimates are based on:

- information contained in Acadia's June 30, 2020 financial statements
- Actuarial estimates of Acadia's unpaid claim liabilities as of June 30, 2020.

Methodology

The Company calculates the SCR using the standard formula. The actuarial calculation is based on application of the Solvency II regulations as detailed in the Commission Delegated Regulation (EU) 2015/35 as published on October 10, 2014 ("Delegated Acts").

It does not use simplifications or undertaking specific parameters when calculating the risk modules and sub-modules of the standard formula.

E.3 Use of Duration Based Equity Risk Sub Model in calculation of the SCR

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

E.4 Differences between the Standard Model & Any Internal Model

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

E.5 Non-Compliance with MCR and SCR

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

E.6 Any Other Material Information

There is no other information to report.

E.7 Additional Voluntary Information

There is no additional voluntary information to report.

In respect of relevant quantitative information for this report please see Annual QRT extract in Appendix 1.

The following additional details taken from the Annual Quantitative Reporting Templates are appended to this report:

S.02.01.02 – Balance sheet

S.05.01.01 – 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 – Claims Developments

S.23.01.01 – Own Funds

S.25.01.21 – SCR using standard formula

S.28.01.01 – MCR

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

		C0010
		Solvency II value
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	8,817
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	0
R0140	Government Bonds	
R0150	Corporate Bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective Investments Undertakings	8,817
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	13,368
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	13,368
R0270	Reinsurance recoverables from:	22,589
R0280	Non-life and health similar to non-life	22,589
R0290	Non-life excluding health	22,589
R0300	Health similar to non-life	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	2,758
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	1,109
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	48,641

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

		C0010 Solvency II value
Liabilities		
R0510	Technical provisions – non-life	23,463
R0520	Technical provisions – non-life (excluding health)	23,463
R0530	Technical provisions calculated as a whole	
R0540	Best Estimate	22,726
R0550	Risk margin	738
R0560	Technical provisions - health (similar to non-life)	0
R0570	Technical provisions calculated as a whole	
R0580	Best Estimate	
R0590	Risk margin	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	Technical provisions - health (similar to life)	0
R0620	Technical provisions calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	Technical provisions calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions – index-linked and unit-linked	0
R0700	Technical provisions calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	106
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	4
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	407
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	23,981
R1000	Excess of assets over liabilities	24,660

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

[illegible]

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				TOTAL
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written									
Gross - Direct Business	R0110								19,200
Gross - Prop reinsurance accepted	R0120								1,063
Gross - Non-Prop reinsurance accepted	R0130								0
Reinsurers' share	R0140								17,450
Net	R0200	0	0	0	0	0	0	0	2,812
Premiums earned									
Gross - Direct Business	R0210								16,679
Gross - Prop reinsurance accepted	R0220								798
Gross - Non-Prop reinsurance accepted	R0230								0
Reinsurers' share	R0240								15,092
Net	R0300	0	0	0	0	0	0	0	2,384
Claims incurred									
Gross - Direct Business	R0310								9,247
Gross - Prop reinsurance accepted	R0320								0
Gross - Non-Prop reinsurance accepted	R0330								0
Reinsurers' share	R0340								9,211
Net	R0400	0	0	0	0	0	0	0	36
Changes in other technical provisions									
Gross - Direct Business	R0410								0
Gross - Prop reinsurance accepted	R0420								0
Gross - Non-Prop reinsurance accepted	R0430								0
Reinsurers' share	R0440								0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550								681
Other expenses	R1200								
Total expenses	R1300								681

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

		Home country	Country (by amount of GWP)					Total for top 5 countries and home country
			US	DE	GB	FR	IT	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	9,584	6,111	1,562	521	554	186	18,519
Gross - Proportional reinsurance accepted	R0120	1,063						1,063
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	9,162	5,263	1,345	449	477	160	16,856
Net	R0200	1,485	848	217	72	77	26	2,725
Premiums earned								
Gross - Direct Business	R0210	4,811	4,745	1,213	405	430	145	11,749
Gross - Proportional reinsurance accepted	R0220	798						798
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	7,739	2,515	643	215	228	77	11,417
Net	R0300	-2,131	2,230	570	190	202	68	1,129
Claims incurred								
Gross - Direct Business	R0310	0	-1,021	38	10	10	5	-958
Gross - Proportional reinsurance accepted	R0320	22						22
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	-9	-309	-16	-4	-4	-2	-344
Net	R0400	32	-712	54	14	15	6	-592
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440							0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	340	217	55	18	20	7	657
Other expenses	R1200							
Total expenses	R1300							657

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

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensatio n insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060				14			2,901	173				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140							2,059	-371				
Net Best Estimate of Premium Provisions	R0150	0	0	0	14	0	0	843	544	0	0	0	0
Claims provisions													
Gross	R0160				17			10,926	8,694				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240							13,177	7,725				
Net Best Estimate of Claims Provisions	R0250	0	0	0	17	0	0	-2,251	970	0	0	0	0
Total Best estimate - gross	R0260	0	0	0	31	0	0	13,828	8,867	0	0	0	0
Total Best estimate - net	R0270	0	0	0	31	0	0	-1,408	1,514	0	0	0	0
Risk margin	R0280				6			405	327				
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	0	0	0	37	0	0	14,233	9,194	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	0	0	15,236	7,354	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	37	0	0	-1,003	1,841	0	0	0	0

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

		Accepted non-proportional reinsurance				TOTAL
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	
Technical provisions calculated as a whole	R0010					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050					0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
<u>Premium provisions</u>						
Gross	R0060					3,088
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					1,687
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	1,401
<u>Claims provisions</u>						
Gross	R0160					19,638
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					20,902
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	-1,264
Total Best estimate - gross	R0260	0	0	0	0	22,726
Total Best estimate - net	R0270	0	0	0	0	137
Risk margin	R0280					738
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					0
Best estimate	R0300					0
Risk margin	R0310					0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	23,463
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	22,589
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	874

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

Gross Claims Paid (non cumulative absolute amount)

		0	0	0	0	0	0	0	0	0	0	10+	Current year	All years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100												0	0
N-9	R0160			2,468									0	2,468
N-8	R0170												0	0
N-7	R0180	67	306	122	255	111							0	860
N-6	R0190	75				69	-16	409					409	536
N-5	R0200	75											0	75
N-4	R0210	20											0	20
N-3	R0220	75	729										0	804
N-2	R0230		3,750	5,575									5,575	9,325
N-1	R0240	23											0	23
N	R0250												0	0
Total													5,984	14,111

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

		0	0	0	0	0	0	0	0	0	0	Year End (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180					1,380	400	336	13			13
N-6	R0190				1,729	1,276	1,172	217				215
N-5	R0200			3,113	2,007	1,063	652					648
N-4	R0210		4,550	2,813	1,689	1,058						1,051
N-3	R0220	300	3,663	2,234	1,472							1,461
N-2	R0230	550	8,585	11,642								11,621
N-1	R0240	819	2,838									2,817
N	R0250	1,819										1,811
Total												19,638

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,000	1,000			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	23,660	23,660			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	24,660	24,660	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	24,660	24,660	0	0	0
Total available own funds to meet the MCR	R0510	24,660	24,660	0	0	
Total eligible own funds to meet the SCR	R0540	24,660	24,660	0	0	0
Total eligible own funds to meet the MCR	R0550	24,660	24,660	0	0	
SCR	R0580	12,369				
MCR	R0600	4,143				
Ratio of Eligible own funds to SCR	R0620	1.99367535				
Ratio of Eligible own funds to MCR	R0640	5.951809927				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	24,660
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	23,660
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	0

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

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0100
Market risk	R0010	3,589		
Counterparty default risk	R0020	4,266		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	7,316		
Diversification	R0060	-3,483		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	11,687		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	682
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	12,369
Capital add-on already set	R0210	
Solvency capital requirement	R0220	12,369
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - MCR (In thousands of USD)

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	425

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	31	72
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		1,779
General liability insurance and proportional reinsurance	R0090	1,514	961
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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

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

Overall MCR calculation		C0070
Linear MCR	R0300	425
SCR	R0310	12,369
MCR cap	R0320	5,566
MCR floor	R0330	3,092
Combined MCR	R0340	3,092
Absolute floor of the MCR	R0350	4,143
Minimum Capital Requirement	R0400	4,143