

Petroswede Insurance Company dac

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

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Executive Summary

The harmonized EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by (re)insurers. This document is the fourth version of the Solvency and Financial Condition Report ("SFCR") that is required to be prepared by Petroswede Insurance Company 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

Petroswede Insurance Company dac is a company incorporated in Ireland and authorised by the Central Bank of Ireland to carry out the following classes of non-life reinsurance business:

- Class 7: Goods in Transit;
- Class 8: Fire and Natural Forces;
- Class 9: Other Damage to Property;
- Class 13: General Liability
- Class 16: Miscellaneous Financial Loss

The Company is a non-life insurance captive whose principal activity is the issuance of insurance policies direct to its parent Company and its related subsidiaries/affiliated companies.

Business and Performance

Insurance premium earned in the year in respect of fire & damage to property and third party liability amounted to USD 2,509,939 (2019: USD 2,401,038). Facultative reinsurance premium expensed in the year amounted to USD 4,401,530 (2019: USD 1,905,360).

The Kolo Well reserve was settled during the year for a net cost of USD1m.

In Q3 2020 the Svenska Petroleum Exploration board decided to concentrate its business operations in oil and gas exploration. All new and proposed exploration / drilling operations have ceased, however, the remaining business in the Baobab field will continue until completion. After considering its options with respect to the Company, it has been decided that the Baobab coverage will be placed with the market and that the Company will be put into run-off upon expiration of the existing insurance programme (30 April 2021) with a view to liquidate in 2021. The financial statements for the year ending 31 December 2020 have been prepared on a basis other than going concern.

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.

Based on their review of the current year, the directors are satisfied that the company is adequately capitalised and continues to meet all regulatory requirements. The Directors has also considered the ongoing COVID-19 pandemic, and at this time, believe the impact of this to the Company is low.

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
- Internal Audit

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			
	Risk Management Function			
	Internal Audit Function			
PricewaterhouseCoopers	Head of Actuarial Function	External	EU	

Risk Profile

The Company uses the Standard Formula to assess the solvency and capital requirements. The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with the risks at year end 2020.

Year ending	SCR	Market	Default	Non-Life
31 December	USD'000	USD'000	USD'000	USD'000
2020	3,308	1,037	953	2,182
2019	2,792	689	1,332	1,282

Valuation for Solvency Purposes

The valuation of assets and liabilities for Solvency II purposes is the same as FRS except for: differences in the valuation of technical provisions and associated reinsurance recoverables.

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.

The company solvency position including the individual risks is as follows:

31 December 2020	Capital requirement	Eligible capital	Solvency ratio
	USD'000	USD'000	%
SCR	3,308	5,665	170%
MCR	4,538	5,608	124%

31 December 2019	Capital requirement	Eligible capital	Solvency ratio
	USD'000	USD'000	%
SCR	2,792	6,268	225%
MCR	4,143	6,207	150%

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

Petroswede Insurance Company 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 and Statutory Audit Firm, Deloitte & Touche House, Earlsfort Terrace. Dublin 2, Ireland.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned by Svenska Petroleum Exploration AB, a company incorporated in Sweden.

A.1.5 Legal Structure of the Group

Svenska Petroleum Exploration AB is a wholly owned subsidiary of Petroswede AB, which in turn is a wholly owned subsidiary of Petroswede Europe AB, the ultimate parent company, which both are incorporated in Sweden.

A.1.6 Material lines of business and geographical areas

The Company is a non-life insurance captive whose principal activity is the issuance of insurance policies direct to its parent Company and its related subsidiaries/affiliated companies.

The material geographical area in which the Company operates is Sweden.

A.1.7 Significant Business events during the reporting period

In Q3 2020 the Svenska Petroleum Exploration board decided to concentrate its business operations in oil and gas exploration. All new and proposed exploration / drilling operations have ceased, however, the remaining business in the Baobab field will continue until completion. After considering its options with respect to the Company, it has been decided that the Baobab coverage will be placed with the market and that the Company will be put into run-off upon expiration of the existing insurance programme (30 April 2021) with a view to liquidate in 2021.

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.

Based on their review of the current year, the directors are satisfied that the company is adequately capitalised and continues to meet all regulatory requirements. The Directors has also considered the ongoing COVID-19 pandemic, and at this time, believe the impact of this to the Company is low.

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life insurance risks of the Petroswede Group.

The Company writes the following lines of business: Property Damage/Business Interruption (Classes 8 &9) and Third Party Liability (Class 13). For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Marine
Third Party Liability	Marine

The Company has determined that the USD is the functional currency.

The tables overleaf show a summary 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 for the main Solvency II Lines of Business and Geographical areas (including aggregate performance).

31/12/2020:

Sweden	Marine	Total
	USD'000	USD'000
Written Premiums	2,510	2,510
Earned Premiums	(1,903)	(1,903)
Claims Incurred	(7,463)	(7,463)
Underwriting Expenses	(358)	(358)
Reinsurer's Share	5,695	5,695
Allocated Investment Return	7	7
Net Technical Result	(486)	(486)

31/12/2019:

Sweden	Marine	Total
	USD'000	USD'000
Written Premiums	2,401	2,401
Earned Premiums	496	496
Claims Incurred	-	-
Underwriting Expenses	(203)	(203)
Reinsurer's Share	-	-
Allocated Investment Return	40	40
Net Technical Result	333	333

An unfavorable USD2.5m adjustment to the Swing Protection program contributed to an underwriting loss of USD1.9m during the year.

The Company experienced a claim in 2016 arising from the failure of a production riser and damage to a water injection riser. The gross claim recorded in 2016 of USD15m was revised to USD7.5m in 2019 and settled for USD4.6m in 2018. There was a further claim in December 2018, following an underground blowout which resulted in the abandonment and subsequent re-drilling of the Kolo Well. The gross reserve posted in 2019 of USD9m was reduced to USD USD6.7m in 2020. The net reserve settled in 2020 at USD1m.

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 USD'000	% of portfolio	Amount USD'000	% of portfolio
Cash at bank and in hand	265	4%	28	4%
Fixed Deposits	6,261	96%	7,845	96%
Total	6,526	100%	7,873	100%

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

Asset Class	31/12/2020	31/12/2019
	USD'000	USD'000
Cash at bank and in hand	-	-
Fixed Deposits	54	196
Total	54	196

Return on investment decreased due to a reduction in interest rates

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

There are no other material matters in respect of the business and performance of the Company.

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.

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:

L. Schennings (Chairman)

W. Johnston

G. Connell

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 RMF can be carried out by the Captive Manager, Marsh Management Services (Dublin) Limited ("the Manager") under the supervision 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 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 took place over the reporting period, aside from the fact that certain functions, including the 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 non-executive Directors to the Board.

The Board of Directors of the Company includes a Group Director who are remunerated via their service agreements with Svenska Petroleum Exploration AB.

Independent Non-executive directors receive a fixed remuneration; there are no variable components of their remuneration.

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 non-life insurance captive whose principal activity is the issuance of insurance policies direct to its parent Company and its related subsidiaries/affiliated companies.

The Company did not enter into any transactions with key management personnel in the Petroswede 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 Petroswede 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 conduction 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.

Conclusion on 2020 risk management and ORSA

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

3rd Line of Defence – Independent Assessment, internal audit and actuarial functions

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 Outsourcing Agreement between the Company and Svenska Petroleum Exploration.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, PricewaterhouseCoopers, 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			
	Risk Management Function			
	Internal Audit Function			
PricewaterhouseCoopers	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

Non-Life underwriting risk at 31 December comprises 52% (2019: 50%) of the undiversified basic SCR.

The key underwriting risks to which the Company is exposed to are set out below:

Non-life premium and reserve risk

Underwriting risk arises from two sources – premium risk (pricing) and adverse claims development (reserve risk).

For a non-life insurer, underwriting risk is the risk arising from non-life reinsurance obligations in relation to the perils covered and the processes used in the conduct of business.

There are a number of material risks that are considered as a result of the Company's reinsurance underwriting.

For premium risk, the Company has considered the risk of under-pricing of premiums resulting in higher loss ratios than expected. The Board of Directors has approved an underwriting policy that established the standards and limitations' regarding the Company's underwriting activities. The Company has no appetite for the underwriting of risks outside of its approved underwriting policy.

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims. The Board of Directors has approved a loss reserving and IBNR policy that sets out the standards and requirements in relation to the establishment of technical provisions. The Company has no appetite for the setting of technical provisions below the actuarial best estimate of technical provisions.

Non-life catastrophe risk

The risk of a major natural or man-made event occurring, while not listed in the Company's risk register, is considered as part of its reinsurance strategy. Catastrophe risk is limited to the net exposure of USD1m for each and every loss but subject to an annual aggregate of USD1m. This may increase from time to time if construction projects are written. Included in catastrophe risk is an estimated reinstatement premium of USD1.129m.

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 insurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk, through retrocession with high credit quality entities;
- Spreading retrocession risks by a balanced panel relative to each panelist's participating interest;
- Monitoring changing environment and market conditions that affect risk;
- 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.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	USD'000
Concentration	1029
Spread	105
Interest	22

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

Concentration risk of US\$1.029m (2019:US\$0.68m) is the most significant market risk charge and arises from the two fixed deposits of €6.3m held with external credit institutions (A & BBB ratings).

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 linked to the credit rating of assets held and the effect of a market change in the credit curve.

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 and spread risk are not considered largely material given the nature and structure of the Company's investments. The Company has allocated an interest rate charge of USD22k and a spread risk charge of USD105k.

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 Company has a small exposure to currency risk and has allocated an FX risk charge of USD 42k.

C.2.2 Prudent person principle applied to market risks

The high quality and conservative investments are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

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;
- Monitoring changing environment and market conditions that affect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.3 Credit risk

C.3.1 Material market risks

Credit risk at 31 December comprises 32% (2019: 35%) 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 receivables and the reinsurer's share of technical provisions (under loss scenarios).

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;
- 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.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 insurance 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;
- Premiums are billed on an annual basis. Upon receipt of premium, investments are made in line with the Company's Investment and Asset Liability Policy;
- 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, employment practices, system failures and disregard of company policies.

The Company seeks to limit all operational risk through the implementation of a robust system of internal controls and procedures.

For such non-quantifiable risks, the Company has set a strategic surplus (target) of 15% as a prudent buffer to the Standard Formula calculation.

Operational risks are also 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. The operational risk capital charge as at 31 December 2020 is USD75k (2019: USD243k)

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 20% 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)

The Company has estimates a gross future premium payable of Nil

C.8 Stress and sensitivity tests

The Company's ORSA contains 5 scenarios. Stress testing is based on the largest risks per the Company's risk register, which have been determined to be:

1. Counterparty downgrade – bank
2. Large loss (net retention) in 2021
3. Intercompany balance;
4. Run-off
5. Occurrence of multiple operational risks.

The Board have considered additional scenarios in respect of poor Underwriting performance and note that due to the other lines of business and the open items on other UW years there remains exposures to additional claims. The Board agreed that Scenario 2 and Management Actions thereof provide an adequate profiling of all such claims or underwriting scenarios.

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 Board have considered a reverse stress scenario:

1. Loss plus reinsurer downgrade

If the Company was to suffer a gross loss of approximately USD10m (net USD1m) in 2021 with a concurrent 2 notch downgrade of the Company's largest reinsurer there is a significant impact on the own funds available for solvency. In this instance the SCR falls to 31% with the MCR falling below the regulatory minimum of 100% to 99%.

The Company considers the likelihood of this scenario occurring to be very remote.

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.

Following the decision to place the Company into run-off from 30 April 2021, the run-off scenario demonstrates that the Company is sufficiently capitalized to meet its solvency capital requirements for the projected timeframe.

The Board also noted the Company's reliance on its single shareholder to support its capital base should it be required.

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 Local 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	
	Assets per GAAP	Assets per Solvency II
	Total USD'000	Total USD'000
Cash and cash equivalents	265	265
Deposits Other than Cash Equivalents including accrued interest	6,261	6,261
Reinsurer's share of technical provisions	1,254	1,264
DAC	12	-
Deferred Tax Asset	-	57
Total assets	7,791	7,847

	31/12/2019	
	Assets per GAAP	Assets per Solvency II
	Total USD'000	Total USD'000
Cash and cash equivalents	28	2,780
Deposits Other than Cash Equivalents including accrued interest	7,910	5,159
Reinsurer's share of technical provisions	6,960	6,708
Other debtors	-	-
Deferred Tax Asset	23	60
Total assets	14,921	14,707

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are initially measured at transaction price and subsequently measured at fair value.

Adjustment for solvency purposes relates to the reclass of call deposit balances from deposits.

Deposits other than Cash Equivalents

Deposits with financial institutions and are stated at fair value inclusive of accrued interest.

Reinsurance recoverables

Reinsurance recoverables are comprised of the reinsurer's share of technical reserves.

Adjustments for solvency purposes relate to the application of the Solvency II best estimate valuation. The fair value of the claims provisions (provision for amounts recoverable from the related reinsurance contracts) is calculated by discounting estimated future cash-flows (best estimates) based on estimated duration of each provision (payment pattern), using the risk-free interest rates curve. An adjustment for reinsurer default is then applied.

Deferred Tax Asset

A deferred tax asset arises on the Solvency II revaluation of the technical provisions.

D.2 Technical Provisions

D.2.1 Local GAAP and Solvency II Valuations

Technical Provisions have been calculated in accordance with Articles 75-86 of the Solvency II directive 2009/138/EC.

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

Marine	31/12/2020	
	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000
Best estimate of liabilities (BEL)	1,556	1,816
Risk margin	-	197
Total technical provisions	1,556	2,013

Marine	31/12/2019	
	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000
Best estimate of liabilities (BEL)	8,251	8,091
Risk margin	-	205
Total technical provisions	8,251	8,296

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 Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Marine
Third Party Liability	Marine

The GAAP accounts of the Company include provisions for claims incurred and claims incurred but not reported, which consider all reasonably foreseeable best estimates.

The Solvency II technical provisions are made up of a best estimate of the claims, events not in data, recoverables under reinsurance, counterparty default adjustment and expenses cash flows that are discounted to give an estimate of the provisions. A risk margin is then added.

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

Cash-flows and discounting: Cash-flows have been discounted using the USD risk free yield curve as at 31 December 2020 as published by the European Insurance and Occupational Pensions Authority ("EIOPA").

Risk Margin

The risk margin has been calculated separately by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations

The annual cost of capital is taken to be 6% of the capital estimated at each future point.

D.2.2 Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are based on judgements, estimates and assumptions and are inherently uncertain. The key areas of uncertainty of the technical provisions are driven by the uncertainty of the underlying booked reserves. Hence, the key area of particular uncertainty relating to the Company's liabilities is

- The potential for adverse developments in claim experience whether driven by changes in claim frequency and/or severity
- Estimations rely on the patterns of development observed historically being repeated in the future. There is potential for changes in these historic observed paid and incurred claims development patterns which would create added uncertainty when estimating future expected claims costs.

D.2.3 Solvency II and local 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

Total reinsurance recoverable at 31 December 2020 was USD 1.3m (2019:USD6.9m). An analysis of the components of same together with an overview of the Solvency II valuation bases has been provided in Section D2.1.

D.2.9 Material changes in relevant assumptions made in the calculation of technical provisions

There are no material changes in the relevant assumptions made in the calculation of the technical provisions compared to the previous reporting period ("Day 1" Solvency II reporting).

D.3 Other liabilities

Other liabilities at 31 December 2020 were USD169k (2019: USD143k) and are composed of accrued expenses.

There were no differences between the Local GAAP and Solvency II valuations.

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 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 120% 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 or cash equivalents and fixed deposits 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 USD'000	Tier 3 USD'000	Total USD'000
1 January 2020	Opening balance comprising: Ordinary share capital Reconciliation Reserve	1,200 5,067	60	1,200 5,127
	Movement in the Reconciliation reserve for the year ended 31 December 2020	(659)		(659)
	Deferred tax	-	(3)	(3)
31 December 2020	Closing balance	5,608	57	5,665
	Represented by:			
	Ordinary share capital	1,200	-	1,200
	Reconciliation reserve comprising of:			
	• retained earnings and	4,868	-	4,868
	• Solvency II adjustments	(460)	-	(460)
	• Deferred tax	-	57	57
	Total Basic own funds after deductions	5,608	57	5,665

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 Tier 3 Basic Own Funds of USD 57k.

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 USD5.668m (2019:USD 6.267m). This is comprised of Tier 1 unrestricted Basic Own Funds of USD 5.608m (2019:USD 6.207m) and Tier 3 Basic Own Funds of USD57 k (2019:USD60k).

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 USD5.608m (2019:USD 6.207m). This is comprised of Tier 1 unrestricted Basic Own Funds of USD 5.608m (2019:USD 6.207m) and Tier 3 Basic Own Funds of USD 57k (2019:USD60k).

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		
	2020 USD'000	2019 USD'000
Solvency II - Basic Own Funds	5,665	6,267
Total Equity as per financial statements	6,068	6,527
Difference:	(403)	(260)
<u>Represented by:</u>		
Difference between Net Technical Provisions and BEL	(251)	(115)
Risk Margin – Non Life	(197)	(205)
Deferred Acquisition Costs	(12)	-
Deferred tax	57	60
Difference:	(403)	(260)

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 There are no ancillary own funds items.

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 and 2019:

	2020 USD'000	2019 USD'000
SCR	3,308	2,792
MCR	4,538	4,143

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.

2020:

Year ending	SCR	Market	Default	Non-Life
31 December	USD'000	USD'000	USD'000	USD'000
2020	3,308	1,037	953	2,182
2019	2,792	689	1,332	1,282

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.

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.

F TEMPLATES

The following QRTs are required for the SFCR.

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.17.01	Technical Provisions
S.19.01	Non- Life Claims
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

The templates are included at the end of the report.

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

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown

Total assets

	Solvency II value
	C0010
R0030	-
R0040	50
R0050	-
R0060	-
R0070	6,261
R0080	-
R0090	-
R0100	-
R0110	-
R0120	-
R0130	-
R0140	-
R0150	-
R0160	-
R0170	-
R0180	-
R0190	-
R0200	6,261
R0210	-
R0220	
R0230	-
R0240	-
R0250	-
R0260	-
R0270	1,264
R0280	1,264
R0290	1,264
R0300	-
R0310	
R0320	
R0330	
R0340	
R0350	-
R0360	-
R0370	-
R0380	-
R0390	-
R0400	-
R0410	265
R0420	-
R0500	7,840

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**

R0510	1,952
R0520	1,952
R0530	
R0540	1,816
R0550	136
R0560	
R0570	-
R0580	-
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	-
R0750	-
R0760	-
R0770	-
R0780	-
R0790	-
R0800	-
R0810	-
R0820	-
R0830	-
R0840	-
R0850	-
R0860	-
R0870	-
R0880	169
R0900	2,121
R1000	5,719

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written									
Gross - Direct Business	R0110								
Gross - Proportional reinsurance accepted	R0120								2,510
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								4,402
Net	R0200								- 1,892
Premiums earned									
Gross - Direct Business	R0210								
Gross - Proportional reinsurance accepted	R0220								2,510
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								4,412
Net	R0300								- 1,902
Claims incurred									
Gross - Direct Business	R0310								
Gross - Proportional reinsurance accepted	R0320								- 647
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								1,121
Net	R0400								- 1,768
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								
Other expenses	R1200								356
Total expenses	R1300								356

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	Sweden	
Premiums written	Gross - Direct Business	R0110	0	0	0
	Gross - Proportional reinsurance accepted	R0120		2,510	2,510
	Gross - Non-proportional reinsurance accepted	R0130		0	0
	Reinsurers' share	R0140		4,402	4,402
	Net	R0200		(1,892)	(1,892)
Premiums earned	Gross - Direct Business	R0210		0	0
	Gross - Proportional reinsurance accepted	R0220		2,510	2,510
	Gross - Non-proportional reinsurance accepted	R0230		0	0
	Reinsurers' share	R0240		4,412	4,412
	Net	R0300		(1,902)	(1,902)
Claims incurred	Gross - Direct Business	R0310		0	0
	Gross - Proportional reinsurance accepted	R0320		(647)	(647)
	Gross - Non-proportional reinsurance accepted	R0330		0	0
	Reinsurers' share	R0340		1,121	1,121
	Net	R0400		(1,768)	(1,768)
Changes in other technical provisions	Gross - Direct Business	R0410	0	0	0
	Gross - Proportional reinsurance accepted	R0420	0	0	0
	Gross - Non-proportional reinsurance accepted	R0430	0	0	0
	Reinsurers' share	R0440	0	0	0
	Net	R0500	0	0	0
Expenses incurred		R0550			0
Other expenses		R1200			356
Total expenses		R1300			356

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					148			
R0140					109			
R0150					38			
R0160					1,669			
R0240					1,251			
R0250					514			
R0260					1,816			
R0270					553			
R0280					135			
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					1,952			
R0330					1,264			
R0340					688			

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							148
R0140							109
R0150							38
R0160							1,669
R0240							1,251
R0250							514
R0260							1,816
R0270							553
R0280							135
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							1,952
R0330							1,264
R0340							688

S.19.01.21

Total Non-Life Business

Z0010	
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(absolute amount)

	Year	Development year											In Current year	Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			
Prior	R0100												R0100		
N-9	R0160	1,903											R0160		1903
N-8	R0170												R0170		
N-7	R0180												R0180		
N-6	R0190												R0190		
N-5	R0200												R0200		
N-4	R0210												R0210		
N-3	R0220												R0220		
N-2	R0230	4600											R0230		4600
N-1	R0240												R0240		
N	R0250	-647											R0250	-647	-647
	Total												R0260	-647	5,856

Non-life Insurance Claims Information

Development year

Year		0	1	2	3	4	5	6	7	8	9	10 & +	(discounted)		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360	
Prior	R0100											16	R0100	16	
N-9	R0160						157	145	31	29	15		R0160	14	
N-8	R0170					1,023	188	61	106	10			R0170	10	
N-7	R0180				1,156	130	592	92	-10				R0180	-10	
N-6	R0190			1,750	886	581	120	32					R0190	31	
N-5	R0200		7,294	1,093	852	498	82						R0200	80	
N-4	R0210	4,926	1,117	4,373	583	84							R0210	83	
N-3	R0220	5,101	2,692	1,144	184								R0220	183	
N-2	R0230	1,153	3,418	575									R0230	574	
N-1	R0240	2,126	342										R0240	342	
N	R0250	346											R0250	346	
													Total	R0260	1,669

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	1,200	1,200		0	
R0030	-	-		0	
R0040	-	-		0	
R0050	-		0	0	0
R0070	-	-			
R0090	-		0	0	0
R0110	-		0	0	0
R0130	4,469	4,469			
R0140	-		0	0	0
R0160	50				50
R0180	-	-	0	0	0
R0220					
R0230					
R0290	5,719	5,669	0	0	50
R0300	-			0	
R0310	-			0	
R0320	-			0	0
R0330	-			0	0
R0340	-			0	
R0350	-				0
R0360	-			0	
R0370	-			0	0
R0390	-			0	0
R0400	-			0	0
R0500	5,719	5,669	0	0	50
R0510	5,669	5,669	0	0	
R0540	5,719	5,669	0	0	50
R0550	5,669	5,669	0	0	
R0580	2,357				
R0600	4,538				
R0620	243%				
R0640	125%				

	C0060
R0700	5,719
R0710	-
R0720	-
R0730	1,250
R0740	-
R0760	4,469
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	1,037		
R0020	966		
R0030	-		
R0040	-		
R0050	1,060		
R0060	- 781		
R0070			
R0100	2,282		

	C0100
R0130	75
R0140	
R0150	
R0160	
R0200	2,357
R0210	
R0220	2,357
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		57	
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
Medical expense insurance and proportional reinsurance	R0020			
Income protection insurance and proportional reinsurance	R0030			
Workers' compensation insurance and proportional reinsurance	R0040			
Motor vehicle liability insurance and proportional reinsurance	R0050			
Other motor insurance and proportional reinsurance	R0060			
Marine, aviation and transport insurance and proportional reinsurance	R0070	553		-
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			
			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		57
SCR	R0310		2,357
MCR cap	R0320		1,061
MCR floor	R0330		589
Combined MCR	R0340		589
Absolute floor of the MCR	R0350		4,538
		C0070	
Minimum Capital Requirement	R0400		4,538