

PI Indemnity 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 reporting and public disclosure arrangements to be put in place by (re)insurers.

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

PI Indemnity 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 insurance business:

- Class 7: Goods in Transit;
- Class 8: Fire and Natural Forces;
- Class 9: Other Damage to Property;
- Class 13: General Liability;
- Class 15: Suretyship;
- Class 16: Miscellaneous Financial Loss

The Company is a non-life captive insurance undertaking and the principal activity of the Company, which is ultimately a wholly owned subsidiary of the Marsh & McLennan Companies, Inc, is the transaction of specific classes of insurance business written in Europe (excluding UK entities) in respect of group business only.

Business and Performance

The Company had a result on its technical account non-life insurance business of USD 871,149 profit (2019: USD 1,343,819 profit).

The directors consider the level of business and the financial position of the Company 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 the insurance liabilities.

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 the financial statements, the impact of COVID-19 remains uncertain due to ever changing circumstances. The Directors do not believe that any of the lines of business underwritten by the Company would give rise to additional losses due to COVID-19. The Directors have also reviewed the potential impact of COVID-19 on the Company's underwriting performance and the Directors are satisfied that Company's estimated solvency ratio under Solvency II remains within the Company's risk appetite range.

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	Internal	European Union	Jennifer Feldheim (PCF2 & PCF3)
	Compliance Function	Internal	European Union	
	Risk Management Function	Internal	European Union	
Marsh & McLennan Companies, Inc	Claims Administration	Internal	United States	Jim Mench (PCF2)
	Internal Audit Function	Internal	United States	
Oliver Wyman	Head of Actuarial Function	Internal	United States	

Risk Profile

The following table outlines the material risks to which the Company is exposed as well as the undiversified capital charge associated with those risks as at 31 December 2020.

Risk	Capital Charge USD
Non-life underwriting risk	1,731,833
Market risk	9,968,835
Counterparty default risk	12,499,730

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

Valuation for Solvency Purposes

The Company's assets and liabilities are valued on a best estimate basis under Solvency II methodology. This differs in some respects from the GAAP valuations presented in the financial statements. In particular, the technical provisions in the Solvency II balance sheet represent the present value of all future cash flows required to settle the insurance and reinsurance obligations over the lifetime of those obligations. A risk margin is also included within the Solvency II technical provisions, which represents the cost to the Company of holding an amount of eligible own funds equal to the Solvency Capital Requirement ("SCR") necessary to support insurance and reinsurance obligations over the lifetime of those obligations. Section D of this report compares in detail the Solvency II balance sheet with that included in 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 Minimum Capital Requirement ("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 yearly Own Risk and Solvency Assessment ("ORSA"), contains a four-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. The Company has no debt financing nor does it have plans to raise debt or issue new share capital over the four-year time horizon used for business planning.

As at 31 December 2020, the Company had eligible own funds to cover the SCR of USD 35.1m (2019: USD 34.4m) on a Solvency II valuation basis. This compares to an SCR of USD 19.5m (2019: USD 15.9m) and indicates an SCR cover ratio of 180% (2019: 217%). The MCR cover ratio is 719% (2019: 868%).

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

PI Indemnity 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 Omega Indemnity (Bermuda) Limited, a company incorporated in Bermuda.

A.1.5 Legal Structure of the Group

The ultimate parent Company is Marsh & McLennan Companies Inc., a company incorporated in the United States of America.

A.1.6 Material lines of business and geographical areas

The principal activity of the company, which is ultimately a wholly owned subsidiary of the Marsh & McLennan Companies, Inc., is the transaction of specific classes of insurance business written in Europe in respect of group business only.

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

A.1.7 Significant Business events during the reporting period

The COVID-19 pandemic that emerged in Q1 2020 initially created uncertainty on what the potential impacts for the Company could be. The Board made on-going assessments of the risks and solvency position of the Company, and will continue to closely monitor the evolving situation. The Board do not believe that any of the lines of business underwritten by the Company would give rise to additional losses due to COVID-19. COVID-19 did not have a significant effect on the Company from an operational perspective.

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

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of specific non-life insurance risks of the Marsh & McLennan Companies, Inc group companies

The Company writes the following lines of business: Property Damage/Business Interruption (Classes 8 &9), Professional Indemnity (Class 13) Financial Crime (Class 16) and Suretyship (Class 15). For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage	Fire and Other Damage to Property
Professional Indemnity	General Liability
Financial Crime	Miscellaneous Financial Loss
Surety	Credit & Suretyship

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

The tables below show a summary of the technical (underwriting) account for the year ended 31 December 2019 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 Performance	UW	31/12/2020	31/12/2019
		USD'000	USD'000
Written Premiums		4,327	4,021
Earned Premiums		2,292	2,053
Gross Claims Incurred		(8,860)	1,644
Underwriting Expenses		(59)	(544)
Reinsurer's Share		7,400	(2,052)
Allocated Investment Return		98	243
Net Technical Result		871	1,344

Financial year ended 31 December 2020					
European Union	Professional Indemnity	Financial Crime	Surety	Property	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Gross Written Premiums	3,843	143	251	90	4,327
Gross Earned Premiums	2,116	-	228	(52)	2,292
Gross Claims Incurred	-	-	-	(8,860)	(8,860)
Underwriting Expenses	(53)	(3)	(2)	(1)	(59)
Reinsurer's Share	7,400	-	-	-	7,400
Allocated Investment Return	98	-	-	-	98
Net Technical Result	9,561	(3)	226	(8,913)	871

Financial year ended 31 December 2019					
European Union	Professional Indemnity	Financial Crime	Surety	Property	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Gross Written Premiums	3,483	140	201	197	4,021
Gross Earned Premiums	1,799	-	201	53	2,053
Gross Claims Incurred	-	-	-	1,644	1,644
Underwriting Expenses	(475)	(18)	(26)	(25)	(544)
Reinsurer's Share	(2,052)	-	-	-	(2,052)
Allocated Investment Return	243	-	-	-	243
Net Technical Result	(485)	(18)	175	1,672	1,344

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 2019 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	3,895	10%	10,884	27%
Loan to Group Undertaking	36,865	90%	29,000	73%
Total	40,760	100%	39,884	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 and fixed deposits	(4)	(3)
Loan to Group Undertaking	931	1,171
Total	927	1,168

The increase in interest income earned is mainly due to the increase in interest rate if compared to prior year. The intercompany loan balance increased from USD 29m (2019) to USD 36.9m (2020).

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 (re)insurance 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 ("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:

J. Mench

K. Farrell (retired 25 February 2021)

J. Feldheim (Chairperson)

J. Magee

B. McDonagh

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 within the MMC Group. The HoAF reports to the Board.

Internal Audit Function

The internal audit function is outsourced to the internal audit function of MMC Group. 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 Executive Directors to the Board.

The Board of Directors of the Company includes Group Directors who are remunerated via their service agreements with MMC Group.

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 transaction of specific classes of insurance business written in Europe (excluding UK entities) in respect of group business only.

The Company did not enter into any transactions with key management personnel in the MMC group during the year ended 31 December 2020.

The Company has a reinsurance arrangement in place with its immediate parent.

Mr. B. McDonagh and Mr. John Magee, directors of the Company, are also directors of the Captive Administration Manager, Marsh Management Services (Dublin) Limited.

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 Marsh & McLennan 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 four 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 4 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:

1st line of defence: "Day to day" operations and associated controls/

2nd 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 internal audit function of MMC Group. 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 Marsh & McLennan Companies, Inc.

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, Oliver Wyman, 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	Internal	European Union	Jennifer Feldheim (PCF2 & PCF3)
	Compliance Function	Internal	European Union	
	Risk Management Function	Internal	European Union	
Marsh & McLennan Companies, Inc	Claims Administration	Internal	United States	Jim Mench (PCF2)
	Internal Audit Function	Internal	United States	
Oliver Wyman	Head of Actuarial Function	Internal	United States	

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

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

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

Non-Life underwriting risk at 31 December 2020 comprises 9% 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 insurance 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 parent company has established experience in managing the group insurance risks. Pricing is derived primarily from actuarially projected losses.

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 nature of liability claims is long term and the company has over ten years management experience and claims data which is used in quarterly actuarial predictions which current show in recent years that claims payments are falling rather than increasing.

Non-life catastrophe risk

The risk of a major natural or man-made event occurring, is likely to be restricted to 'All Risks' property policy rather than the liability policies and is not listed in the Company's risk register, as the risk is 100% re-insured with a highly rated reinsurance counterparty (S&P, A+ Rating.).

C.1.2 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting insurance of risks which are sourced across the European Union and across a number of lines of business.

C.1.3 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 reinsurance with high credit quality entities;
- 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	7,509
Spread	516
Interest	122
Currency	6,377

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

Concentration risk of USD 7.5m is the most significant market risk charge and arises from the credit agreement with MMC Inc. (A rating).

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 USD 122k and a spread risk charge of USD 516k.

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.

Currency risk arises in respect of insurance obligations in Euro; this is mitigated by the Company's strategy of matching Euro technical provisions with Euro assets.

C.2.2 Material risk concentrations

Market risk concentration arises in respect of the inter-company loan (A rating).

C.2.3 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.2.4 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 credit risks

Credit risk at 31 December 2020 comprises 67% 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 mainly driven by cash at bank and the reinsurer's share of technical provisions, the majority of which are held with another group captive (unrated) (under loss scenarios).

C.3.2 Material risk concentrations

While the significant reinsurance provided by the group reinsurer could be considered a material risk concentration to the Company, this is mitigated by the monthly review of the reinsurer's solvency, continuous monitoring of large losses by Group Risk Management.

C.3.3 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.3.4 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;
- Primary reinsurer is subject to monthly solvency review;
- Continuous monitoring of large claims by Group Risk Management;
- 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.

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 USD 800k.

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% 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)

Nil.

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. An overall 20% increase in underwriting losses in all lines of business.
2. A credit rating downgrade in 2020 in ONE of the banks and maintained throughout the projected period.
3. A credit rating downgrade in ALL of the banks and the intercompany loan and maintained throughout the projected period.
4. A combination of an overall 20% increase in underwriting losses and a credit rating downgrade in one of the banks (Scenario 1 and Scenario 2 occurring simultaneously).

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

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.

The Board also noted the Company's reliance on its Parent Company 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		31/12/2019	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	USD'000	USD'000	USD'000	USD'000
Cash and cash equivalents	3,895	3,895	10,884	10,884
Loan to Group Undertaking	36,865		29,000	-
Other Mortgages and Loans		37,105	-	29,057
Reinsurer's Recoverables	22,942	23,919	15,605	16,842
Insurance and Intermediaries Receivables	676	676	713	713
Reinsurance Receivables	898	898	2,446	2,446
Other Assets	241	-	57	-
Deferred Tax Asset	-	-	-	158
Total assets	65,517	66,495	58,705	59,942

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 measured at fair value.

Loan to Group Undertaking

Valued at fair value at year end. Under Solvency II the Loan to Group undertakings includes accrued interest.

Adjustment for solvency purposes relates to the reclass to "Other Mortgages and Loans".

Reinsurance recoverables

Reinsurance recoverables are comprised of the reinsurer's share of unearned premiums and a provision for amounts recoverable from the related reinsurance contract.

Adjustments for solvency purposes relates to the application of the Solvency II best estimate valuation. The fair value of these combined technical provisions 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.

D.2 Technical Provisions

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.

D.2.1 Local GAAP and Solvency II Valuations

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	Fire and Other Damage to Property
Professional Indemnity	General Liability
Financial Crime	Miscellaneous Financial Loss
Surety	Credit & Suretyship

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

Insurance Class	31/12/2020		31/12/2019	
	TPs per GAAP	TPs per Solvency II	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000	USD'000	USD'000
General Liability				
Best estimate of liabilities (BEL)	25,348	26,307	19,055	20,312
Risk margin	-	2,363	-	1,727
Miscellaneous Financial Loss				
Best estimate of liabilities (BEL)	-	133	-	98
Risk margin	-	-	-	
Credit & Suretyship				
Best estimate of liabilities (BEL)	-	-	-	101
Risk margin	-	26	-	21
Property				
Best estimate of liabilities (BEL)	-	216	-	44
Risk margin	-	22	-	7
Total technical provisions	25,348	29,067	19,055	22,310

The 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 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 GAAP provisions in order to obtain the Solvency II technical provisions. Key points to note are as follows:

The Solvency II technical provisions are made up of a best estimate of the claims, premiums and expenses cash flows that are discounted to give an estimate of the provisions.

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 Company has chosen to use Simplification 3 method.

The annual cost of capital is taken to be 6% of the capital estimated at each future point, discounted to the valuation date using the same risk free yield curve as that used to determine the best estimate technical provisions.

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. Hence, the key area of particular uncertainty relating to the Company's liabilities is:

Given that the long term nature of claims under E&O coverage is significantly volatile in terms of ultimate costs, it cannot be guaranteed that the estimate of the Company's outstanding losses and ALAE will not prove to be inadequate or excessive,

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 recoverables at 31 December 2020 were USD 23.9m (2019: USD 16.8m). An analysis of the components of same together with an overview of the Solvency II valuation bases has been provided in Section D1.1.

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.

D.3 Other liabilities

Other liabilities at 31 December 2020 were USD 2.2m (2019: USD 3.2m) and are composed of reinsurance balances payable and 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 business plan, which forms the basis of the ORSA contains a four 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 four 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 in cash or cash equivalents and an intercompany loan 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	Total USD'000
1 January 2020	Opening balance comprising: Ordinary share capital Reconciliation Reserve	7,000 27,378	- -	7,000 27,378
	Movement in the Reconciliation reserve for the year ended 31 December 2020	762	-	762
	Deferred tax asset	-	-	-
31 December 2020	Closing balance	35,140	-	35,140
	Represented by:			
	Ordinary share capital	7,000		7,000
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	28,140		28,140
	Total Basic own funds after deductions	35,140	-	35,140

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, no tier 2 and no tier 3 own funds.

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 USD 35.1m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD 35.1m.

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 USD 35.1m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD 35.1m.

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	
	USD'000
Solvency II - Basic Own Funds	35,141
Total Equity as per financial statements	37,883
Difference:	(2,742)
<u>Represented by:</u>	
Difference between Net Technical Provisions and BEL	(1,308)
Risk Margin – Non Life	(2,411)
Reinsurance recoverables	977
Deferred tax liability	-
Difference:	(2,742)

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:

	USD'000
SCR	19,540
MCR	4,885

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.

SCR Overview	USD'000
Market risk	9,969
Counterparty default risk	12,500
Non-life underwriting risk	1,732
Diversification	(5,460)
Basic Solvency Capital Requirement	18,740
Operational risk	800
Solvency Capital Requirement	19,540

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	USD'000
Linear MCR	601
SCR	19,540
MCR cap	8,793
MCR floor	4,885
Combined MCR	4,885
Absolute floor of the MCR	3,062
Minimum Capital Requirement	4,885

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.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.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES - 31 DECEMBER 2020

Annex I		
S.02.01.02		
(all amounts in USD 000's)		
Balance sheet		
Assets		Solvency II value
		C0010
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	37,105
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	37,105
Reinsurance recoverables from:	R0270	23,919
Non-life and health similar to non-life	R0280	23,919
Non-life excluding health	R0290	23,919
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	676
Reinsurance receivables	R0370	898
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410	3,895
Cash and cash equivalents	R0420	0
Any other assets, not elsewhere shown	R0430	
Total assets	R0500	66,495

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510 29,068
Technical provisions – non-life (excluding health)	R0520 29,068
Technical provisions calculated as a whole	R0530
Best Estimate	R0540 26,657
Risk margin	R0550 2,411
Technical provisions - health (similar to non-life)	R0560
Technical provisions calculated as a whole	R0570
Best Estimate	R0580
Risk margin	R0590
Technical provisions - life (excluding index-linked and unit-linked)	R0600
Technical provisions - health (similar to life)	R0610
Technical provisions calculated as a whole	R0620
Best Estimate	R0630
Risk margin	R0640
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650
Technical provisions calculated as a whole	R0660
Best Estimate	R0670
Risk margin	R0680
Technical provisions – index-linked and unit-linked	R0690
Technical provisions calculated as a whole	R0700
Best Estimate	R0710
Risk margin	R0720
Contingent liabilities	R0740
Provisions other than technical provisions	R0750
Pension benefit obligations	R0760
Deposits from reinsurers	R0770
Deferred tax liabilities	R0780
Derivatives	R0790
Debts owed to credit institutions	R0800
Financial liabilities other than debts owed to credit institutions	R0810
Insurance & intermediaries payables	R0820 2,108
Reinsurance payables	R0830 7
Payables (trade, not insurance)	R0840
Subordinated liabilities	R0850
Subordinated liabilities not in Basic Own Funds	R0860
Subordinated liabilities in Basic Own Funds	R0870
Any other liabilities, not elsewhere shown	R0880 171
Total liabilities	R0900 31,354
Excess of assets over liabilities	R1000 35,141

S.05.01.01.01 Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

Z Axis:

			Line of Business for: non-life insurance and reinsurance obligations (direct business)				Total
			Fire and other damage to property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Miscellaneous financial loss C0120	C0200
Premiums written	Gross - Direct Business	R0110	90,464	3,842,564	250,532	142,985	4,326,545
	Gross - Proportional reinsurance accepted	R0120					0
	Gross - Non-proportional reinsurance accepted	R0130					0
	Reinsurers' share	R0140	178,810	1,709,491	0	142,985	2,031,286
	Net	R0200	(88,347)	2,133,073	250,532	0	2,295,258
Premiums earned	Gross - Direct Business	R0210	98,530	3,798,416	228,418	142,985	4,268,349
	Gross - Proportional reinsurance accepted	R0220					0
	Gross - Non-proportional reinsurance accepted	R0230					0
	Reinsurers' share	R0240	150,549	1,682,231	0	142,985	1,975,765
	Net	R0300	(52,019)	2,116,186	228,418	0	2,292,585
Claims incurred	Gross - Direct Business	R0310	106,775	8,633,826			8,740,601
	Gross - Proportional reinsurance accepted	R0320					0
	Gross - Non-proportional reinsurance accepted	R0330					0
	Reinsurers' share	R0340	106,775	7,173,367			7,280,142
	Net	R0400	0	1,460,459	0	0	1,460,459
Changes in other technical provisions	Gross - Direct Business	R0410					0
	Gross - Proportional reinsurance accepted	R0420					0
	Gross - Non- proportional reinsurance accepted	R0430					0
	Reinsurers' share	R0440					0
	Net	R0500	0	0	0	0	0
Expenses incurred		R0550	11,373	483,081	31,496	17,976	59,370
Other expenses		R1200					0
Total expenses		R1300					59,370

S.05.02.01.02 Top 5 countries (by amount of gross premiums written) - non-life obligations

Z Axis:

			Home Country	BELGIUM	FRANCE	GERMANY	NETHERLANDS	SWEDEN	Top 5 and home country
			C0080	C0090_22	C0090_76	C0090_83	C0090_157	C0090_214	C0070
Premiums written	Gross - Direct Business	R0110	1,650,857	206,544	99,052	610,796	364,334	150,638	3,082,221
	Gross - Proportional reinsurance accepted	R0120							0
	Gross - Non-proportional reinsurance accepted	R0130							0
	Reinsurers' share	R0140			149,444				149,444
	Net	R0200	1,650,857	206,544	(50,392)	610,796	364,334	150,638	2,932,777
Premiums earned	Gross - Direct Business	R0210	1,754,858	164,171	778,749	577,660	369,330	82,133	3,726,901
	Gross - Proportional reinsurance accepted	R0220							0
	Gross - Non-proportional reinsurance accepted	R0230							0
	Reinsurers' share	R0240			149,444				149,444
	Net	R0300	1,754,858	164,171	629,305	577,660	369,330	82,133	3,577,457
Claims incurred	Gross - Direct Business	R0310	3,879,557		281,118	282,984	95,041	52,169	4,590,869
	Gross - Proportional reinsurance accepted	R0320							0
	Gross - Non-proportional reinsurance accepted	R0330							0
	Reinsurers' share	R0340			(53,807)				(53,807)
	Net	R0400	3,879,557	0	334,925	282,984	95,041	52,169	4,644,676
Changes in other technical provisions	Gross - Direct Business	R0410							0
	Gross - Proportional reinsurance accepted	R0420							0
	Gross - Non-proportional reinsurance accepted	R0430							0
	Reinsurers' share	R0440							0
	Net	R0500							0
Expenses incurred		R0550	59,370						59,370
Other expenses		R1200							
Total expenses		R1300							

Annex I

S.17.01.02

Non-life Technical Provisions

(all amounts in USD 000's)

(all amounts in USD 000's)																	
Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport	Non-proportional property reinsurance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
Technical provisions calculated as a whole	R0010																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050																
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	R0060					216	4,511	0			133						4,860
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					216	3,822	0			0						4,038
Net Best Estimate of Premium Provisions	R0150					0	689	0			133						822
Claims provisions																	
Gross	R0160					0	21,797	0			0						21,797
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					0	19,882	0			0						19,882
Net Best Estimate of Claims Provisions	R0250					0	1,915	0			0						1,915
Total Best estimate - gross	R0260					216	26,307	0			133						26,657
Total Best estimate - net	R0270					0	2,604	0			133						2,737
Risk margin	R0280					21	2,365	25			0						2,411
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0290					0	0	0			0						0
Best estimate	R0300					0	0	0			0						0
Risk margin	R0310																0
Technical provisions - total																	
Technical provisions - total	R0320					237	28,672	25			133						29,068
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					216	23,704	0			0						23,919
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340					21	4,968	25			133						5,149

Annex I

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	
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Gross Claims Paid (non-cumulative)
(all amounts in USD 000's)

	Year	Development year											In Current year	Sum of years (cumulative)	
		-	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	-	1,223	394	1,126	213	112	892	15	-	-		R0160	-	3,976
N-8	R0170	20	1,353	517	386	122	35	128	-	15			R0170	15	2,577
N-7	R0180	3	943	839	121	121	62	-	-				R0180	-	2,089
N-6	R0190	65	828	417	72	30	96	37					R0190	37	1,547
N-5	R0200	11	642	3,413	1,209	5	24						R0200	24	5,304
N-4	R0210	22	646	116	100	21							R0210	21	905
N-3	R0220	59	2,223	4,996	2,806								R0220	2,806	10,083
N-2	R0230	1	168	1,355									R0230	1,355	1,524
N-1	R0240	-	390										R0240	390	390
N	R0250	-											R0250	-	-
Total												R0260	4,649	28,394	

Gross undiscounted Best Estimate Claims Provisions
(all amounts in USD 000's)

(in million of R0100)														
		Development year											Year end	
Year		-	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											79	R0100	78
N-9	R0160							356	549	135	85		R0160	84
N-8	R0170						317	73	342	110			R0170	110
N-7	R0180					1,394	62	601	172				R0180	173
N-6	R0190				5,508	4,322	805	464					R0190	468
N-5	R0200			4,335	3,791	1,125	816						R0200	825
N-4	R0210		5,112	2,934	1,947	1,046							R0210	1,058
N-3	R0220	1,837	5,596	2,882	1,542								R0220	1,559
N-2	R0230	2,017	4,214	2,537									R0230	2,559
N-1	R0240	6,266	3,796										R0240	3,819
N	R0250	5,536											R0250	5,548
Total													R0260	16,280

Annex I
S.23.01.01
(all amounts in USD 000's)

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	7,000	7,000			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	28,141	28,141			
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	0	0			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds		0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions		0				
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	35,141	35,141	0	0	0
Ancillary own funds		0				
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0				
Available and eligible own funds		0				
Total available own funds to meet the SCR	R0500	35,141	35,141	0	0	0
Total available own funds to meet the MCR	R0510	35,141	35,141			
Total eligible own funds to meet the SCR	R0540	35,141	35,141	0	0	0
Total eligible own funds to meet the MCR	R0550	35,141	35,141			
SCR	R0580	19,540				
MCR	R0600	4,885				
Ratio of Eligible own funds to SCR	R0620	180%				
Ratio of Eligible own funds to MCR	R0640	719%				
Reconciliation reserve						
Excess of assets over liabilities	R0700	35,141				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	7,000				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Reconciliation reserve	R0760	28,141				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780					
Total Expected profits included in future premiums (EPIFP)	R0790					

Annex I
S.25.01.21
(all amounts in USD 000's)
Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0010	C0090	C0100
Market risk	R0010 9,969		
Counterparty default risk	R0020 12,500		
Life underwriting risk	R0030		
Health underwriting risk	R0040		
Non-life underwriting risk	R0050 1,732		
Diversification	R0060 -5,460		
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100 18,740		
Calculation of Solvency Capital Requirement	C0100		
Operational risk	R0130 800		
Loss-absorbing capacity of technical provisions	R0140		
Loss-absorbing capacity of deferred taxes	R0150		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160		
Solvency capital requirement excluding capital add-on	R0200 19,540		
Capital add-on already set	R0210		
Solvency capital requirement	R0220 19,540		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	R0400		
Total amount of Notional Solvency Capital Requirement for remaining part	R0410		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430		
Diversification effects due to RFF nSCR aggregation for article 304	R0440		

Annex I**S.28.01.01****(all amounts in USD 000's)****Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity****Linear formula component for non-life insurance and reinsurance obligations**

	C0010
MCR _{NL} Result	R0010 601

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	
Income protection insurance and proportional reinsurance	R0030	
Workers' compensation insurance and proportional reinsurance	R0040	
Motor vehicle liability insurance and proportional reinsurance	R0050	
Other motor insurance and proportional reinsurance	R0060	
Marine, aviation and transport insurance and proportional reinsurance	R0070	
Fire and other damage to property insurance and proportional reinsurance	R0080 0	0
General liability insurance and proportional reinsurance	R0090 2,604	2,133
Credit and suretyship insurance and proportional reinsurance	R0100	251
Legal expenses insurance and proportional reinsurance	R0110	
Assistance and proportional reinsurance	R0120	
Miscellaneous financial loss insurance and proportional reinsurance	R0130 133	0
Non-proportional health reinsurance	R0140	
Non-proportional casualty reinsurance	R0150	
Non-proportional marine, aviation and transport reinsurance	R0160	
Non-proportional property reinsurance	R0170	

Linear formula component for life insurance and reinsurance obligations

	C0040
MCR _L Result	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 601
SCR	R0310 19,540
MCR cap	R0320 8,793
MCR floor	R0330 4,885
Combined MCR	R0340 4,885
Absolute floor of the MCR	R0350 3,062
	C0070
Minimum Capital Requirement	R0400 4,885