

Brown Reinsurance dac

Solvency and Financial Condition Report (“SFCR”) for the financial
year ended 31 December 2020

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Executive Summary

The harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2017. The regime requires reporting and public disclosure arrangements to be put in place by (re)insurers. This document is the third version of the Solvency and Financial Condition Report ("SFCR") that is required to be prepared by Brown Reinsurance dac ("the Company").

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

Company Background

Brown Reinsurance dac is a company incorporated in Ireland and is authorised by the Central Bank of Ireland as a composite reinsurance undertaking in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations.

The principal activity of the Company, which is ultimately a wholly owned subsidiary of United Parcel Service of Ireland Limited, is the provision of life, employee benefits, disability and accident and health insurance for the United Parcel Service, Inc. group of companies.

Business and Performance

The Company has a balance on the technical account for life and non-life insurance business of €1.1m for the financial year ended 31 December 2020 (2019: €1.2m). The directors consider both the level of business and the year-end financial position to be satisfactory.

The Company's assets are prudently invested, providing access to funds at short notice taking into account the liquidity requirements of the business and the nature and timing of insurance liabilities.

System of Governance

The Company is subject to the the Central Bank of Ireland's Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015. The corporate governance principles of the Company are implemented via the following Corporate Governance Framework:

- Board of Directors
- Outsourced Service Providers
- Internal Control Framework
- Risk Management Framework
- Compliance Function
- Audit – Internal

Outsourced Activities

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	EU	Chairman (PCF-3)
	Compliance Function			
	Internal Audit Function			
	Risk Management Function			
KPMG	Head of Actuarial Function	External	EU	

Risk Profile

The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with the risks.

Risk	Capital Charge	Capital Charge
	€ '000 2020	€ '000 2019
Market Risk	1,952	1,626
Counterparty Default Risk	1,671	1,501
Health Underwriting Risk	6,197	5,445
Life Underwriting Risk	3,563	3,548

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

Valuation for Solvency Purposes

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

Capital Management

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

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

At the end of 2020, the Company had a surplus of assets over liabilities of €14.2million (2019: €12.5million) on a Solvency II valuation basis. The Company also has a regulatory approved ancillary own fund item which is valued at €5million (2019: €4.5million), giving total available own funds to meet the SCR requirement of €19.2million (2019: €17.1million). This compares to an SCR requirement of €9.9million (2019: €9.1million) and indicates a solvency cover ratio of 194% (2019: 188%). The MCR coverage ratio is 596% (2019: 553%).

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

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

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

The Company is regulated by the Central Bank of Ireland (CBI). The CBI can be contacted at: Central Bank of Ireland, PO BOX 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.3 External auditor of the undertaking

The independent auditors of the Company are:
Deloitte Ireland LLP, Chartered Accountants & Statutory Audit Firm, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned by United Parcel Service of Ireland Limited, a company incorporated in Ireland.

A.1.5 Legal Structure of the Group

The ultimate parent undertaking is United Parcel Service, Inc. Group, a company incorporated in the United States of America.

A.1.6 Material lines of business and geographical areas

The Company is a composite reinsurance captive whose principal activity is the carrying out of reinsurance business for the United Parcel Service, Inc. group.

The Company operates worldwide.

A.1.7 Significant Business events during the reporting period

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

A.2 Underwriting Performance

All premium revenue relates to reinsurance acceptance for both life and non-life risks from life, employee benefits, disability and accident and health insurance risks of the United Parcel Service of Ireland Limited Group.

The Company reinsures the following lines of business: private medical insurance and employee benefits. For the purposes of capital reporting these are categorised as:

Class of Business as per Irish GAAP	Solvency II Class of Business
Non-Life : Private Medical Insurance	Health (Non -Similar to Life) – Proportional Reinsurance
Employee Benefit – (Life)	Life Reinsurance
Employee Benefit – (Disability)	Health (Similar to Life) Reinsurance
Employee Benefit – (Accident)	Health (Similar to Life) Reinsurance

The Company has determined that the Euro (“€”) is the functional currency.

The tables below show summaries of the technical (underwriting) account for the year ended 31 December 2020 by material Line of Business and Geographical area (based on Irish GAAP):

Underwriting performance by material Line of Business and Geographical areas (including aggregate performance).

Aggregate UW Performance	31/12/2020	31/12/2019
	€'000	€'000
Gross premiums written	18,398	17,752
Gross premiums earned	18,398	17,752
Gross claims incurred	(14,338)	(13,949)
Gross operating expenses	(2,926)	(2,616)
Net Technical profit	1,134	1,187

Financial Year ended 31 December 2020					
Line of Business	Life	Non-Life			Total
		Disability	Accident & Health	Medical	
Written Premiums	2,003	5,811	506	10,078	18,398
Earned Premiums	2,003	5,811	506	10,078	18,398
Gross Claims Incurred	(784)	(4,666)	(180)	(8,708)	(14,338)
Underwriting Expenses	(308)	(800)	(84)	(1,734)	(2,926)
Net Technical Result	911	345	242	(364)	1,134

Financial Year ended 31 December 2020			
Geographical Area	Europe	Rest of World	Total
	€'000	€'000	€'000
Written Premiums	9,280	9,118	18,398
Earned Premiums	9,280	9,118	18,398
Gross Claims Incurred	(6,332)	(8,006)	(14,338)
Underwriting Expenses	(1,476)	(1,450)	(2,926)
Net Technical Result	1,472	(338)	1,134

Financial Year ended 31 December 2019						
Line of Business	Life	Non-Life				Total
		Disability	Accident & Health	Medical	Workers Compensation	
Written Premiums	2,878	4,759	369	9,746	-	17,752
Earned Premiums	2,878	4,759	369	9,746	-	17,752
Gross Claims Incurred	(1,221)	(4,644)	(23)	(8,061)	-	(13,949)
Underwriting Expenses	(423)	(600)	(63)	(1,530)	-	(2,616)
Net Technical Result	1,234	(485)	283	155	-	1,187

Financial Year ended 31 December 2019			
Geographical Area	Europe	Rest of World	Total
	€'000	€'000	€'000
Written Premiums	7,436	10,316	17,752
Earned Premiums	7,436	10,316	17,752
Gross Claims Incurred	(5,843)	(8,106)	(13,949)
Underwriting Expenses	(1,096)	(1,520)	(2,616)
Net Technical Result	497	690	1,187

A.3 Investment Performance

A.3.1 Income and expenses arising by asset class

The Company has an investment strategy which complies with the requirements of “the prudent person principle”.

As at 31 December 2020 the Company's investment portfolio comprised the following material asset classes:

Asset Class	31/12/2020		31/12/2019	
	Amount €'000	% of portfolio	Amount €'000	% of portfolio
Cash & cash equivalents	15,651	100%	13,465	100%
Total	15,651	100%	13,465	100%

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

Asset Class	31/12/2020	31/12/2019
	Total €'000	Total €'000
Cash & cash equivalents	-	-
Total	-	-

All investments are in Euro and the interest rate return is low due to poor prevailing market rates for short term investments.

A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

A.3.3 Investments in securitisation

There are no investments in securitisation.

A.4 Performance of Other Activities

- A.4.1 There have been no other significant activities undertaken by the company other than its reinsurance and related activities.

A.5 Any Other Information

The Company is closely monitoring developments relating to the COVID-19 pandemic which emerged in Quarter 1 2020. The Company has deployed business continuity plans to ensure that the business continues to operate. The Directors have reviewed the composition of its current assets and believe that the Company has sufficient liquid assets to meet its liabilities. Furthermore, the Directors have also assessed the security and recoverability of the Company's assets and, at this time, they consider that they are not at risk.

At the time of signing these financial statements, the impact of COVID-19 is uncertain due to ever changing circumstances, but the Company will continue to monitor developments and respond as appropriate. The Directors have also reviewed the potential impact of COVID-19 on the Company's underwriting performance and at the date of approval of the financial statements, the Directors are satisfied that Company's estimated solvency ratio under Solvency II remains within the Company's risk appetite range.

B SYSTEM of GOVERNANCE

B.1 General information on the system of governance

B.1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

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

Board of Directors:

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

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

Michael Fenlon (Chairperson)

Ronald Chang

Patrick Power

Raoul Stewardson

Malika Terry

Steven Duhoux

Kevin Downes

Independent Control Functions:

The Company has established the four key control functions in line with Solvency II requirements: risk management, actuarial, compliance and internal audit. These functions, each possessing distinct responsibilities, are tasked with providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

Risk Management Function

The role of the Company's risk management function is to identify and evaluate the major risks facing The Company and to facilitate the implementation of the risk management system. Having considered the nature, scale and complexity of the Company, the Board have determined that the role of the Risk Manager can be carried out by a member of the Board.

The roles and responsibilities of the risk management function are set out within the risk management policy.

Compliance Function

In order to effectively monitor and report on The Company's requirement to be in compliance with all applicable laws and regulatory requirements the Board of Directors has outsourced the compliance function to the Captive Manager, Marsh Management Services (Dublin) Limited ("the Manager") and an employee of the Manager has been appointed as Compliance Officer. The Compliance Officer reports to the Board.

Actuarial Function

To ensure compliance with Solvency II obligations, the role of the Head of Actuarial Function ("HoAF") is outsourced to a third party provider. The HoAF reports to the Board.

Internal Audit Function

The internal audit function is outsourced to the Manager. The scope of internal audit activities includes the examination and evaluation of the effectiveness of the internal control, risk management and governance systems and processes of the entire licensed entity, including the Company's outsourced activities. The Internal Audit function reports to the Board.

B.1.2 Material changes in the system of governance that have taken place over the reporting period.

No material changes regarding the system of governance of the Company took place, aside from the fact that certain functions, including actuarial function, internal audit function and risk management functions were finalised and approved by the CBI in line with Solvency II requirements.

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

B.1.3.1 Remuneration policy for the administrative, management or supervisory body and employees

The Company does not have any employees. Day to day running of the Company is handled by the Manager under a third party administrative agreement.

Hence the Company's remuneration policy refers only to the remuneration of non-group executive directors should circumstances dictate that it is necessary to appoint external Executive Directors to the Board.

The Board of Directors of the Company includes Group Directors who are remunerated via their service agreements with United Parcel Service, Inc. Group companies.

B.1.3.2 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

The Company is a composite reinsurance captive whose principal activity is the carrying out of reinsurance business for the United Parcel Service, Inc.

The Company did not enter into any transactions with key management personnel in the United Parcel Service, Inc. Group during the year ended 31 December 2020.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

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

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

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

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

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

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

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

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

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

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

B.3.1 Risk management system

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

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

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

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

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

Identify

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

Assess

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

Manage

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

Monitor/Report

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

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

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

B.3.2 Implementation of the Risk management system

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

Responsibility for risk management is spread throughout the Company and the wider UPS group. Appropriate internal reporting procedures and feedback loops ensure that information on the risk management framework is actively monitored and managed by all relevant functions and the Board.

The Company adopts a "3 lines of defence" approach for the overall governance of its risk management system.

The Board of Directors is ultimately responsible for the risk management framework and internal control, including approval of the Company strategy and business planning.

1st Line of Defence – Day to Day:

Operations – the Manager: The Manager provides day to day operations, accounting, financial reporting and administrative support services and company secretarial and regulatory reporting services on an outsourced basis to the Company.

2nd Line of Defence – Oversight:

Risk Management Function ("RMF"): The RMF is responsible for the oversight of the ongoing development, implementation and operation of the risk management framework, strategy, related resource plan and making recommendations to the Board thereon.

Compliance Function: The Compliance Function is recognised as a key part of the Company's internal control system which should identify, assess, monitor and report on the compliance risk exposure of the Company. The Compliance Function also shares its responsibilities with other Company Functions which are responsible for their specific areas.

In order to help achieve its compliance objective the Board has appointed a Compliance Officer. The role of the Compliance Officer is set out in the Company's Board approved Compliance Policy.

3rd Line of Defence – Independent Assessment:

Internal Audit Function: The Board has established an Internal Audit Function that is an independent function within the Company with a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and other elements of the system of governance of the Company.

The responsibilities of the Internal Audit function are set out in the Company's Board approved Internal Audit Policy. The Internal Audit Function reports to the Board.

Actuarial Function: The role of the Actuarial Function is outsourced to third party provider via the terms of a written SLA.

B.3.3 ORSA

B.3.3.1 ORSA process

The Company prepares an ORSA on an annual basis and on an ad-hoc basis, if circumstances materially change. The objective of the ORSA process is to enable the Board to assess its capital adequacy in light of the assessments of its risks and the potential impacts of its risk environment, and to enable the Company to make appropriate strategic decisions.

The ORSA process is a rolling project plan of how the ORSA is completed, the interaction and contributions from different stakeholders, the process timetable, the audit trail and the monitoring and reporting cycle.

The Company has adopted the following approach for the conduct of the ORSA process:



Risk Management System: Board puts in place an effective risk management framework comprising of strategies, tolerances, policies, governance, monitoring and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the company is or could be exposed in pursuing its Company strategy.

Risk Identification: Board initiates an organised identification of all actual risks as well as emerging risks, taking into account the Company's strategy and business planning horizon.

Risk Appetite: Appetites and tolerance limits for the risks identified are set by the Board, which provide a basis for allocating risk capacity against the Company's exposure to particular risk categories.

Current Business Activities, Risk Profile, Capital and Solvency: Analysis of the current business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

Forecast Business Activities, Risk Profile, Capital and Solvency: Analysis of the forecast business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

Stress and Scenario Analysis: Board assesses the effect of different stresses (including reverse stress testing) and scenarios.

Impact on Strategy: Output of the ORSA process is reviewed and challenged by the Board and is being continuously embedded into the Company strategy and system of governance.

B.3.3.2 ORSA review and approval process

The risk management process and ORSA is performed on an annual basis, after the SCR calculation or when there is a significant shift in The Company's business plan. The risk monitoring is performed on an on-going basis and the Risk Register is annually reviewed and updated during the ORSA review process.

The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and that it includes risk sensitivities that can be used in shaping strategy and risk appetite.

The Board reviews the ORSA report and considers appropriate action for the business such as:

- Decisions in relation to capital;
- Reassessment of risk profile and appetite;
- Additional risk mitigation actions;
- Reassessment of investment strategy.

Under the following circumstances, a non-scheduled ORSA shall be performed immediately (in addition to the scheduled ORSA):

- Significant change in the risk profile of the Company which can be defined as a major change to the business strategy/business activity/insurance program etc. (i.e. business activities other than the Company's current underwriting activity)
- Significant changes to Non-Financial matters - Operational/Regulatory and Legal/Strategic/Group Risks.
- Significant changes in Other categories - Capital Shortage Risks/quality of capital etc.

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

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

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

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

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

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

B.4 Internal Control System

B.4.1 Description of the internal control system

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

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

First line of defence: "Day to day" operations and associated controls/

Second Line of defence: oversight from Compliance, Risk Management functions

Third Line of Defence – Independent Assessment, internal audit and actuarial functions (and also external audit).

B.4.2 Implementation of the compliance function

The Board of the Company has ultimate responsibility for its compliance objective.

To help achieve this aim the Board has established a Compliance Function, staffed by an appointed Compliance Officer, to supplement not supplant, the responsibilities of the Board to ensure compliance with legislation and applicable requirements.

The role of the Board appointed Compliance Officer is to:

- assist the Board with ensuring ongoing compliance with legislation and applicable requirements;
- enhancing the Company's awareness of compliance matters;
- monitor the Company's compliance with (re)insurance legislation and applicable requirements and guidelines;
- document any breaches identified, how they were addressed and whether any third party reporting of the breach is required;
- ensure that the Board is kept informed of any amendment to the applicable regulations, legislation and guidelines or the addition of any new requirements and the potential impact on the Company;
- provide opinions, recommendations, supervision and independent controls;
- provide reasonable assessment of the effectiveness and consistency of the internal processes used to control the compliance of the Company's operations and protect its reputation.

The Compliance Officer presents a Compliance Officer report to the Board at each board meeting which outlines the following:

- Details of regulatory correspondence with the Company
- Details of regulatory developments
- Details of which controls were tested since the last report and the results of the tests
- Conclusions and recommendations on the Company's compliance with reinsurance legislation and guidelines.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Company has outsourced its Internal Audit Function to the Manager. The internal audit function possesses a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance.

To this end, the Internal Audit Function is mandated to:

- establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Company;
- take a risk-based approach in deciding its priorities;
- report the audit plan to Board of Directors;
- issue recommendations based on the result of work carried out in accordance with the audit plan and submit a written report on its findings and recommendations to the Board of Directors on at least an annual basis.

B.5.2 Independence of the internal audit function

The internal audit function provides independent and objective assurance services, via an Internal Audit Agreement between the Company and the Manager.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, KPMG, via the terms of a written SLA.

The key role of the Head of Actuarial Function (HoAF) is to provide the following services:

- Opinion on Underwriting Policy
- Opinion on Technical Provisions
- Opinion on Reinsurance Arrangements
- Contribution to the Risk Management System
- Contribution to calculation of capital requirements
- Opinion on the ORSA process

B.7 Outsourcing

The Company has established an Outsourcing Policy which sets out the requirements for identifying, justifying and implementing material outsourcing arrangements. This Policy has been adopted by the Company and includes following:

- Definition of outsourcing and critical outsourcing;
- Risk Mitigation strategies;
- Board and Management responsibility;
- Due Diligence;
- Business Continuity Management (BCM);
- Contractual Arrangements;
- Management and control of the Outsourcing Relationship;
- Intra-Group Outsourcing;
- Final approval

The Company's outsourcing arrangements are subject to annual review and the findings of the report, along with the Outsourcing Policy are reviewed by the Board.

The following is a list of the important outsourced operational functions together with the jurisdiction in which the service providers of such functions or activities are located:

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	EU	Chairman (PCF-3)
	Compliance Function			
	Internal Audit Function			
	Risk Management Function			
KPMG	Head of Actuarial Function	External	EU	

B.8 Assessment of the adequacy of the system of governance of the insurance or reinsurance undertaking to the nature, scale and complexity of the risks

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of operations of the Company.

B.9 Any other material information regarding the system of governance of the Company

No material changes regarding the system of governance of the Company took place, aside from the fact that certain functions, including actuarial function, internal audit function and risk management functions were finalised and approved by the CBI in line with Solvency II requirements.

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

The table below outlines the material components of the underwriting risk modules as at 31 December 2020.

Underwriting Risk	% of undiversified basic SCR 2020	% of undiversified basic SCR 2019
Health	46%	45%
Life	27%	29%

Underwriting risk arises from two sources – premium risk (pricing) and adverse claims development (reserve risk). There are a number of material risks that are considered as a result of the Company's (re)insurance underwriting.

The company accepts reinsurance risk through its reinsurance contracts whereby it assumes various risks of United Parcel Service, Inc. group of companies. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Life Underwriting Risk is in respect of the Life, Accident and Disability (Health Similar to Life) lines of business.

The loss ratio approach is used to calculate the Life SCR risk charges; shocks are applied to the loss ratio assumptions which are then applied to the BEL to calculate a stressed BEL.

Similar to the Life Underwriting module a loss ratio approach is used to calculate the Health SLT Underwriting Risk charges, shocks are applied to the ULR assumptions which are then applied to the BEL to calculate a stressed BEL.

The Non-Life (Health Underwriting) Risk is in respect of the Medical Expenses line of business.

For premium risk, the Company has considered the risk of underpricing of premiums resulting in higher loss ratios than expected. Pricing is determined by negotiation with the fronting insurers and is based on the performance of the business.

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims. In this case the UPS Group has sufficient historical premium and claims data to demonstrate a stable insurance business and has determined the appropriate loss ratio for the risks written. Pricing is determined by negotiation with the fronting insurers, and is based on the performance of the business.

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

Catastrophe Risk

The risk of a major natural or man-made catastrophe event occurring while not listed in the Company's risk register has been considered but has been determined as highly unlikely given the nature and execution of the business.

C.1.2 Assessment and risk mitigation techniques used for underwriting risks

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

- Having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- Assessing reinsurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk if required, through retrocession with high credit quality entities;
- Diversifying and limiting reinsurance risk through ongoing review and management;
- Monitoring changing environment and market conditions that affect risk;
- Reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Independent opinion on the reasonableness and adequacy of the overall underwriting policy is provided by the Head of Actuarial Function on an annual basis.

C.1.3 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting reinsurance of risks which are sourced across several countries worldwide and across a number of lines of business.

C.2 Market risk

C.2.1 Material market risks

Market risk is the risk arising from the level of volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, real estate prices and exchange rates. Market risk is arrived at using the assumptions and calculations methods contained in the Standard Formula.

Investment objectives are outlined in the Company's Investment and Asset Liability Policy.

The table below outlines the material components of the market risk module as at 31 December 2020.

Market Risk sub-module	€'000 2020	€'000 2019
Currency	1,948	1,610

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

Concentration risk is not applicable for the Company.

Spread Risk: the sensitivity of the value of investments, primarily bonds and deposits in respect of the Company, to changes in the level or in the volatility of credit spreads.

Spread risk is not applicable for the Company

Interest rate risk: the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates.

Interest rate risk is not applicable for the Company.

Currency risk: the risk that the Company is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets or liabilities arising from changes in underlying exchange rates.

The local currency for the Company is the Euro which is the currency. The Company holds assets in Euro only; liabilities are also paid out in Euro. However, it has been assumed there is currency exposure to movements in the exchange rate between Euro and each regional currency to allow for potential exposure to the size of the Euro claim payable in each region increasing/decreasing as underlying exchange rates fluctuate.

C.2.2 Prudent person principle applied to market risks

Not applicable for market risk.

C.2.3 Assessment and risk mitigation techniques used for market risks

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

- Compliance with the Investment and Asset Liability Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- Diversifying and limiting investment risk through ongoing review and management;
- Monitoring changing environment and market conditions that affect risk;
- Reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.2.4 Material risk concentrations

There are no material market risk concentrations.

C.3 Credit risk

C.3.1 Material credit risks

Credit risk at 31 December comprises 12% (2019: 12%) of the undiversified basic SCR.

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

The counterparty default risk module in the Standard Formula is driven by cash at bank, and reinsurance balances receivable.

C.3.2 Prudent person principle applied to credit risks

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

C.3.3 Assessment and risk mitigation techniques used for credit risks

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

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

C.3.4 Material risk concentrations

The credit risk exposure is concentrated in that all of the cash at bank is held with one institution. Reinsurance receivables are spread amongst a number of fronting companies.

C.4 Liquidity risk

C.4.1 Material liquidity risks

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

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

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

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

C.4.2 Prudent person principle applied to liquidity risks

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

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

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

- Compliance with the Liquidity and Concentration Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- The Manager monitors cash movements and performs cash flow forecasting which are regularly reported to the Company;
- Reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process.

C.5 Operational risk

C.5.1 Material operational risks

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

The Company has considered a number of operational risks arising out of its activities in its risk register. For example, the Company has considered the risk of the loss of key personnel involved in the business. This is mitigated by the team approach to servicing adopted by the Captive Managers, Marsh Management Services (Dublin) Limited, which sees four experienced staff involved in the business.

This ensures continuity of service and spread of knowledge. Operational risks are addressed in the capital requirement as an addition to the BSCR to the extent that they have not been explicitly covered in other risk modules.

C.5.2 Assessment and risk mitigation techniques used for operational risks

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

- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit within the Company's business objectives;
- Implementing a robust system of internal controls and procedures;
- Segregation of duties;
- Monitoring and internal reporting;
- Outsourcing its management to an experienced management company;
- Setting a strategic surplus target of 15% (2019: 15%) above the SCR;
- Commitment of effective corporate governance.

C.6 Other material risks

The Company has included a range of non-quantifiable risks in its ORSA process. Documented associated actions exist for each of these risks and they are reviewed on a quarterly basis by the Board of Directors.

Sample risks include:

- Regulatory and Compliance;
- Loss of key personnel/director's resignation;
- Outsourcing.

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

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

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

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

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

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

€2,000,000.

C.8 Stress and sensitivity tests

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

1. Impact of an increase in loss ratios;
2. Impact of a severe market crash;
3. Impact of incorrect data used in modelling the SCR results of the Company;
4. Closure to new business.

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

As a part of 2020 ORSA the Company considered a reverse stress test. This can be defined as a stress test that requires assessment of scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.

The combination of events stressed in Scenario 2 (severe market crash) would cause a breach in the SCR of the Company. This is managed through the capital management policy which recognises the continued support required from the shareholder for any future capital needs the Company may have.

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

C.9 Any Other Information

The Company has identified all material risks through its risk register and there is no other material information regarding the risk profile of the Company that warrants disclosure.

D VALUATION for SOLVENCY PURPOSES

D.1 Assets

D.1.1-2 Irish GAAP and Solvency II Valuations

The table below sets out the value of the Company's material assets as at 31 December 2020:

	31/12/2020		31/12/2019	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	Total €'000	Total €'000	Total €'000	Total €'000
Cash and Cash Equivalents	15,651	24,189	13,465	19,455
Insurance and intermediaries receivables	10,951	2,413	10,005	2,100
Corporation Tax Recoverable	7	-	-	-
Total assets	26,609	26,602	23,470	21,555

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

Cash and cash equivalents

Cash and cash equivalents are comprised of one deposit held at call in a UPS treasury account and a small balance held with Citibank. Cash and cash equivalents are measured at fair value. Funds withheld by fronting insurance companies (€8,538k) are treated as cash and cash equivalents under Solvency II.

Insurance and intermediary receivables

Funds withheld by fronting insurance companies (€8,538k) are treated as insurance and intermediaries receivable under GAAP and as cash and cash equivalents under Solvency II. These are valued at fair value as per Solvency II principles.

Deferred acquisition costs

Commissions, which are related to the acquisition of new insurance contracts and the renewal of existing insurance contracts, are deferred in the balance sheet to the extent that they are attributable to premiums unearned at the balance sheet date.

Adjustment for solvency purposes relates to the removal these deferred acquisition costs as there is no concept of deferred acquisition costs in Solvency II; future acquisition cost cash flows are valued in Solvency II technical provisions.

Deferred acquisition costs

A deferred tax asset has been calculated under Solvency II principles and included in the Solvency II balance sheet.

D.2 Technical Provisions

D.2.1 Irish GAAP and Solvency II Valuations

The valuation of liabilities for Solvency II has been determined in accordance with Articles 75 to 86 of the Solvency II Directive 2009/138/EC and related guidance.

The table below shows an analysis of the technical provisions as at 31 December 2020:

Insurance Class	31/12/2020	
	TPs per GAAP	TPs per Solvency II
	€'000	€'000
Non-Life : Health		
Best estimate of liabilities (BEL)	2,919	3,089
Risk margin	-	254
Life : Health		
Best estimate of liabilities (BEL)	8,831	8,316
Risk margin	-	771
Life (excluding health)		
Best estimate of liabilities (BEL)	879	(405)
Risk margin	-	75
Total technical provisions	12,629	12,100

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

Class of Business as per Irish GAAP	Solvency II Class of Business
Non-Life : Private Medical Insurance	Health (Non -Similar to Life) – Proportional Reinsurance
Employee Benefit – (Life)	Life Reinsurance
Employee Benefit – (Disability)	Health (Similar to Life) Reinsurance
Employee Benefit – (Accident)	Health (Similar to Life) Reinsurance

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

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

Under Solvency II, the Irish GAAP UPR is replaced by the SII premium provision. The premium provision relating to the unexpired period of risk is estimated by applying a loss ratio to future premium reserve. Loss ratio assumptions (which include acquisition expenses) are based on historic loss ratio experience which are and monitored quarterly for emerging claims experience during the year.

Next the Premium Provision is reduced in respect of the amount of premium receivable, the Solvency II Balance Sheet is presented net of the premium receivable in respect of unexpired risks e.g. asset and liability side of the Balance Sheet are reduced by this amount.

In addition, an allowance is made for expected profits in future premiums by reflecting an allowance for expected future profits for business which is bound as at the valuation date and hence should be 'recognised' within the technical provisions in line with Article 17 of the Delegated Acts.

Under Solvency II, the Irish GAAP IBNR and OSLR are transformed into Solvency II Claims Provisions. The Claims Provision is estimated as follows:

- Under Solvency II, the Irish GAAP IBNR and OSLR are transformed into Solvency II Claims Provisions. The Claims Provision is set equal to the Irish GAAP IBNR and OSLR which are based on best estimate ULR assumptions.

ENIDs ("Events not in Data" – allowance for possible events that have not historically occurred, but could impact the claims experience) are implicitly allowed for within the best estimate ULR assumptions for each risk segment. Based on expert judgement and historical experience where available there is sufficient allowance for ENIDs within the best estimate ULR assumptions. The ENIDs reflect the uncertainties in the data (i.e. emerging trends or events which are not present in the historic claim data). This will be refined as experience develops.

The Standard Model then applies half a year of discounting using the relevant EIOPA yield curves and includes an allowance for ongoing maintenance expenses.

Risk Margin

The risk margin is calculated without simplification.

All market risk is assumed to be hedgable.

For each line of business the exposure to risk is expected to run off over two year post inception of the contract. As the majority of the business incepts on 1 January we have assumed all business will be inforce for 2 years post the valuation date (to allow for bound but not yet incepted business), running off by year three.

Each component of the SCR is calculated at each future date assuming no future business is written.

This is discounted using the Euro yield curve as at the valuation date and a 6% cost of capital is applied.

D.2.2 Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are inherently uncertain. The key areas of uncertainty of the technical provisions are driven by the uncertainty of the underlying booked reserves. The valuation of technical provisions is generally based on estimates of future experience, including claims, lapses, investment returns, interest rates and expenses. In some cases, the available experience on which to base these estimates is limited, and thus there is uncertainty in relation to them. In others, previous experience is not an appropriate guide to the future. Future experience will always differ from estimates for a range of reasons including, but not limited to, inherent randomness, the prevailing economic and commercial environment, changes in regulation and the conduct of operations.

D.2.3 Solvency II and Irish GAAP valuation differences of Technical Provisions by material line of business

See analysis in Section D2.1.

D.2.4 The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

D.2.5 The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

D.2.6 The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

D.2.7 The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.2.8 Recoverables from reinsurance and special purpose vehicles

There were no recoverables from reinsurance or special purpose vehicles at 31 December 2020 (2019: €Nil).

D.2.9 Material changes in relevant assumptions made in the calculation of technical provisions
There was no change to the key assumptions relating to the best estimate loss ratios used for the period. Expense assumptions were updated in the period in line with the expenses set out in the year end 2020 financial statements.

D.3 Other liabilities

Other liabilities at 31 December 2020 were €282k (2019: €562k) and are composed of accrued expenses and a deferred tax liability. These are valued at fair value as per Solvency II principles.

D.4 Alternative Methods for Valuation for other liabilities

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

There are no other material matters in respect of the valuation of assets and liabilities.

E CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

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

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

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an agreed level in excess of the SCR, target solvency margin cover is currently set at 115% of the SCR;
- Dividends will not be paid or will be deferred if doing so would cause the Company to breach its legal and regulatory requirements or fall below the abovementioned target SCR cover;
- The Company's own funds are primarily invested in cash at bank in line with the Board approved Investment and Asset Liability Policy.

E.1.2 Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	Tier 1 €'000	Tier 2 €'000	Total €'000
1 January 2020	Opening balance comprising: Ordinary share capital Reconciliation Reserve	635 11,986	-	635 11,986
	Movement in the Reconciliation reserve for the year ended 31 December 2018	1,598	-	1,598
	Ancillary own funds	-	4,942	4,942
31 December 2020	Closing balance	14,219	4,942	19,161
	Represented by:			
	Ordinary share capital	635	-	635
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	13,584	-	13,584
	Ancillary own funds	-	4,942	4,942
	Total Basic own funds after deductions	14,219	4,942	19,161

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

The Company has no tier 1 restricted own funds and no tier 2 own funds. The Company has a tier 2 ancillary own fund item which was approved by the Central Bank of Ireland in 2017.

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

The eligible amount of own funds to cover the Solvency Capital Requirement is €19.2m (2019: €17.1m). This is comprised of Tier 1 unrestricted basic own funds of €14.2m (2019: €12.6m) and Tier 2 ancillary own funds of €5m (2019: €4.5m).

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

The eligible amount of own funds to cover the Minimum Capital Requirement is €14.7m (2019: €12.5m). This is comprised of Tier 1 unrestricted basic own funds of €14.2m (2019: €12.5m) and Tier 2 ancillary own funds of €0.5m.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Reconciliation of Basic Own Funds to Equity as per financial statements as at 31 December 2020	
	€'000
Solvency II - Basic Own Funds	19,162
Total Equity as per financial statements	13,762
Difference:	5,400
<u>Represented by:</u>	
Ancillary Own Funds	4,941
Difference between Net Technical Provisions and BEL	1,629
Risk Margin	(1,100)
Deferred Tax Liability	(70)
Difference:	5,400

E.1.6 None of the Company's own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

E.1.7 The Company has ancillary own funds in the form of a capital commitment deed between the Company and United Parcel Service of America, Inc. This is valued at 50% of the SCR.

E.1.8 No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total SCR and MCR at 31 December 2020:

	€'000 2020	€'000 2019
SCR	9,883	9,051
MCR	2,471	2,263

The final amount of the SCR remains subject to supervisory assessment

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the SCR components by risk module (using the Standard Formula) at 31 December 2020.

	€'000 2020	€'000 2019
Market Risk	1,952	1,626
Health Underwriting Risk	6,197	5,445
Life Underwriting Risk	3,563	3,548
Default Risk	1,671	1,501
BSCR pre Diversification	13,383	12,120
Overall Diversification Benefit	-3,999	-3,630
Basic Solvency Requirements ('BSCR')	9,384	8,490
Operational Risk	564	561
Deferred Tax Adjustment	(65)	-
SCR	9,883	9,051

E.2.3 Simplified calculations are not used for any of the risk modules or sub-modules.

E.2.4 The Company does not use undertaking specific parameters in its computation.

E.2.5 The Minimum Capital Requirement is calculated using the Standard Formula specifications.

The table below shows the inputs into the MCR calculation as at 31 December 2020.

MCR Overview	EUR'000 2020	EUR'000 2019
Linear MCR	2,363	2,229
SCR	9,883	9,051
MCR cap	4,447	4,073
MCR floor	2,471	2,263
Combined MCR	2,471	2,263
Absolute floor of the MCR	1,200	1,200
Minimum Capital Requirement	2,471	2,263

E.2.6 There were no material changes to the Solvency Capital Requirement and to the Minimum Capital Requirement over the reporting period.

E.3 Any use of the equity risk sub-module in the calculation of the Solvency Capital Requirement.

The Company has not opted to use the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC.

E.4 Internal model information.

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.

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

There were no breaches of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any other information.

There are no other material matters in respect of the valuation of capital management.

TEMPLATES

QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.12.01	Technical Provisions - Life
S.17.01	Technical Provisions – Non-life
S.19.01	Insurance claims
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

The above templates are included at the end of the report.

Annex I**S.02.01.02****Balance sheet**

		Solvency II value
		C0010
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)	R0080	
Property (other than for own use)	R0090	
Holdings in related undertakings, including participations	R0100	
Equities	R0110	
Equities - listed	R0120	
Equities - unlisted	R0130	
Bonds	R0140	
Government Bonds	R0150	
Corporate Bonds	R0160	
Structured notes	R0170	
Collateralised securities	R0180	
Collective Investments Undertakings	R0190	
Derivatives	R0200	
Deposits other than cash equivalents	R0210	
Other investments	R0220	
Assets held for index-linked and unit-linked contracts	R0230	
Loans and mortgages	R0240	
Loans on policies	R0250	
Loans and mortgages to individuals	R0260	
Other loans and mortgages	R0270	
Reinsurance recoverables from:	R0280	
Non-life and health similar to non-life	R0290	
Non-life excluding health	R0300	
Health similar to non-life	R0310	
Life and health similar to life, excluding health and index-linked and unit-linked	R0320	
Health similar to life	R0330	
Life excluding health and index-linked and unit-linked	R0340	
Life index-linked and unit-linked	R0350	
Deposits to cedants	R0360	10,951
Insurance and intermediaries receivables	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	15,651
Cash and cash equivalents	R0420	
Any other assets, not elsewhere shown	R0500	26,602
Total assets		

Annex I**S.02.01.02****Balance sheet****Liabilities**

Technical provisions – non-life
Technical provisions – non-life (excluding health)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - life (excluding index-linked and unit-linked)
Technical provisions - health (similar to life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

	Solvency II value
	C0010
R0510	3,343
R0520	
R0530	
R0540	
R0550	
R0560	3,343
R0570	
R0580	3,089
R0590	254
R0600	8,757
R0610	9,087
R0620	
R0630	8,316
R0640	771
R0650	- 330
R0660	
R0670	- 405
R0680	75
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	65
R0790	
R0800	
R0810	
R0820	
R0830	
R0840	217
R0850	
R0860	
R0870	
R0880	
R0900	12,382
R1000	14,220

Annex I

S.05.01.02

Premiums, claims and expenses by line of business

[illegible]

Premiums, claims and expenses by line of business

[illegible]

S.05.02.01.01 Non-Life Premiums, claims and expense by country (Top 5 and home country)

			Home country	Top 5 countries (by amount of gross premium written) - non-life obligations					Total Top 5 and home country
			Home country	CHINA	FRANCE	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	
			C0080	C0090_46	C0090_76	C0090_99	C0090_200	C0090_233	C0140
Premiums written	Gross - Direct Business	R0110							
	Gross - Proportional reinsurance accepted	R0120	-	1,148	3,237	431	963	941	6,720
	Gross - Non-proportional reinsurance accepted	R0130							
	Reinsurers' share	R0140							
	Net	R0200	-	1,148	3,237	431	963	941	6,720
Premiums earned	Gross - Direct Business	R0210							
	Gross - Proportional reinsurance accepted	R0220	-	1,148	3,237	431	963	941	6,720
	Gross - Non-proportional reinsurance accepted	R0230							
	Reinsurers' share	R0240							
	Net	R0300	-	1,148	3,237	431	963	941	6,720
Claims incurred	Gross - Direct Business	R0310							
	Gross - Proportional reinsurance accepted	R0320	-	1,204	2,516	535	992	893	6,140
	Gross - Non-proportional reinsurance accepted	R0330							
	Reinsurers' share	R0340							
	Net	R0400	-	1,204	2,516	535	992	893	6,140
Changes in other technical provisions	Gross - Direct Business	R0410							
	Gross - Proportional reinsurance accepted	R0420							
	Gross - Non-proportional reinsurance accepted	R0430							
	Reinsurers' share	R0440							
	Net	R0500							
Expenses incurred		R0550	0	221	410	58	111	127	927
Other expenses		R1200	123						123
Total expenses		R1300	123	221	410	58	111	127	1,050

S.05.01.02 - Life Premiums, claims and expenses by country (Top 5 and home country)

			Home country	Top 5 countries (by amount of gross premium written) - life obligations					Total Top 5 and home country
			Home country	BELGIUM	CANADA	FRANCE	SWITZERLAND	UNITED KINGDOM	
			C0220	C0230_22	C0230_40	C0230_76	C0230_215	C0230_234	C0280
Premiums written	Gross	R1410	381	1,170	2,068	1,644	821	928	7,012
	Reinsurers' share	R1420							
	Net	R1500	381	1,170	2,068	1,644	821	928	7,012
Premiums earned	Gross	R1510	381	1,170	2,068	1,644	821	928	7,012
	Reinsurers' share	R1520							
	Net	R1600	381	1,170	2,068	1,644	821	928	7,012
Claims incurred	Gross	R1610	119	360	1,701	423	688	615	3,906
	Reinsurers' share	R1620							
	Net	R1700	119	360	1,701	423	688	615	3,906
Changes in other technical provisions	Gross	R1710							
	Reinsurers' share	R1720							
	Net	R1800							
Expenses incurred		R1900	69	155	187	182	102	194	889
Other expenses		R2500	101						101
Total expenses		R2600	170	155	187	182	102	194	990

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole
Best estimate
Risk margin

Technical provisions - total

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)		
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees						
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	
R0010											
R0020											
R0030								-	405	-	405
R0080											-
R0090								-	405	-	405
R0100									75		75
R0110											
R0120											
R0130											
R0200								-	330	-	330

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole
Best estimate
Risk margin

Technical provisions - total

	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees			
	C0160	C0170	C0180	C0190	C0200	C0210
R0210						
R0220						
R0030					8,316	8,316
R0080						
R0090					8,316	8,316
R0100					771	771
R0110						
R0120						
R0130						
R0200					9,087	9,087

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate
Premium provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions
Claims provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions
Total Best estimate - gross
Total Best estimate - net
Risk margin
Amount of the transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0010								
R0050								
R0060	117							
R0140								
R0150	117							
R0160	2,972							
R0240								
R0250	2,972							
R0260	3,089							
R0270	3,089							
R0280	254							
R0290								
R0300								
R0310								
Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0320	3,343							
R0330								
R0340	3,343							

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate
Premium provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions
Claims provisions
Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions
Total Best estimate - gross
Total Best estimate - net
Risk margin
Amount of the transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010							
R0050							
R0060							117
R0140							-
R0150							117
R0160							2,972
R0240							-
R0250							2,972
R0260							3,089
R0270							3,089
R0280							254
R0290							
R0300							
R0310							
Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0320							3,343
R0330							-
R0340							3,343

Annex I
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	635	635			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	13,585	13,585			
R0140					
R0160					-
R0180					
R0220					
R0230					
R0290	14,220	14,220			-
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390	4,942			4,942	
R0400	4,942			4,942	
R0500	19,162	14,220		4,942	-
R0510	19,162	14,220		4,942	
R0540	19,162	14,220		4,942	
R0550	14,714	14,220		494	
R0580	9,883				
R0600	2,471				
R0620	194%				
R0640	595%				

	C0060
R0700	14,220
R0710	
R0720	
R0730	635
R0740	
R0760	13,585
R0770	
R0780	
R0790	-

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

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement**Calculation of Solvency Capital Requirement**

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement**Other information on SCR**

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	1,952		
R0020	1,671		
R0030	3,563		
R0040	6,197		
R0050			
R0060	- 3,999		
R0070			
R0100	9,384		
	C0100		
R0130	564		
R0140			
R0150	- 65		
R0160			
R0200	9,883		
R0210			
R0220	9,883		
R0400			
R0410			
R0420			
R0430			
R0440			

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
Linear formula component for non-life insurance and reinsurance obligations

MCR _{NL} Result		C0010			
	R0010		609		
				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		3,089		10,079
Income protection insurance and proportional reinsurance	R0030				
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
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

MCR _L Result		C0040			
	R0200		1,754		
				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		7,911		
Total capital at risk for all life (re)insurance obligations	R0250				2,267,502

Overall MCR calculation

		C0070	
Linear MCR	R0300		2,363
SCR	R0310		9,883
MCR cap	R0320		4,447
MCR floor	R0330		2,471
Combined MCR	R0340		2,471
Absolute floor of the MCR	R0350		1,200
		C0070	
Minimum Capital Requirement	R0400		2,471